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POSTAL REORGANIZATION

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

SECOND SESSION

ON

S. 2844

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

PART 4

APRIL 19 AND 20, 1976

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



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(II)

CONTENTS

CHRONOLOGICAL ORDER OF WITNESSES

MONDAY, APRIL 19, 1976

Rademacher, James, president, National Association of Letter Carriers; Francis S. Filbey, president, Patrick J. Nilan, legislative director, American Postal Workers Union; and James J. LaPenta, Jr., Laborers' International Union of North America-----	Page 4
Winston, James, president, Paramount Line, Inc., Pawtucket, R.I., representing the National Association of Greeting Card Publishers, accompanied by Charles Ruttenberg and Douglas Green of the firm of Arent, Fox, Kintner, Plotkin & Kahn-----	42

TUESDAY, APRIL 20, 1976

McKee, Russell, chairman, Joint Committee on Postal Rate Structure, International AACL, Michigan Department of Natural Resources, accompanied by Ed Johnson, editor, "Wonderful West Virginia," Department of Natural Resources, State of West Virginia-----	79
Jennings, Kenneth R., president, National League of Postmasters; John C. Goodman, president, National Association of Postmasters; Eugene Dalton, legislative representative and postmaster in Logan, Ga.; and Joseph Gondola, legislative chairman-----	107
Lee, Pat, postmaster, Glasgow, W. Va.-----	131

PREPARED STATEMENTS

McGee, Senator Gale W., chairman-----	2, 76
Rademacher, James H., president, National Association of Letter Carriers-----	8
LaPenta, James J., Jr., representing Laborers' International Union of North America-----	31
Additional comments-----	40
Dole, Senator Bob (Kansas)-----	59
Hanley, Congressman James M. (New York)-----	67
McKee, Russell, editor, Michigan Natural Resources-----	94

MATERIAL SUBMITTED FOR THE RECORD

Responses of National Association of Greeting Card Publishers to questions submitted by the committee-----	50
Resolution sent to Senator Warren G. Magnuson from the Ravenna-Bryant Community Association requesting an environmental impact statement prior to the building of new postal facilities-----	53
Letters to Senator Harry F. Byrd, Jr., from Andrew Newton; recommending ways of improving the U.S. Postal Service-----	56
Letter to Senator McGee from Earl M. Thomas, assistant director, Wyoming Game and Fish Department; request support of S. 872 (introduced bill of Senators Hatfield and Abourezk)-----	70
Editorials from the New York Times and the Washington Post; referring to clearcutting practices which the U.S. Forest Service employs-----	86
Letters from former Postmasters General:	
J. Edward Day-----	118
E. T. Klassen-----	121
Winton M. Blount-----	122
W. Marvin Watson-----	125
James A. Farley-----	127
Statement by Senator Randolph excerpted from the Congressional Record, March 11, when introducing S. 3082-----	142

IV

APPENDIX

Statements submitted for the record :	Page
Cranston, Senator Alan (California)-----	149
Alexander, Representative Bill (Arkansas)-----	153
Crane, Representative Philip (Illinois)-----	166
Brennan, Joseph E., attorney general, Maine-----	169
Day, J. Edward, general counsel, Associated Third Class Mail Users--	177
Hurley, John Edward, president, First Class Mailers Association----	189
Zack, Allen Y., secretary-treasurer, International Labor Press Association, AFL-CIO, CLC-----	194
Goodman, John C., president, National Association of Postmasters and Kenneth H. Jennings, president, National League of Postmasters--	200
Partridge, Robert D., executive vice president, National Rural Electric Cooperative Association-----	207
Schwab, Donald H., director, National Legislative Service of the Veterans of Foreign Wars-----	211
McClennan, William H., president, Public Employee Department, AFL-CIO-----	214
Leibman, Morris I., counsel, Commerce Clearing House, Inc-----	218
Burzio, John M., counsel, Bureau of National Affairs, Inc-----	220
Schmidt, Richard M., Jr., represents Prentice-Hall, Inc. and Research Institute of America, Inc-----	221
American Library Association-----	237
Friedhelm, Jerry W., general manager, American Newspaper Publishers Association-----	241
Kelly, Stephen E., president, Magazine Publishers Association-----	243
National Association of Manufacturers-----	247
Scott, John W., Master of the National Grange-----	267
National Newspaper Association-----	274
Kraja, Mylio S., director, National Legislative Commission and James F. O'Neil, publisher, The American Legion Magazine-----	277
Classroom Periodical Publishers Association-----	282
Foreman, Charles W. L., vice president, United Parcel Service-----	285
Davis, Hilton, general manager, Legislative Action, Chamber of Commerce of the United States-----	302
Coan, Carl A. S., Jr., staff vice president and legislative counsel, National Association of Home Builders-----	304
Bunn, David A., executive vice president, Parcel Post Association of America-----	307
Chronister, Hugh, president, Agricultural Publishers Association-----	316
Albert, Lio N., chairman, Association of American Publishers-----	324
Green, Richard D., president, Association of Second Class Mail Publications, Inc-----	327
Lucey, Charles Emmet, counsel, the Catholic Press Association, Associated Church Press, Evangelical Press Association, and American Jewish Press Association-----	330
Ledbetter, Donald N., in behalf of the National Association of Postal Supervisors-----	345
Miller, Lester F., president, National Rural Letter Carriers' Association-----	350
Maraney, John V., executive director, National Star Route Mail Carriers' Association-----	361
Proposed amendment to title 39, submitted by second-class mail user associations-----	337
Editorial published in Time Magazine, April 19, 1976-----	369

POSTAL REORGANIZATION

Part 4

MONDAY, APRIL 19, 1976

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

The committee met, pursuant to call, at 10:07 a.m., in room 6202, Dirksen Senate Office Building, Hon. Gale W. McGee (chairman of the committee) presiding.

The CHAIRMAN. The committee is called to order.

Happy Easter, and whatever foolish alibies you have for being here on the opening day of the recess.

I really do appreciate the interest of those who are here today and will be here tomorrow to assist us in moving further along on this long sequence of public hearings.

Today we are going to be hearing from a group of witnesses who have a particular expertise on the questions before us.

Their expertise comes from a deep involvement with the operation of the Postal Service. It goes back even further to an involvement before reorganization, as well as a considerable input into the new Postal Service structure by being involved with the compromises that were worked out, even though some of us had ideas how we might better have done it at the time.

The name of the game up on the Hill is to work out a compromise that all can move ahead with. That is all I will say to begin with this morning so that we might expedite the matter at hand.

I will put this eloquent statement of mine into the record.

[The following was received for the record.]

OPENING REMARKS

ON S. 2844

BY SENATOR GALE MCGEE, CHAIRMAN
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

APRIL 19, 1976

The hearing is now called to order so that the Committee can continue considering S. 2844.

Everyone here is aware that the Committee has been examining legislation which will help to ameliorate the financial difficulties facing the Postal Service. We opened hearings on S. 2844 on January 27, and since that time, we have had five days of hearings. In the testimony that the Committee has received to date, we have confirmed that double-digit inflation has caused the Postal Service to accumulate a deficit of \$3.1 billion by the end of fiscal 1976. Further, the money problems facing the Postal Service are compounded by a decreasing volume of mail.

For far too long, the Congress was a voice in the wilderness crying out for increased public subsidy. The Administration either ignored the matter or glibly spoke of belt-tightening. But there have been some changes. The Office of Management and Budget decided after our last hearing that it was time to return the Postmaster General's unanswered telephone calls and to sit down with Mr. Bailar to speak seriously about the Postal Service's problems. Shortly after, the President's Press Secretary indicated that the President would consider a "modest" increased

subsidy for the Postal Service. Incidentally, the Senate Budget Committee has included an additional \$1 billion subsidy in its report.

So, there are signs that our chances to resolve the problems of the Postal Service are not quite so grim as they appeared some months ago. This, of course, does not mean that we now have clear sailing for the bill. While we have heard from the Postal Service and the Administration, there are still those witnesses who have a considerable insight into what has gone wrong and what has gone right about the Service. A good many of these patrons have agreed to submit written testimony so that the Committee might have the benefit of their thoughts.

The Committee plans to hear from the postal unions and the National Association of Greeting Card Publishers today. Tomorrow, representatives of state conservation magazines and the two postmasters organizations will be testifying. This morning, we are going to start with a panel of the postal unions--The National Association of Letter Carriers, The American Postal Workers Union and The Laborers' International Union of North America. These three unions know as much as anyone in the country about the serious straits in which the Service finds itself. They have been most active in sharing their views not only with the Committee but with the public at large. We are happy to welcome James Rademacher from the National Association of Letter Carriers, Francis Filbey from the American Postal Workers Union and James LaPenta from the Laborers' International Union. Anything you gentlemen can do to get quickly to the heart of the matter would be much appreciated by the Committee.

The CHAIRMAN. Our first witness this morning is Mr. James Rademacher, president, National Association of Letter Carriers, along with Mr. Francis S. Filbey, president of the American Postal Workers Union, and Pat Nilan, the legislative director; also with us is Mr. James J. LaPenta, Jr., Laborers' International Union of North America.

The first panel will proceed in whatever way it believes to be the most effective.

My right arm aches with the weight of these addresses that are about to be delivered. I trust that the cream will be skimmed off and presented to us with the wisdom that is implicit therein. We want to use the testimony that you gentlemen have to present in rounding off the record as we make our recommendations to the Congress.

I will ask you to draw straws to see who goes first.

Well, I just did, and we will start with you, Jim Rademacher, and then Mr. Filbey and then Jim LaPenta, from my right to left.

Jim Rademacher, will you launch this, please?

STATEMENT OF A PANEL CONSISTING OF JAMES RADEMACHER, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS; FRANCIS S. FILBEY, PRESIDENT, PATRICK J. NILAN, LEGISLATIVE DIRECTOR, AMERICAN POSTAL WORKERS UNION; AND JAMES J. LAPENTA, JR., LABORERS' INTERNATIONAL UNION OF NORTH AMERICA

Mr. RADEMACHER. Thank you, Mr. Chairman.

We respectfully request that our complete testimony be made a part of the record. If that is done, we are reporting an error on page 12. The concluding paragraph, which commences "Some representatives of management at United States Postal Service," not "United Parcel Service." I would like that error corrected.

The CHAIRMAN. That is a slight difference.

Mr. RADEMACHER. There is a difference in the way this is worded.

The CHAIRMAN. Your full statement will appear in the record. You may proceed to summarize, Jim.

Mr. RADEMACHER. In our testimony, Mr. Chairman, we declare our position concerning the Postal Service and the legislation under study by your committee. Briefly stated, our position is that there is nothing wrong with the Postal Service that money and a new managerial concept cannot correct.

The reasons for the present financial crisis are documented. Our union has verified the unhealthy economic condition of our employer. We have found a need for increased appropriations as provided in S. 2844.

INFLATION AND DELAYED RATE INCREASES

We have also ascertained that the current economic dilemma of the U.S. Postal Service has been caused generally by inflation, with the help of the Rate Commission reluctant to grant permanent rate increases.

All the Postal Service is asking, and all that we are supporting is a replacement of those dollars which were consumed by inflation and delayed permanent rate increases.

While we support the pending legislation, we deplore the managerial errors which have compounded the problem. We feel that since the birth of the U.S. Postal Service, there has been a marked tendency on the part of management to attain the break-even concept years in advance of that impossibility.

In their anxiety to reach a break-even plateau, postal managers have placed the Postal Service in a position of being despised by many disgruntled users of the mail. The recent exposure of "nonsense machines" has added to the public disgust for a system which was intended to be a service and not a necessary evil.

The unfortunate reaction of the public is that the finger points at the people who carry the mail and who are the closest representatives of our Government to the American people.

Yet, the letter carrier is innocent of any mismanagement or machine errors.

S. 2844 is expected to provide a temporary financial relief to the Postal Service. Our support for that provision which grants such relief is twofold.

(1) We hope to prevent further reduction in service; and

(2) We hope to terminate the harsh and unbearable speedup tactics being employed by management at all levels. Those pressures have caused a serious adverse reaction among our membership which sees their fellow carriers retiring on disability at the rate of two out of every three retirements.

In one area, a strike vote has been threatened because of continuing daily overtime necessitating 10-hour days, and in some instances 6-day work weeks. This overtime becomes necessary when vacancies remain unfilled and new methods of adjustments of routes cause the absorbing of others thereby requiring overtime to complete deliveries.

The harassment tactics hoping to accomplish speedup have resulted in more accidents and increased claims for injury compensation. We are attempting to work out a solution with management. We have asked arbitrators to determine if our labor agreement has been violated by the job freeze and the resultant speedup.

We point out in our testimony the analogy between private sector firms and Government agencies and the Postal Service, all of whom need bailing out for the same reason—inflation.

Oddly enough, most of the demands for relief have been met, and I call attention particularly to the continuing attention given to Amtrak, where the Federal general revenue subsidy is 58 percent of its total budget. That Federal subsidy was 80 percent higher in calendar year 1975 than in 1974.

Speaking of the railroads, we note that the railroads needed \$6 billion in emergency funds if current services were to be retained. That relief was quickly granted, and there was no suggestion that weekend passenger service be eliminated in lieu of granting the subsidy.

We can go on and on, citing the increases in subsidy which have been approved without the slightest objection from the White House; including the 1,000-percent increase in tax dollars which have been appropriated to urban mass transit since 1970, a period during which the U.S. Postal Service received no increase at all in its subsidy.

In our testimony, we also commend and support the establishment of a Commission on Postal Service. We are urging a committee amendment to that provision which would guarantee no reductions in any services which prevailed on January 1 of this year.

We believe that if the Commission is to have the responsibility of determining what services the U.S. Postal Service should provide in all fairness current services should be evaluated. Our experiences teaches us that once any service has been reduced or terminated, we never see it restored.

We would hope the Commission would conduct hearings so that all segments of the public—mailers, unions, civic groups, et cetera—can express their views before a decision is made.

We would then want the Congress to make a final determination because it is the Congress, not the Commission or any postal management, which is sensitive to the needs of the American people. Truly, the establishment of this Commission is a provision of the bill no less equal than any other.

In our testimony we deplore the discrimination faced by some Americans in delivery service. Reference is made to the current policy which prohibits door-to-door delivery and forces some segments of America to receive their mail at curbside or a couple of hundred yards down the street. S. 2844 corrects that discrimination to a great extent.

AMENDMENT

We have one added recommendation that is not contained in our prepared testimony, and that is that there be an amendment to S. 2844 to permit the Postal Service to process its own litigation, without referral to and representation by the Justice Department.

There is serious conflict today, Mr. Chairman, between the White House and the Postal Service over who is going to carry the mail—professional postal employees or private entrepreneurs.

There is a growing threat by those who challenge the privacy statute by actually delivering letters.

The USPS must be made able to sue without being subjected to delays and possible conflicting attitudes by the Justice Department.

We conclude our testimony by making the observation that the Postal Service cannot return again and again seeking relief from the Congress unless it is willing to face up to the challenge which does exist, concerning the future of the Postal Service.

We ask management to produce new ideas to generate mail volume, such as providing the discounts which have just been approved by the Postal Rate Commission. Also, by furnishing mailers the same services and guarantees that are assured by our competitors.

We have presented more than a half-dozen bold new suggestions which we feel are imaginative and innovative. Together they could spell the end of exorbitant rate increases, as well as the continuation of a service-oriented Post Office.

Mr. Chairman, that concludes our summary of our testimony, and I would not want to let the occasion go by without commending you, Mr. Chairman McGee, because if it was not for your sincere effort to improve the situation and try to rescue the Postal Service, I am afraid that this year of our great Bicentennial would also be the end of the Postal Service, and our union of 244,000 strong commend you for that motivation and a keen desire to be helpful.

The CHAIRMAN. I want not only to thank you for those comments, Jim, but also to add that my real motivation is that I was trying to find some popular issue I could ride, so that I might finally get into this Presidential melee that is going on. That is why I chose the Postal Service.

Mr. RADEMACHER. Thank you.

[Prepared statement follows:]

STATEMENT OF JAMES H. RADEMACHER, PRESIDENT
NATIONAL ASSOCIATION OF LETTER CARRIERS
BEFORE SENATE P.O. & C.S. COMMITTEE
RE: S. 2844 - APRIL 19, 1976

Mr. Chairman and Members of the Committee:

I appear here today to join with this Committee and the Congress in supporting legislation to save the Postal Service. Without the relief promised in S. 2844, the Postal Service, as we have known it for almost 200 years, is definitely earmarked for extinction.

My name is James H. Rademacher. I am President of the National Association of Letter Carriers. With more than 35 years of postal service and having served as the National President of our Union for the past eight years, I feel qualified to submit this statement which also reflects the viewpoints of those who are directly involved in the Postal Service--the Nation's 200,000 letter carriers who serve America daily.

At the outset, there is no question that the Postal Service is suffering from numerous ills, none of which is malignant to the point of being terminal.

When objectively evaluated, the Postal Service is today continuing to perform services which our ancestors would not believe possible. Certainly, there are errors and there always will be the possibility of mail delays, misdeliveries, and other discrepancies. These are inevitable so long as the Postal Service remains labor intensive.

In fact, as the Postmaster General recently reminded this committee, there has been a human error of one percent while machine errors have

-2-

risen to better than six percent. None of us who are service-oriented take delight in the knowledge that even a one percent error in the handling of 50 billion pieces of letter mail annually means 500 million errors. When compared to errors in the private sector such as the tremendous number of recalls in the auto industry, we find ourselves 99-44/100 percent pure.

There are several key provisions of S. 2844 which are strongly supported by our Union. They are:

- A limited increase in the amount of public service subsidy;
- The establishment of a commission to study service needs of the American people;
- The guaranteed allowance for door-to-door delivery rather than through cluster boxes and curbside delivery in new housing areas.

It is not unusual for our union to be seeking aid for our employer in order that we might preserve the service we cherish and represent. Since 1889, our Union has been in the forefront of every effort to improve postal services. We have been an ombudsman for the public--yes--a lobbyist, if you will, constantly spending time and effort in attempting to retain current services and promote new services.

Having carefully examined the record, we are convinced of the financial plight of the United States Postal Service and have determined that the relief sought in S. 2844 is the answer. We agree with representatives of management that the financial dilemma which exists today can be attributed in large measure to conditions beyond the control of labor or management.

The chief culprit has been uncontrollable inflation during the first five years following birth of the United States Postal Service. Subtracting the cost of that inflation and allowing for a 13-cent postage stamp, it could be reasonably argued that the pending legislation would be unnecessary.

In addition to that inflationary cost, there is also the financial problem resulting from unreasonable delays in rate increases. These twin factors can then be held responsible for the loss of revenue directly attributed to lesser mail volume. Hence, the Postal Service finds itself in the same position that most of industry in the private sector and all agencies of the public sector experienced during the past five years of inflation. Whether we like the terminology or not, the Postal Service needs to be bailed out. Just as the largest American city, the railroads, and the airlines, have placed their demands for subsidies before the Congress, the Postal Service finds itself with the same dilemma: potential service reductions unless the increased subsidies are provided promptly.

It is noted with interest that subsidies for the airlines, which were approved by law over the past five years, have exceeded 84 percent. During the same period of time, airline rates were raised by 34 percent. For the period 1971-1975, there was no increase in the public service appropriations for the United States Postal Service, and only a 20 percent increase in postage rates. Earlier this year, the President signed into law legislation intended to avoid drastic service reductions in the railroad industry; a \$6 billion loan was advanced. At no time did the Ford Administration recommend eliminating week-end passenger service to avoid signing legislation which appropriated such funds.

Speaking of subsidies, we also note that the over-all cost of Federal subsidies in 1975 were 50 percent higher than in 1970. Also during those years, urban mass transportation subsidies increased by 1,000 percent and now stand in excess of \$1.25 billion. The source of our information is the Staff Study Report on Federal Subsidy Programs.

Frankly, I see no need to belabor the point since the question will have to be answered by this Committee, the Congress and the President--shall the post office be operated as a service, with tax dollars being appropriated to guarantee those services which postage revenue will not provide? As we have stated over and over, our Government should operate a communications network consisting of a sufficient number of post offices to satisfy the needs of all America. Appropriations should provide for postal buildings, facilities, vehicles and the operating cost of same. Postage revenue should then pay for the processing and delivery of mail within these tax-supported institutions.

Tax dollars support many needed programs within the Federal Government. I am reminded in particular of our National Park Service which is tax-supported although there are specified charges imposed upon those who use the parks. If we had a break-even National Park System, the usage fee would probably be in excess of \$1,000 a person. The same is true with our lighthouse service provided by the Coast Guard. The taxes of farmers in Wyoming pay for the upkeep of those lighthouses, although the rancher may never see a lighthouse in his entire lifetime. If our national lighthouse service had to be operated on a break-even basis, those lost in a fog in a rowboat would be compelled to pay thousands of dollars for that tax-supported service.

COMMISSION ON POSTAL SERVICE

Because of the current nationwide dialogue taking place on the subject of postal services, and because the public has been faced with a leading question concerning the need of existing services, the provisions of S. 2844 calling for a Commission on Postal Service is extremely vital. Because postal service management has recently reduced some services, and because other vital services are being threatened with elimination, we propose an amendment to this particular provision calling for a moratorium on all service reductions until the Commission reports in accordance with their tenure as defined in the legislation. Further, we strongly urge a retroactive feature to our suggestion causing restoration of any services which were in existence on January 1, 1976 and subsequently terminated.

By the time S. 2844 becomes law, it is entirely possible that many other services could be terminated or reduced. Once any service reduction takes effect, it is very difficult--to a point of being impossible--for a study commission to recommend restoration. Our Union is perfectly willing to cooperate with any Commission on Postal Service. We will actively participate in any forum on the subject of its mission. Certainly, postal management and the Ford Administration could await the findings of that Commission, such patience would enable the Postal Service to continue to offer existing services until such time as there has been a final decision made as to whether or not the Post Office is a business or a service. So there will be no misunderstanding on the position of the National Association of Letter Carriers, we believe the post office is a service which must be operated in a business-like manner. We will reserve our testimony on the subject of necessary services until such time as we appear before the Commission on Postal

Service.

CLUSTER BOXES, CURBSIDE DELIVERY

Recently, we came across a copy of a message to the Congress of the United States sent by President Lyndon B. Johnson on April 5, 1967. In that message, LBJ recommended an increase in postal rates. In summarizing his recommendation for increases of all classes of mail, President Johnson said this:

"This legislation will provide the necessary funds for postal modernization and the proposed pay increase for postal employees. It will enable the Post Office Department to begin immediately to provide better services for all America:

-----"Faster and more efficient delivery of mails.

-----"Restoration of six-day parcel post service.

-----"Door delivery in some residential areas now served by roadside boxes."

Mr. Chairman, those rate increases were enacted into law and, subsequently, additional increases have been authorized. The concept of improving services, however, is evaporating with each increase. There is no logical reason to discriminate against millions of American citizens who have chosen to move their residence to a new community where door-to-door delivery is no longer authorized.

As you are very much aware, Mr. Chairman, the National Association of Letter Carriers has long been one of the strongest voices urging that "service" is what the Postal Service is about--not "profit," as increasingly appears to be the case.

Our Union has, in some sense, sought a role as Ombudsman for the

-7-

American postal patron. Whenever the needs of that patron have been overlooked in the zeal to make a profit, we have spoken strongly and forcibly against such practices and we will continue to do so.

We detect an increasing attitude on the part of the Postal Service to consider the needs of its patrons very minimally when it compares the cost of meeting those needs with savings that accrue from ignoring them.

Not only has this attitude created grievous problems of lost volume as postal patrons reacted to increasing neglect by using alternate means of communication, but this neglect of service has also contributed to the tarnished image this once proud service now bears.

Few of the employees of the Postal Service are as aware of this increasingly negative attitude as are the Nation's Letter Carriers. We meet with the patrons of this vast system on a day-to-day basis and we learn first-hand of how angry these policies have made the patrons of the Postal Service.

And so, Mr. Chairman, your concept of establishing a Commission to conduct a study of public service--to identify those services that are essential to a healthy, national postal system, is a constructive approach. I, personally, offer whoever is responsible for that important study, my personal support and the support of the National Association of Letter Carriers. We can provide better information as to the aggravations our patrons are experiencing from lowered service standards than perhaps any group of people in America and we are anxious to be able to tell those facts to someone who will listen and act on them. We have not had much success to date with Postal Management in this area.

-8-

We are particularly pleased, Mr. Chairman, with your decision to heed our voice in this area by establishing--as a Congressionally mandated minimum level of service--the language in this Bill seeking to once again permit door-to-door mail delivery in American towns and cities.

As you are aware, the present policy of the United States Postal Service with reference to this traditional and important standard of service, is the incredible policy of flatly, totally and completely denying even the alternative of door-to-door delivery in new subdivisions and mobile-home developments all across America. By this astounding policy, postal management has decreed there shall be two levels of delivery standards for America--one, is door-to-door delivery where such a standard historically existed--but where no such standard exists, delivery will be only by cluster-box or curbside.

We firmly believe, Mr. Chairman, that not only is such a policy unwise and unfair, it is also, quite probably, the signal of the ultimate policy which will be to eliminate door-to-door delivery in those older areas of America where it is now enjoyed.

Your wisdom in including language in this Bill that will permit door-to-door delivery of mail in those towns and cities in America that so desire, we hope will be confirmed by the Senate as it has been confirmed overwhelmingly by the House.

We in the National Association of Letter Carriers believe standards of service are the essence of a National Mail System. We hope the group that ultimately sets those standards of service will err, if at all, on the side of the highest level of postal service. Americans deserve no less and, up to recent years, received no less.

THE FUTURE

There are those, including many in the highest levels of Government, who today are throwing up their hands in disgust in an impatient reaction to the continuing emphasis on postal problems. Those who should really be disgusted are the 200,000 letter carriers who face America each day as they make their deliveries in an atmosphere of distrust, disillusionment and dismay. What is never a consideration is the fact that disgruntled citizens, including those who are unhappy with their Government, take out their frustration upon the men and women who carry the mail, since they are the closest contact the public has to Government. Where the letter carrier was always among the most respected citizens of the community, his image today is tarnished through no fault of his own. When the media report "nonsense machines" damaging millions of parcels; when the public hears of postal horror stories such as the loss of ashes following a cremation, when other deficiencies are reported and acknowledged, the walking "Ambassador" of our Government--the letter carrier--becomes the victim of antagonistic responses at a time when he is completely innocent of any wrongdoing. The burdens upon the letter carriers' shoulders then become two-fold--trying to efficiently deliver almost 90 billion pieces of mail each year and, at the same time, just as efficiently and patiently, responding to an angered public. Today, it takes the patience of Job to get the job done but, generally, our members are able to respond civilly to most uncivil inquiries. Historically, it has been the dogs barking at the letter carrier. In recent years, the barks have been bellowed by the public to a greater extent than the canine corps.

We do not intend to use this forum to provide testimony of our support for the continuation and strengthening of the Private Express

-10-

Statutes since undoubtedly there will be that opportunity in the very near future. Moreover, the subject is not before this Committee today. Nevertheless, and so there will be complete understanding of the position of the National Association of Letter Carriers on the question of who should deliver the mail, I submit that in the best interest of the public (and not just our membership) the Private Express Statutes must remain intact.

As the National Association of Letter Carriers supports S. 2844, it must also provide some suggestion for the survival of the Postal Service which, even though "bailed out" on a temporary basis, must immediately look into the future in order to guarantee continued survival. An increase in appropriations, by itself, is not the answer to the needs of the United States Postal Service. Imagination and innovation are two "musts" for the immediate future as well as the long haul. We agree with those critics who feel in many respects that the Postal Service continues to be operated in the same manner as it was 200 years ago. Some of the equipment used today is similar to that which was used by the original Ben Franklin.

I feel certain that even those who are supporting continuation of current postal services, including many Members of Congress, are also asking what management intends to do to avoid exorbitant rate increases, and at the same time, provide efficient mail services. In my opinion, this can be accomplished. I charge that there has been no imaginative approach to the need for completely revitalizing the nation's communication network. Once there has been appropriated the funds necessary to survive over the next three years, and while awaiting the report of the Commission on Postal Service, postal management should be taking a look at some of these proposals which would make the service more

-11-

efficient, encourage higher productivity and avoid exorbitant rate increases:

-----First of all, there should be an immediate attempt to retain and recapture mail volume. That can be done in the following ways:

(1) Management should seek authority of the Postal Rate Commission to adopt revenue producing policies in the same manner that rate increases are announced. For example, so long as large volume mailers perform the work of the Postal Service; i.e., sequencing mail for delivery, preparing in zip code order, sacking directly to appropriate units, there should be a special price which would be in the nature of a discount. Management should be permitted to test the feasibility of such a policy without having to wait many months and possibly many years, to place the program into effect. An example would be the utility companies which, in my opinion, provide close to five percent of our total first-class volume. Almost each of these utility companies throughout the nation have either found alternate methods of having their bills delivered or they are in the process of doing so. Ultimately, this will be a loss of revenue in the hundreds of millions of dollars annually. In my opinion, the United States Postal Service would suffer no additional costs by offering discounts to such mailers. This would not be discrimination against other mailers for the reason that the utility companies would be performing a work function of the Postal Service.

(2) Rather than spend \$15 million in three cities to encourage the mailing of personal letters, studies should be made on the feasibility of immediately improving special lower rates for intra-city mail deliveries. This proposal is not new; but is one which was successful during the Great Depression. The Hoover Administration, on June 6, 1932, raised the rate on a first-class letter from two cents

-12-

to three cents. The change had a disastrous effect on both revenues and volume as can be noted from these figures.

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Volume</u>
1931	\$657 million	27 billion
1932	\$588 million	24 billion
1933	\$587 million	20 billion

On June 16, 1933, the Roosevelt Administration reduced the rate on an intra-city letter to two cents, while retaining the three-cent rate on out-of-town mail. In the following year, the revenues were only \$1 million less (\$586 million) and the volume increased to 21 billion. The double-decker rates on first-class mail did cause some confusion in offices all over the country but it remained in effect for almost 11 years until February 1944 when the three-cent rate became nationwide.

(3) It is my understanding that the United States Postal Service has been waiting three years to implement policies competitive with our chief competitor, the United Parcel Service. It is apparent that United Parcel Service is a profit-making corporation (\$90 million in 1975). Also, United Parcel Service now has about 70 percent of the parcel business throughout the nation. United Parcel Service achieved that remarkable record by doing a better job through sound management practices. Some representatives of management at U. S. Postal Service ignore those accomplishments and it does appear that they would prefer that the Postal Service lost all the parcel business, because there is no profit in fourth-class mail. Yet, there was a \$90 million profit for United Parcel Service in 1975!

-13-

(4) An experiment was conducted three years ago in a half-dozen cities whereby the Postal Service attempted to compete with United Parcel Service by providing the following services: (a) Pick up parcels from the mailer; (b) Insure that mail; (c) Guarantee reasonable delivery time. There was no follow-up to the test and it disappeared as fast as it commenced. Only recently, United States Postal Service lost a \$10 million annual account to United Parcel Service because it did not offer these services. These services are available and can be provided immediately through imagination, initiative and cooperation on the part of the Postal Rate Commission, in my opinion. It should not matter whether fourth-class mail is profitable since that argument certainly does not prevail on second-class mail which is highly regarded and, in some cases, receives "red tag" or preferential treatment.

(5) The success of any corporation in the private sector generally is dependent upon the success of its sales force. Despite contradictions, there just are not any salesmen attempting to sell the Postal Service. All drops in mail volume simply cannot be attributable to higher rates; the failure of the Postal Service to provide needed services must also be a consideration. This is evident in the tremendous increase in volume being handled by our parcel post competitor. In my humble opinion, there are no better salesmen than those who travel the streets of America daily to deliver the nation's mail. They should be commissioned to sell the Postal Service; to address civic groups and businessmen to point out the value of professional mail services; to respond to the complaints of the public and attempt to adjust them. This could be accomplished with a little encouragement and not necessarily higher wages. The public has great faith in those from whom they receive their mail and it appears they would be willing listeners to these salesmen types.

(6) Does the Postal Service really need the luxury of 220,000 vehicles with their related cost of operation--gas, oil, tires, repairs, etc.? Letter carriers are willing to subsidize the cost of vehicle operation by using their private vehicles on a contract basis at cost far less than that now being paid by the employer. With these vehicles on the roads, we could have floating postal services with city carriers providing the same services as rural patrons receive.

(7) The public, the mailers, and the unions should be partners with postal management in an advisory capacity to promote new programs and to otherwise serve in the manner set forth in the Postal Reorganization Act. You will recall that PRA did provide for an advisory council consisting of four representatives of mailers, four union officials and three representatives of the public. This council no longer functions. Under the terms of its charter, it is just as well that it folded. We need a council with some authority, not to run the Postal Service, but to be a participant in an advisory capacity to formulate programs to save the Postal Service.

HOW THE POST OFFICE STARTED

Mr. Chairman and members of the Committee, it might interest you to know that the first attempt to organize a universal postal service on these shores dates from February 17, 1692 when King William of England and Queen Mary gave one Thomas Neale a 21-year patent empowered him to set up a postal service in the American colonies.

Neither the monarchs nor Neale had the slightest idea of what they were doing. They knew nothing of the distances, the difficulties of travel or the multitude of other problems confronting anyone hoping to organize a postal service. Patents were supposed to enrich those

who received them; the postal patent very quickly bankrupted Neale.

The postal service was taken over by the Crown in 1711 and as yearnings for independence grew in the colonies, the royal posts became increasingly unpopular. Postmasters, for example, were instructed to open and read the mail so they could detect and report any subversive activities.

So unpopular was the official postal system that a Baltimore publisher, William Goddard, in 1775, started his own mail service in opposition to the Crown. The new system flourished and at its peak had thirty post offices operating between Boston and Williamsburg. The Goddard Post drove the British service out of business and on Christmas Day, 1775 the Crown gave up and closed down the postal establishment.

This turn of events was hastened, I might add, by the fact that the Continental Congress, on July 26, 1775 appointed a special committee to develop the postal service as an American institution. The committee appointed the original Benjamin Franklin, Postmaster General, because he had served in that capacity with great distinction under the Crown.

Franklin served until September, 1776. He organized the American system and then left to become our "Commissioner" to France. He never had anything to do with the Post Office again.

George Washington was sworn in as our first President on April 30, 1789. He eventually appointed Samuel Osgood as the first Postmaster General under the Constitution. This was purely a political appointment. Osgood was a man of very limited capability and he supplanted a vastly more able man, Ebenezer Hazard, who had kept the mail service running during the worst days of the Revolution.

This was not the last time in the history of the Post Office that an inferior man was appointed over a superior man for political reasons.

Incidentally, Mr. Chairman, there was serious opposition in those days to the idea of a Federally run postal service. Even Thomas Jefferson opposed the idea, mainly because the Post Office was placed under the Treasury Department, which was headed by his arch-enemy, Alexander Hamilton. Jefferson thought the mails should either be operated by private enterprise or should be placed under the Department of State, which he headed.

In conclusion, we feel that the mission of the United States Postal Service is very appropriate to the definition provided by Woodrow Wilson and Charles W. Eliot who once described the post office as:

Messenger of Sympathy and Love;
Servant of Parted Friends;
Consoler of the Lonely;
Bond of the Scattered Family;
Enlarger of the Common Life;
Carrier of News and Knowledge;
Instrument of Trade and Industry;
Promoter of Mutual Acquaintance,
Of Peace and Good Will among Men and Nations.

The CHAIRMAN. Mr. Filbey?

Mr. FILBEY. Mr. Chairman, I have a very short statement, most of which I will read.

My name is Francis S. Filbey, and I am general president of the American Postal Workers Union (AFL-CIO) located at 817 14th Street N.W., Washington, D.C. The American Postal Workers Union represents 315,000 postal employees in post offices in all 50 States of our Union, as well as Puerto Rico, Virgin Islands and Guam.

Mr. Chairman, we appear before your honorable committee to express our deep appreciation to you and your colleagues for your continuing support of legislation beneficial to postal employees. We therefore appear today in full support of S. 2844.

We, too, have a sincere desire to see the U.S. Postal Service succeed as anticipated by you and other members of this committee when you and they were instrumental in the passage of the "Postal Reorganization Act of 1970."

The U.S. Postal Service has now been in operation for approximately 5 years, and is at a serious crossroad. Namely; shall it continue as an independent agency of the Federal Government, shall it be returned to its former status as a department of the Federal Government, or shall it just be allowed to slowly deteriorate to the point where it is turned over to private enterprise.

We believe congressional action must be taken to assure its continuance as an independent agency of the executive branch of Government pending a thorough study and investigation of its activities during its short 5-year life, to determine, once and for all, whether the glowing forecasts made when it was born can be fulfilled.

Studies should be embarked on to ascertain what errors have been made, and what must be done to correct those errors. Studies as to what part of the operating budget of the USPS should be financed from general tax funds, and what part should be fully paid by the users of the mails. In short, what part is actual public service requiring a subsidy.

S. 2844 would provide for just such a study to be made through the creation of a high level commission. It appears that such a body should be formed in order that a thorough analysis can be made. Certainly, the USPS finally came into being as a direct result of such a high level Commission's recommendations to the Congress, so it seems eminently proper for a new such commission to evaluate what has occurred, and to report to the Congress any recommendations it might have for the consideration of Congress.

We fully support the provisions of this proposed legislation that would provide the USPS with a proper subsidy to enable it to continue to operate without ever increasing postage rate increases, and continuing drastic cuts in service to the American people.

It must be readily apparent, Mr. Chairman, that the original public service subsidy provided in the Postal Reform Act has been so eroded by the inflationary spiral of the past 5 years that it cannot meet its original intent.

To continue to raise postage rates, and continue to further eliminate postal services to the public can only bring the USPS to a disastrous end.

Mr. Chairman, we urge the earnest consideration of S. 2844, and its early passage into law so that the public will be relieved from constantly increasing postage rates, a further deterioration of service, and further, so that postal employees may be able to devote their full energies to moving the mails, rather than be confronted daily with the constant nagging fear of their futures.

Thank you, Mr. Chairman, and members of the committee, for permitting us the privilege of submitting to you our sincere views on this most important piece of legislation, S. 2844.

I wish to express to you also the appreciation of the American Postal Workers Union for the long continuing interest you have always had, not only in the welfare of postal employees, but in the welfare of the U.S. Postal Service, and its services to the American public.

Both you and some of your colleagues on the House side have done tremendous work in an effort to help the Postal Service, despite the fact that for a long period of time the Postal Service rejected any idea of additional subsidy, and so forth.

Now, the Postal Service finally has awakened to the fact that they must have subsidy, and I am very happy to note that even the Postmaster General, after a great deal of urging, not only by you and the other Members of the Congress, but by the three unions represented at this table, has finally admitted that there must be some financial relief put forth by the Congress if we are to continue to render any decent Postal Service to the American public.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Now we will hear from Jim LaPenta.

Mr. LAPENTA. Thank you, Mr. Chairman, and let me say that our union has a statement, and like the others, it will be submitted for the record, and I will make a summary of our views of the U.S. Postal Service and S. 2844.

First, I also, like my colleagues, want to commend you, Mr. Chairman, and your committee for your efforts in seeking a solution to postal problems, but most particularly for you, Mr. Chairman, and your fairness. I think you have been the most even-handed guy I have seen around here in a long time.

You, Mr. Chairman, have certainly given everybody an opportunity to present their views, and you have had very fair and even-handed hearings, and I commend you for that.

I submit, Mr. Chairman, that the postal workers in the Ford administration, and political appointees on the Board of Governors and the Postal Rate Commission, an over zealot former corporate executive brought into the U.S. Postal Service have bogged us down with an incompetent and a bungling management, and an ailing mailing system, despite January's 33½-percent rate increase.

It is not the Congress and postal workers who are responsible, and the scapegoating of Congress and the postal workers by the Ford administration and the postal administration is a classic example of biting the hand that has been caring for an ailing Postal Service.

The administration and postal management, in dealing with postal problems, reminds me of the man in Australia who, upon receiving a new boomerang, spent the rest of his life trying to throw the old one away.

We are grateful to the Congress for fighting the ridiculous conspiracy to repeal the private express statutes suggested by the President's men on the Council on Wages and Price Stability, and the dismantling of the service by the draconian measures proposed by the Postmaster General.

The Postal Service established in the Constitution of the United States is in need of congressional attention.

Solutions for today's postal problems are in your legislation, S. 2844.

Mr. Chairman, at this time too, I would like to speak briefly about what I have considered to be a rather silly posture that has been taken in almost every congressional hearing on both the House side and the Senate side since the passage of the Postal Reorganization Act, and I am talking about the self-righteousness since that time by Postmasters General Blount, Klassen, and Bailer, and other top officials, at all of these congressional hearings, who keep stating that politics is no longer found in the Postal System. That is bunk.

There is no patronage in postmaster and rural carrier appointments because Congress provided in the 1970 act that this would no longer be. Congress took care of this. It was not these postal officials who keep talking about it all the time.

The fact of the matter is, it is corporate politics, anticongressional politics, appointment politics, and Presidential politics are played in earnest in this beleaguered U.S. Postal Service.

The other statement that I want to make is that the Postal Reorganization Act can work. Its basic concepts are valid now, as they were when the act was passed.

Those four basic concepts are:

No. 1, capitalization; No. 2, fair and equitable rates; No. 3, continuity of management; and No. 4, modern labor-management provisions.

A Nixon-Ford administration that shunted aside any close examination of postal problems like an ostrich sticking its head in the sand, and a procession of hotshot former corporate executives who rely more on press releases, and little on management principles, practice, methods, and systems that might have been feasible for application to the U.S. Postal Service are reasons why the Postal Reorganization Act to date has failed, not the four basic concepts in that act.

I also want to recall to your attention that through two of these three Postmasters General administrations since 1970, stonewalling of the Congress, postal patrons, major mail users, and postal unions, including the notorious gag order put on postal employees by Postmaster General Blount, were the orders of the day.

It was not until recently that you began to get answers to the questions that you have been raising for almost 6 years.

Mr. Chairman, as I have stated, our unions support your bill, S. 2844.

We have, however, one amendment to offer, and that amendment is to abolish the Board of Governors, and if future events and/or the Postal Commission that is established in the bill determines that rates in the future will be established on other than a scientific basis, and instead on the basis of what the traffic will bear, and I do not say, or I do not mean to use that term, on what the traffic will bear, to connote something negative, that might be the way in which we might have to go, but I just do not know.

I am not an expert in rates, but if this happens we would also recommend the abolishment of the Postal Rate Commission.

I want to very briefly just speak to three things, because they are interrelated, and give you some statistics.

POSTAL WORKERS' WAGES

I want to talk briefly, Mr. Chairman, about postal workers' wages, and the private sector wages, productivity, and pay comparability, and I will only take a minute.

Some of this information, Mr. Chairman, you have, I know, but I want to put it in focus. In 1975 average adjustment in wages in the private sector was 10.2 percent the first year, and 7.8 percent over the life of those agreements, which generally run 3 years.

Now, this is wages only, Mr. Chairman. This excludes what is commonly known as fringe benefits and cost-of-living adjustment, so that was 10.2 and 7.8 percent.

Postal workers, compared to that, their figures are 5.06 and 3.9 percent, about half as much as those in the private sector.

When you include fringe benefits, then the private sector even goes higher. It was 11.2 percent the first year, and 8 percent over the life of the agreement.

Postal workers are 5.6 percent, and the 3.9 percent, which goes to show you those settlements that were made were moderate and reasonable and helpful as they could have possibly been without, you know, the hammer just descending on the head of the postal leaders.

In productivity, there has been a 13-percent productivity since 1968 in the Postal Service. That might not be world shattering, but when you take a labor-intensive industry, that has not been made capital intensive, yet I think that is a good productivity record.

I would like to match that up against the number of other labor-intensive industries. It is very, very hard to increase productivity in a labor intensive industry at the same time volume has gone down, and you are in a recessionary period. Any economist will tell you that, whether he is an administration economist, or an economist with the Democratic Study Committee.

Let us take pay comparability. When you take our principal competitor, you know, their workers go from the starting rate to the top rate in their particular skill, in anywhere from about 60 days to 7 months.

Mr. Chairman, it still takes the postal worker 8 years to reach the top level, and when you compare their wages, and their doing of like work, you will find that where the starting rate for the postal worker is \$5.50, the average rate is \$6.54.

In the UPS in 10 different areas around the country their wages are \$6.98 to \$7.97, so they are damn well above the postal workers.

With those comments, Mr. Chairman, I close, and any questions you would like me to answer I would be happy to.

The CHAIRMAN. I just saw the reporter wince when you used the word "damn." I insist you leave that in the hearing record. Anybody that plays post office is not on the family hour any way, and it is much more articulate. It makes the point in a very understandable way.

I want to thank all three of you gentlemen for your input this morning, and in addition, for the more detailed input in your prepared statements.

I want to say in another context at the same time, that when the whole reorganization took place, while Mr. Filbey singled out the postal workers and the Members of Congress for their joining together in their input into that effort, let us not leave out the President of the United States, the administration, nearly every columnist, newspaper and magazine, the U.S. Chamber of Commerce, and many other business groups. It was a great united effort. It has become a lonely one now.

I think a key objective at the time of that reorganization was to try to make the Postal Service as professional as possible in terms of an opportunity for careers. It has been because of very responsible labor management contracts which you fellows have negotiated, the prospects for a career in the Postal Service have been raised considerably.

The Postal Service is, indeed, now moving toward the goals that we originally had in mind. I think it is a point worth making that the labor management contract that you fellows arrived at with the Postal Service a year ago was, even then, held up as a model that might be copied by the private sector.

It was an extremely responsible contract. I say all of this to remind those who ought to be reminded that they are missing the whole point about collective bargaining and responsible labor management negotiations occurring in the Postal Service. It is one of those key ideas behind the reorganization that offers a considerable portion of hope in attempting to put the whole Service on a higher level than we have known in the past.

I think the emphasis made here this morning is worth recapping. There were a number of us who were not all-seeing back in 1970 when we were wrestling with these questions, because we did not have the benefit of knowing, not having Jean Dixon on the committee to help us, that there was to be double digit inflation for as many years as we have had it.

How we have learned in hindsight. Inflation really is the key flaw, the key basic factor in the plight of the Postal Service, whether we like it or not. That is why it becomes increasingly frustrating to look back upon this rather long period of time during which the White House has had no interest in even answering phone calls by the Postmaster General, who, to his credit, not only has been making the effort to try to get through to the White House, but has had the guts to lay it on the line in public in front of this committee.

I am happy to report that within 24 hours after his disclosure before this committee he got his first call in many months from the White House. I thought at first it might be his walking papers, but the White House is now in a dialog with us, and we have had sit down sessions since the last hearing. That is a significant breakthrough. At the White House there is now even some modest talk about a more modest subsidy for the Postal Service this year.

I think it is worth noting that the Senate Budget Committee is also talking about the possibility of a considerable budget adjustment for the first year, although not the total that our bill envisages.

There is no excessive pride of definitiveness in this bill. We learned long ago in this business that you try to accomplish as much as you can, but that if you do not get the 51 votes, or the 218 votes, you are out of business, and as a result, accomplish nothing. Also, if you

cannot get the ear of the White House, you might just as well try something else. But now there has even been a breakthrough in that area.

The Members of Congress in the last few weeks have had an opportunity, in most cases, to go home and talk with the people on Main Street and in the neighborhoods. Two things have emerged. One is that people want no basic cutback in services. The second is that they want the whole process to go slow on new rate increases.

It was the GAO, in their 200-man-year study of the whole Postal Service, that reminded us, again, that a 13-cent stamp is still a good bargain in contrast to first class mailing charges in most Western countries, where the average is 17 to 18 cents instead of 13 cents. That does not make it any easier here at home, but I think it is worth noting, that if we had gotten that 13-cent stamp when it was needed many months ago we would not have been talking about a deficit nearly as large as the one we have for this particular year.

That, of course, does not account for the inflationary deficit of considerable proportions that had already been inherited from the prior 4 years. And that is why this whole problem has to be a two-tiered assessment.

It seems to me there is no question that there can be no equivocation, not even at the Bureau of the Budget level, and that is pretty strong language, that there is any other way in terms of public moral responsibility than to pick up, publicly, the cumulative deficit that is almost entirely traceable to the inflationary problem.

There have been some serious management problems. I say serious, but not as serious as inflation. They have been serious enough, but I think in all fairness, and I do not view it quite as harshly as some do, but I do think that several businessmen have discovered that managing the Postal Service of the United States is quite a different process from running Blount Bros. Construction Co., or the American Chamber of Commerce—and I do not say that with any disrespect. I simply say that they are not the same kind of animal, and that there has to be a sort of a job training program along the way, and along that job training road there are inevitable mistakes.

Those management mistakes that were made, I think, were made unwittingly. I do not think they were deliberate shenanigans in any way. I just think that the situation reflected a somewhat narrowly based business-industry experience. It has been a learning experience, nevertheless. I think the consequences, with possibly one exception, have been fairly minor in the context of the total financial problem.

The trouble is that there has been a tendency to blame the Postal Service, and its structure, rather than to accept the responsibility for having made the mistake of failing to perceive all the potential factors in the first place. I would acknowledge here on the public record two admitted exceptions where specific errors in judgment were made.

At the time of the Christmas debacle a couple of years ago, Postmaster General Klassen himself said he made an error in judgement. He took the responsibility for it, because they had planned a mechanical productivity that was supposed to replace a lot of manpower. Unfortunately, there was no coordination between the Assistant Postmaster General in charge of replacing manpower and the Assistant Postmaster General in charge of mechanizing the system. Manpower

was reduced but there was no satisfactory mechanization to substitute. As a result, they were caught in an awful crunch, because one manager did not communicate with another manager. The Postmaster General, Ted Klassen, laid it on the line, and said that he was the guy to blame for that. It was a major mistake, and he admitted it.

Mr. Bailer likewise explained the difficulties that we observed early in the hearings having to do with a backup in the parcel post, because of breakdowns in Chicago and Detroit. He took the responsibility, very publicly, for not having been on top of that one.

It is going to take a combined effort to get through to the end of this line on this, and your input regarding this legislation has been most helpful. Some of the amendments that you have suggested are already in the mill, and your observations this morning will certainly speed their movement.

There are other possible reforms in the bill, which we are also considering in trying to arrive at in a similar sense of balance regarding the Rate Commission. I am one of those who thinks the Rate Commission probably can still make it. But one thing I am certain of is that we should never again let Congress get back into the rate-making business.

With all due respect to my esteemed colleagues, I must say that they do not know anything about the equities of ratemaking. They have no business being involved in that process. Some sort of independent expertise has to be relied upon in making rates.

I think speeding up the process can make a difference and would have made a difference, even this year. That alone, however, does not address itself to the inflation problem, but merely addresses itself to the timing problem, which is nevertheless very important. Much of our hopes are vested in a blue ribbon commission which would be created as a result of the bill to get a very careful focus on what the public interest factor consists of in the operation of a national Postal Service. That is a key element in the pending legislation.

We have to hold the Postal Service together while that assessment is made, and whatever the new formula is, it will hopefully be put into operation within less than the 24-month period that has been allocated in the bill.

With those thoughts in mind as a recap, I want to say that we appreciate your being here, and we appreciate your combined effort to help pin these problems down in order to determine the direction in which we ought to be moving in order to save the Postal Service.

I just hope that we do not permit ourselves to get lost in the razzle-dazzle of tomorrow. I do not mind speculating about 1985, but our real problem is to try to get from here to there. In the real world of the present Postal Service with its problems, its possibilities, and its directions, anybody that fails to address himself to that question first ought to be denied the luxury of speculating on a never-never land out there in the future. We will never make it if we do not keep a focus on the present problems.

I know this is plodding stuff, and it is not very sexy or jazzy, but I think it is indeed the hard core of a responsible legislative process.

I want to thank you very much for your presentation.

Mr. FILBEY. Thank you, Mr. Chairman.

[Prepared statement of Mr. La Penta follows:]



Angelo Fosco, General President

W. Vernie Reed, General Secretary-Treasurer

Robert J. Connerton, General Counsel

**LABORERS'
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Statement of
James J. LaPenta, Jr.
Laborers' International Union of
North America, AFL-CIO

before the
Senate Post Office Civil Service Committee

on S. 2844

April 19, 1976

Mr. Chairman and Members of the Committee:

I am representing General President Angelo Fosco of the Laborers' International Union of North America, AFL-CIO. We represent 550,000 workers in a number of industries in the private sector, and 100,000 workers in federal, public and postal service.

I want to commend the Committee for a solid piece of legislative work on S. 2844. I also want to commend the Committee for not surrendering to the panic of the U. S. Postal Service press barrage which, for weeks now, has worked up everybody, in the way the "race with catastrophic" public relations program did in the late '60s and early '70s.

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-2-

Today, the U. S. Postal Service is in dry dock for major overhaul, and the House of Representatives and the Senate, (H.R.8603 and S.2844), are proposing important amendments to the Postal Reorganization Act. While Congress has been working, the U. S. Postal Service has come out in the media with announcements of draconian measures that they are considering to head off financial crisis. The following, not all inclusive, are some of the major ones:

1. The elimination of 50,000 postal jobs.
2. Closing 12,000 post offices.
3. Eliminating 1 to 3 days of mail delivery.
4. Eliminating 3-a-day and 2-a-day business mail deliveries.
5. Abolishing special delivery.
6. Transferring thousands of postal workers from post offices where they are presently working to other post offices or work locations, and speeding up manual labor of postal workers.
7. Calling a moratorium on training and research, and canceling major purchases of equipment.

These actions, says the USPS, will save \$1 billion. While it sounds new - it is not new - like old wine in new bottles - USPS administrations, since 1952, have said likewise, and you know there has been just one postal surplus during this period. Let's examine these last two proposals very carefully. They seem to be

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-3-

contradictory of the U. S. Postal Service desire to increase productivity. In a labor intensive industry, such as the U. S. Postal Service, real productivity gains are hard to come by unless you change the industry from labor intensive to capital intensive. Eliminating training, research and major purchases of equipment amounts to a slowing down of capital investment, and the means by which you increase productivity. On the other hand, while this moratorium is in existence. the U. S. Postal Service will be transferring clerks and mail handlers, and redrawing letter carrier routes, which purpose is to increase productivity by speeding up manual labor (the intensive labor) of postal workers. This amounts to the U.S.P.S. trying to go forward by shifting in reverse. You can sweat manual labor or force a "speed up" as it's referred to in union vernacular but any economist will tell you it's an almost impossible job to increase real productivity while your labor intensive and mail volume is going down, and it is going down at the rate of 4% over the next five years, on top of the 1% decline last year, according to U. S. Postal Service officials.

These tough proposals of the U. S. Postal Service, are generating a scare psychology which pushes mail volume down, and sends users scrambling to use other systems and methods.

If tough proposals aren't enough to send sliding mail volume downward, Postal officials prediction of a 22¢ or 23¢ postal rate by 1981 will do the trick.

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-4-

We urge you to move S.2844 thru Congress. As you know, despite January's 33-1/3% rate increase the U. S. Postal Service remains bogged down with an ailing mail system not cured by the panacea of the Postal Reorganization Act of 1970. The bill, S.2844, amends the act and the act badly needs the amendments. It has failed to accomplish its' four basic provisions:

1. The capitalization of the U. S. Postal Service by granting the U. S. Postal Service the machinery to go the capital market and raise up to \$10 billion in capital funds. Amongst other things this was to change the industry from labor intensive to capital intensive.
2. Continuity of management.
3. Postal Rate Commission established to set fair and equitable rates and classifications of mail.
4. Modern labor management machinery to bring postal labor relations within the same structure that exists in the private sector. At that time, Congress declared "no single need is more insistent than for the reform of the labor management structure."

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-5-

Let me briefly summarize what has happened instead:

1. Capitalization is practically at a stand still; in fact, it's almost buried by the U. S. Postal Service announcement of a moratorium on research and development, training, and major purchases of equipment. Also, the \$1 billion capital investment in the bulk mail centers is shaky and this is expressing it mildly. A proposed \$2 billion capital investment in managed mail and area mail processing came to a halt two years ago.
2. Continuity of management is a joke. The revolving door at L'Enfant Plaza pushed a procession of Postmasters General and Senior Assistant Postmasters General in and out for five years, not to mention the vacant Deputy Postmaster General Job left unfilled from 1972 to 1974.
3. The Postal Rate Commission did not perform in a credible fashion either, and the protracted rate hearings have had a lot to do with the Postal Service financial crisis during a period when more operating revenue was needed because of double digit inflation and mounting fuel and energy costs.

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-6-

4. The modern labor management provisions in the Act have, each time they have been tested in the bargaining of new contracts, brought a tremendous amount of scape-goating of postal workers by the media, aided and abetted by the U. S. Postal Service, asking postal workers to subsidize the postal service.

The U. S. Postal Service demands at these negotiations would have required the postal unions to turn back the clock and give up measures they had already won. This just isn't done in modern labor management relations, and yet, despite these actions of the U. S. Postal Service it is the unions and postal workers who have been getting criticized about their productivity, pay and fringe benefits by the media, the White House, and some members of Congress.

The facts given to the Senate Post Office Civil Service Committee on January 27 by Chairman McGee, compiled by the Department of Labor, has all labor contracts in 1975 averaging a 10% increase for the first year with an average over the life of the contract of 7.5%. The postal labor contract for the first year was 4%, and 4% over the life of the agreement, exclusive of cost-of-living. This is moderate, to say the least, and responsible to the point of bringing the roof down on the heads of postal union leaders for

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-7-

not following the pattern of other wage settlements. In the Postmaster General's Annual Report comparison with other postal systems around the world American postal workers are shown ahead of all other countries except Canada - Minutes of Worktime Required to Match the Cost of a Letter Stamp. I think that this comparison is revealing and is a true comparison rather than the distorted comparison of postal workers pay vis-a-vis federal workers pay. While postal workers pay has increased faster than federal workers pay as a result of their right to determine pay through collective bargaining it is not fair to imply that postal workers should now mark time while federal workers catch up. This is more of the same old scape-goating of a segment of public workers asking them to subsidize public service. It is morally wrong and it is a violation of the collective bargaining provisions in the Postal Reorganization Act, which states that postal workers will receive pay comparable to workers in the private sector.

Our Union supports S.2844 because it doesn't fool around and goes to work to do something now about the Postal Service with its provisions dealing with public service appropriations, and rate making, while at the same time directing the U. S. Postal Commission to study other important long range matters and come up with recommendations in two years. We want to particularly compliment this Committee for its' resolve and common sense in not merely bailing out Bailar by giving the U. S. Postal Service the 10% public service

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-8-

appropriation provision and streamlined rate making procedures to do as it please. Importantly, the Committee has also established in the bill a minimum service requirement that must be met by the U. S. Postal Service. Our Union vigorously supports this provision and urges the Congress to keep this provision intact as the bill goes through the legislative process. Our Union also supports the provision that the Postmaster General be appointed by the President, with the consent of the Senate. We have long advocated the abolishment of the Board of Governors. This is not in the legislation and we urge that it be included.

Postmaster General Bailar, testifying on pending legislation before the Senate Post Office Committee, placed heavy emphasis on changing traditional postal services. For example, he repeated his request for:

1. The closing of 12,000 post offices.
2. Eliminating sixth day mail delivery.
3. Abolishing special mail delivery.
4. Continuing the "Bulk Mail" center concept even though this \$1 billion investment encompasses 1% of volume. Separating 1% from the other 99%, while that 1% annually declines and is going over to our competitors, the USPS's questionable operating, manpower, and management practices.

LaPenta Statement on
Senate PO&CSC S.2844
April 19, 1976

-9-

The Postmaster General admitted under questioning that these actions result in higher rates and cause mail users to patronize other services like telephone, electronic fund transfer and computer exchange of information.

Postmaster General Bailar was asked: Won't your actions and technological change-perfecting facsimile mail transmission, electronic message transmission, and electronic funds transfer change the way Americans will send messages by using these telecommunication processes? Should the Postal Service get into the telecommunications business:?

The Postmaster General answered by saying that he thought this was private enterprise business and not Postal Service business.

I disagree with this concept of dismantling the Postal Service in stages. It now appears the Postmaster General is part of a conspiracy to get the postal business out of government hands and into the clutches of private contractors and communication companies.

The conspiracy is pretty clear -- from a government agency run by a Presidential Cabinet Officer -- to an independent government establishment in 1970 -- then piecemeal to private contractors -- and finally a full take-over by private enterprise via repeal of the Private Express Statutes.



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April 26, 1976

REC'D APR 27 1976

Honorable Gale W. McGee
344 Senate Office Building
Washington, D.C. 20510

Dear Chairman McGee:

The following represents additional comments to my statement before your Committee April 19, 1976.

In changing the U. S. Postal Service from a labor intensive to capital intensive the U. S. Postal Service plunged \$3 billion into new or improved capital plant and equipment. Coincidentally, that is the amount of the cumulative deficit of the U. S. Postal Service which they are asking be written off by providing an additional \$900 million in each of the next three fiscal years. This amount, \$2.7 billion, would be in addition to the \$2.7 billion in public service subsidies that they are entitled to in the next three fiscal years by provisions in the Postal Reorganization Act of 1970.

What has \$3 billion in plant and mechanization accomplished? The Bulk Mail System cost \$1 billion and high speed letter sorting machines and other mechanization cost nearly \$2 billion. Let's look at the Postal Service when it was labor intensive. During that time missent, misdirected and damaged mail amounted historically to approximately 1/2 of 1% of the volume during the decade preceeding the Postal Reorganization Act of 1970. Today the Bulk Mail System damage rate is 1% and the missent is approximately 5%. This error rate is machine error, not human error. In the letter sorting machine operation the error rate (machine) is 4%. Taking 1975's volume figures of 51 billion pieces of first class mail and 725 million parcels and 135 million sacks processed

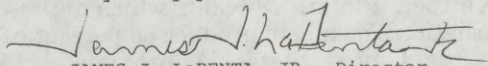
Honorable Gale W. McGee
April 26, 1976
Page two

by mechanization developed in the \$3 billion capitalization program - three billion pieces of damaged and missent mail is being caused by this generation of postal machine failures.

Therefore, it is obvious that postal workers, Congress and the Postal Reorganization Act are not to blame. Neither is inflation entirely to blame. Yet, the Postmaster General and the Board of Governors blame the current postal financial crisis on pay inflation and the Postal Rate Commission.

Legislation pending - S.2844 - and other bills will set the U. S. Postal Service back afloat. However, the legislation should be amended in light of the track record of the Board of Governors and the Postmaster General. Abolishing the Board and having the Postmaster General appointed by the President and confirmed by the Senate needs to be one of the first actions of the Congress.

Very truly yours,



JAMES J. LAPENTA, JR., Director
Federal-Public Service Division

The CHAIRMAN. The next witness is Jim No. 3, Mr. James Winston, president, Paramount Line, Inc., National Association of Greeting Card Publishers.

STATEMENT OF JAMES WINSTON, PRESIDENT, PARAMOUNT LINE, INC., PAWTUCKET, R.I., REPRESENTING THE NATIONAL ASSOCIATION OF GREETING CARD PUBLISHERS; ACCOMPANIED BY CHARLES RUTTENBERG AND DOUGLAS GREEN OF THE FIRM OF ARENT, FOX, KINTNER, PLOTKIN & KAHN

Mr. WINSTON. Thank you, Mr. Chairman.

I am a past president of the association.

The CHAIRMAN. Why not pull that microphone up a little closer?

Mr. WINSTON. Thank you.

We appreciate the opportunity to be here today.

My name is James Winston. I am president of the Paramount Line, Inc., Pawtucket, R.I., and I am here today representing the National Association of Greeting Card Publishers, the national trade association of the greeting card publishing industry. With me are Mr. Charles Ruttenberg and Mr. Douglas Green of the firm of Arent, Fox, Kintner, Plotkin & Kahn which represents the association. The association's members produce 85 percent of the greeting cards published in the United States. Approximately 5 billion greeting cards are mailed annually.

Unlike many of the witnesses that have appeared before this committee, I am not speaking for a large volume mailer. Rather, NAGCP's concern derives from the collective interest of our ultimate customers, the 150,000 outlets that sell greeting cards in all 50 States, and the tens of millions of private citizens who regularly mail greeting cards, personal correspondence, and routine business letters. Because of this unique relationship between NAGCP and the general public, in a very real sense I am speaking not only for our members, but also for the average private citizen.

We feel that for the Postal Service truly to fulfill its important role to bind the Nation together and to provide the essential mail service to which every citizen is entitled, postal rate reform is a necessity. We believe that S. 2844 is a step in the right direction, but we feel that the bill, as now drafted, has a very serious shortcoming which can and should be remedied—it does not provide for the rate relief needed and desired now by the average private citizen.

S. 2844 SHOULD BE AMENDED TO MEET THE NEEDS OF PRIVATE INDIVIDUALS

S. 2844 would authorize an annual congressional appropriation from 1977 to 1979 of up to 10 percent of the Postal Service's expenses. With this appropriation, which in 1977 would amount to approximately \$1.5 billion, the Postal Service will require less revenue from rates than would otherwise be the case, and should increase rates somewhat less quickly than is now anticipated. But this simply will not meet the needs of private citizens.

A moderate deceleration in rate increases would clearly be a significant benefit to businesses, which can deduct one-half of their postal

expenses on their tax returns, and which can pass through increases to their customers. But private individuals, that is, the general public, deserve and require equitable and meaningful rate relief now that, in its present form, S. 2844 does not provide. Indeed, as it stands now, S. 2844 does not insure that any of the supplemental appropriations shall be applied to alleviate the rate problems faced by the average citizen in mailing his letters.

We feel that S. 2844 should be amended to provide explicitly for a special rate for the mail of private individuals. As I shall discuss more fully below, we feel the most equitable and effective way of providing for relief to private individuals is to adopt the approach embodied in S. 2426, H.R. 9941, and similar bills, the Private Individuals Postal Rate Relief Acts. These would provide a special rate for private citizens, of 10 cents per ounce, in the same manner that the Postal Reorganization Act currently provides special rates to certain business and special interest mailers.

FIRST-CLASS LETTER MAIL VOLUME HAS DECLINED DRASTICALLY

In the short period since passage of the Postal Reorganization Act, the first-class postage rate has risen from 6 to 13 cents, the greatest increase in terms of cents of any nonpackage mail class, considerably greater than the increases for much heavier and bulkier magazines, newspapers, and advertising circulars. Revenue from first-class letters will be about \$3.7 billion more in 1976 than 5 years ago. And approximately 35 percent of all first-class mail is the mail of private individuals, the general public.

It is not surprising then that the Postal Service is now admitting that, contrary to all past projections, first-class mail volume is declining and the lost volume may never be recovered.

VOLUME DECLINE

The Postal Service now predicts a volume decline in this fiscal year of 889 million letters and estimates that if the rate were still 10 cents, approximately 2.6 billion more letters would have been mailed in 1976. The volume decline is seen most clearly in the context of other recent volume projections; in late 1973 in a study sponsored by the Postal Service, it was projected that from 1972 to 1976 first-class volume would increase from 54 billion pieces to a total of 65 billion pieces and would reach 75 billion in 1983. But instead, first-class mail volume has declined, and only 50 billion pieces are now expected in 1976. Thus, the flow of first-class mail is off by many billions of pieces.

The future appears distressing at best. The General Accounting Office has recently forecast that, in the absence of a congressional rate appropriation, the first-class rate will reach 19 cents next year and 34 cents by 1984. And the Congressional Appropriations Committee has stated that even with the supplemental appropriation contained in S. 2844, the first-class rate for business, and if no relief is forthcoming, for private mailers as well, will be 17 cents next year and at least 19 cents by 1979.

THE AVERAGE CITIZEN PAYS MORE FOR FIRST-CLASS MAIL THAN BUSINESS MAILERS

When the average citizen uses first-class mail, he actually pays twice as much as a business user does. A business' postal costs are ordinary costs of doing business and are tax deductible. Thus, under the present tax rates, the actual cost of a 13-cent stamp to a business is merely $6\frac{1}{2}$ cents. As I have noted, it has been projected that if S. 2844 is enacted in its present form, all first-class users, businesses and average citizens, will pay 17 cents. But a 17-cent rate for a private citizen is equivalent to a business rate of 34 cents.

Moreover, under section 3626 of the present act, the rates for newspapers, magazines, special rate fourth-class mail, and some other business mail are phased over a recently expanded period of years by virtue of a subsidy from general tax revenues. The mail of nonprofit and certain other organizations is subsidized to an even greater extent; not only are their rates phased, but also these mailers need pay only their "attributable" costs. All overhead costs, including almost all the costs of delivering this mail, are paid by the taxpayer. And as the ratio of tax revenues paid by individuals to those paid by businesses is approximately 3 to 1, these benefits to businesses and other organizations are in large part paid for by private individuals.

The private citizen, in contrast, must pay the full first-class rate; there are no offsets, no deductions. Yet a mother writing to her distant son is not engaged in a business for profit. The proverbial "Aunt Minnie" (and at least one exists in every family I know), who spreads cheer and affection to friends and relatives through her letters and cards, binds us together as few forces can. A father paying the monthly bills is insuring that his family will have the necessities of life. These mailings generate no profits. But they are effectively priced far higher than profit-generating business mail. They further no special causes or interests, only that general interest we all share in necessity and in human fellowship. Yet they do not receive any of the benefits of special organization mailers.

USE OF FIRST-CLASS MAIL BY THE AVERAGE CITIZEN IS AN ESSENTIAL AND SHOULD BE ENCOURAGED TO BIND THE NATION TOGETHER

We feel that it is extremely inequitable to price the mail of private individuals as is now done. And this inequity is amplified by the fact that private individuals' mail is vital. This vital role of personal correspondence is so clear as to need little mention here. Whether rich or poor, peripatetic or shut in, eloquent or semiliterate, many tens of millions of Americans frequently capsule their recent experiences and impressions in a page or two or three and send a letter through the mails. Similarly, millions of Americans regularly send greeting cards to express well wishes and holiday tidings. Personal correspondence enables us intimately to reaffirm our affection for friends and family, and serves to remind us of the ties of human fellowship. In letters we express our innermost thoughts and feelings, as we unfortunately so seldom do amid our hurried everyday affairs. This form of communication is a symbol of our American right freely to speak our minds and hearts. Such communication should be encouraged. It should not be priced as if it were a business.

Individual citizens' personal transaction mail is equally vital. All of us must pay our rent and other bills promptly, and we must use first-class mail. Thus, first-class mail is the medium by which the average citizen communicates with public utilities, repairmen, clothiers, and so forth, and provides himself and his family with life's necessities.

PRIVATE INDIVIDUALS HAVE NO ALTERNATIVES

If mailers in other classes feel the cost of postage is too high, they can utilize an alternate delivery system, or modify their operations, or avail themselves of other alternatives. The private citizen has no alternatives; there is no substitute for letter mail as used by the average citizen. To economize, he may travel from Washington to New York by bus instead of by jet, but the same opportunity does not exist where first-class mail is involved.

THE HIGH FIRST-CLASS RATES ARE OF SERIOUS CONCERN

As I have noted, at current rates volume declines in letter mail are alarming. Clearly, private citizens, rather than being encouraged to use the Postal Service, are being discouraged. And the discouragement will grow as rates increase.

The high, volume-discouraging rates impact most severely on the many impecunious and disadvantaged Americans and the elderly, those persons least able to keep up with the rise in consumer prices. And to these Americans, perhaps more than to any others, use of first-class mail is an essential, immeasurably valuable service. This is especially true of the millions of elderly Americans, many of whom are unable to travel due to the infirmities of age and the effects of inflation upon their retirement funds, and who live for the most part indoors, with their memories, their chores, and their mail. To them, even more than to the rest of us, a penny saved is a penny earned.

POSTAL REFORM SHOULD INSURE THAT PRIVATE INDIVIDUALS' NEEDS WILL BE PROVIDED AND PROTECTED AS IN S. 2426 AND H.R. 9941

We feel that to be most responsive to public needs, postal rate reform should begin with an approach along the lines of that embodied in S. 2426 and H.R. 9941, and other similar bills, the Private Individuals Postal Rate Relief Acts. As I have noted, under this approach, a special rate of 10 cents per ounce would be provided for the mail of private individuals. This relief would in the first year result in approximately a billion additional first-class letters being mailed by individuals. Without relief, these letters would never be mailed, and in the future, volume will decline even more.

At a 10-cent rate, private individuals' mail would more than pay its own way. According to the Postal Service's presentation in the current rate proceeding, at 10 cents per ounce, first-class mail not only would cover all of its attributable costs but would also make a contribution to overhead of 3.6 cents per piece. This would be a greater per piece contribution to overhead than many classes and would be only three-tenths of a cent less than ordinary regular rate third-class advertising mail.

This approach would be essentially identical to that already contained in the Postal Reorganization Act with respect to certain currently favored business and special organization mail classes.

Stiff penalties would be imposed on corporations, businesses and organizations which attempt to mail at the rate for private individuals. Their mail would be received by other entities and private individuals, and a violation would be immediately evident to the recipient. The certainty that violations would be reported, and the severity of the penalties, would deter all but the most fraudulent and disreputable violators. And with every mail recipient a potential enforcer, detection of a flagrant violator would be guaranteed.

We feel that this type of private individuals' rate relief is the most appropriate and effective means of providing the rate relief needed by the average citizen, and we feel that it should be specifically included within S. 2844.

There are several other aspects of S. 2844 which I would like to address briefly below:

REVISION OF THE TEMPORARY RATE PROCEDURE

We strongly support sections 5 and 6 of the bill insofar as they alter the existing counterproductive procedure for setting temporary rates. The current statute provides that if the Postal Rate Commission has not concluded a rate proceeding within 90 days of receiving a request for an increase, the Postal Service may implement temporary rates on 10 days' notice. It has become clear that the Commission cannot normally complete a rate proceeding within 90 days. In each rate case the temporary rates have been in effect for many months during the pendency of Commission proceedings. This is the inevitable result under the current statute, and it tends to derogate from the Commission's role as regulator. Mail users adjust to the temporary rate schedule and the Postal Service plans its operations in the expectation of receiving revenues and of providing service in accordance with that schedule. These factors weigh heavily on the Commission when, months later, it begins drafting its decision, and make wide-scale modification of the Postal Service's proposals difficult and unlikely.

By barring the Postal Service from implementing temporary rates until the Rate Commission has had 10 months to consider the Service's proposals (and by directing the Commission to act within that 10-month period), S. 2844 enables the Commission better to fulfill its envisioned role as a regulatory body. To date, it has functioned too much as a rubberstamp. Concomitantly, S. 2844 would go a long way towards correcting the current situation where temporary rates endure for long periods and so-called "permanent" rates are short-lived.

THE COMMISSION ON POSTAL SERVICE

We feel that the study commission proposed by S. 2844 may be helpful, if the inherent problems of such commissions are recognized and if safeguards are taken to insure that the average citizen is represented. Although study of the Postal Service is laudable in concept, we feel it must be recognized that, in other industries at least, the formation of advisory commissions has often not been productive. Formation of the commission should not, as it has in other areas, become an excuse for

deferring action, such as private individuals' rate relief, that is plainly needed immediately.

Further, we feel that section 7 of S. 2844 should be amended to provide a guarantee that at least one member of the commission will be appointed to represent private individuals. We feel that any legislation creating a study commission should contain that guarantee.

THE POSTAL SERVICE IS NOT A BUSINESS, IT IS A VITAL SERVICE

Finally, as I have attempted to emphasize, the Postal Service is an essential to every citizen. The Private Express statutes, which give the Postal Service a monopoly in letter mail, serve as a guarantee that all areas of the Nation will be provided postal letter service. And reliable postal service is an essential which should be guaranteed. It should be conditioned upon outside forces like one's ability to keep up with the rate of inflation, or, as has also been suggested, the willingness of a private company to skim off some of those first-class mail services now provided by the Postal Service. The Postal Service is a public trust; it performs a vital, necessary service. It does not exist merely to provide businesses with rates that will enable them to make a profit. Nor is its purpose to furnish private individuals only that service their status and income permits them to afford.

CONCLUSION

In closing, I would like to thank you for providing NAGCP the opportunity, along with others who are interested in the establishment of a successful, healthy Postal Service, to present our views on these important issues. We will be pleased to answer any questions you may have.

The CHAIRMAN. Thank you very much.

The only comment I think that would be appropriate is that your proposal is extremely interesting, and likewise, extremely complicated.

We are asking for a Blue Ribbon Commission to be appointed as a basic part of the proposed bill. Its basic purpose would be to assess the public interest factor and its relationship to other factors affecting the operation of the Postal Service.

It would seem to me to be going at it in reverse to start predetermining those factors before the Commission makes its judgment, which is, in effect, what your 10-cent proposal would appear to do.

I would think that we would be better advised first to let the Commission determine the weight of the various factors and what would be in the national interest, and then it would be the appropriate moment to have a look at specific proposals. However, I am not ruling your suggestion out. I am simply giving you my seat of the pants reaction to it at the beginning here.

There are other types of complications it raises, I think, and I would like to ask my committee staff to prepare a set of questions, so that you may have your advisors submit more detailed responses to be included in full as part of the record.

I did want you to know in advance that my one basic misgiving had to do with the order in which we proceeded on this, and that I would think your suggestion would have the effect of prejudging a Commis-

sion's endeavors before they had the opportunity to really take a hard look at the problems, including some of those other equities or inequities that you allude to in other segments of the business community. All of those equities, of course, will have to be weighed before the public interest factor is determined.

Mr. WINSTON. I can appreciate that, Mr. Chairman. Our concern, of course, is in the meantime how rates keep going up and up.

The CHAIRMAN. The rates are in limbo right now. They are where they are going to be for some time now.

Mr. WINSTON. We hope you will give consideration to have a member of this Commission to be someone representing the interests of the private mailer.

The CHAIRMAN. That is why it is important that we have these very interesting points that you have raised as part of our public record, because that is certainly going to be included in the Commission's mandate to examine the whole spectrum of public interest factors.

We do not know whether they will decide 10 percent a year is what is equitable, or whether it ought to be 20 percent, as one legislative measure proposes, or whether it ought to be 15 or 12 percent. We just do not know that yet.

We do believe that if in the beginning, back in 1970, the formula of 10 percent of the current budget had been used, rather than a fixed figure of \$920 million, then we would have been in a little less difficult situation today.

We will probably have some other expertise reflected in the commentaries on your proposals, and you will be given an opportunity to reply to them. We will also make sure that there is no delay at this end, because it is important that we move this along toward a conclusion.

Mr. WINSTON. Thank you. We certainly welcome any questions your staff may present, and we will respond to them.

The CHAIRMAN. I appreciate whatever you can do. You can sit down here with Mr. Crowlie.

Well, that is it for this morning. We will reconvene tomorrow morning at 10 o'clock for another panel of witnesses. We seek to reach a wrapup point so that we can get at the assessment process in this rather crucial series of hearings on the Postal Service.

Thank all of you very much for your input here. It has been very helpful.

[Whereupon, at 11:12 a.m., the committee recessed, to reconvene at 10 a.m. on Tuesday, April 20, 1976.]

[Additional material was subsequently supplied for the record:]

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SAMUEL EFFRON
THOR SCHATTENFIELD
HARR P. JOSELYN
ALLEN G. SIEGEL
L. F. HENNERENDER
JAMES B. HALPERN
PETER TANNENWALD
DANIEL G. SMITH
JOHN MARLEE, JR.
WILLIAM B. SULLIVAN
RICK A. HARRINGTON
JOHN W. CURRIE
RONALD L. TIER
STEPHEN L. GIBSON
BENJAMIN E. GOLDMAN
SAMUEL H. WEISSBARD
BARRY S. SCHENOFF
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STUART R. MATTHEWS
CAMERON H. BLANE

May 3, 1976

Mr. Rod Crowlie
Staff Director
United States Senate
Committee on Post Office
and Civil Service
Washington, D.C. 20510

Dear Mr. Crowlie:

Transmitted herewith are the responses of the National Association of Greeting Card Publishers, to the questions enclosed with your letter to Mr. Winston of April 22, 1976. The Association would appreciate the inclusion of these responses as part of the record of its testimony before the Committee on April 19th.

If you have any questions, please let me know.

Sincerely,

Charles B. Ruttenberg
Charles B. Ruttenberg

RESPONSES OF NATIONAL ASSOCIATION OF GREETING CARD PUBLISHERS
TO QUESTIONS SUBMITTED BY THE SENATE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE, IN CONNECTION
WITH HEARINGS ON S. 2844

- 1.Q. The Postal Rate Commission, in its Opinion and Recommended Decision on the Mail Classification Schedule (Docket No. Mc73-1 Phase 1) has proposed a surcharge on over-sized envelopes and a ban on under-sized pieces. Would you comment?
- A. We appreciate that automation and handling of the mail is necessary, and that it places maximum and minimum limits on mail that can be processed both electronically and mechanically. The proposed limitations are reasonable and the industry can adjust to them. Any further restrictions, however, would impact severely on our creativity and on the industry generally. The record in Phase I of the classification case demonstrates that no further restrictions are necessary to permit automated handling of letter mail.
- 2.Q. In earlier testimony before the Committee, support has been evidenced for discounts to mailers who standardize their output, deliver it in sequence so that handling is reduced, and use standardized envelopes. The plea in your testimony is, on the other hand, for relief of mail matter which is often hand-addressed and requires more handling or greater time. Would you agree that businesses who do a significant job of mail preparation, thus reducing Postal Service handlings and costs, should benefit from their effort? If so, what basis can be used to justify rate reductions for mail matter which generally requires more handlings and costs more to process?
- A. The Postal Service's figures show that, contrary to the assumption in this question, the cost of processing private individuals' letter mail is approximately the same as the cost of processing mail which has been prepared or sorted by the bulk mailers.

-2-

These figures show, for example, that the attributable cost of the average first-class letter is 7.6 cents while the attributable cost of the average magazine, which encompasses all cost savings due to the mailer preparation, is 7 cents per piece. But postal rates unfairly do not reflect this cost equality. Thus, though both cost essentially the same amount to handle, the rate for first-class letters is 13 cents per ounce whereas the full rate for the average magazine, which will not be paid until 1979, is only 9 cents.

Moreover, businesses can deduct one-half of the cost of postage as an ordinary business expense. Thus, the effective rate for magazines is only 4-1/2 cents, about 1/3 of the rate for private individuals' mail, though both cost the same amount to process. Accordingly, we feel that private individuals' mail is unfairly treated.

As Mr. Winston's testimony before the Committee details, the burden of the current high rates on private mail users is great. The average citizen needs, and is entitled to, primary rate relief.

- 3.Q. In terms of what the customer or patron gets for it, do you believe that today's 13-cent postage stamp for first-class mail is unreasonable? Unacceptable?
- A. The 13 cent rate for private first-class mail is clearly unreasonable and unacceptable. It is unreasonable because it is double the effective rate paid by business first-class mailers and because, at that rate, private first-class mailers are paying for the costs of other classes of mail, costs which should be borne by those classes. The 13 cent rate is unacceptable because it is undoubtedly directly related to the decrease in the use of first-class mail by the American public. First-class mail is now at 50 billion pieces a year, far below the 65 billion pieces that had been estimated. We have no doubt that further rate increases will cause an additional major decline in the use of first-class mail. Therefore, both from a comparable point of view (i.e., with business mailers) and from an absolute point of view, the 13 cent rate is unreasonable and unacceptable.

- 4.Q. To the extent possible, could you share with us information relative to the sales of greeting cards and the trend, upward or downward, in greeting card publishers' profitability since 1971?
- 5.Q. In your testimony of April 19 you state that approximately 5 billion greeting cards are mailed annually. Do you have available a more precise estimate on the numbers mailed by the year since 1971?
- 4-5 A. During the period from 1963 to 1971, greeting card sales remained at approximately 5 billion cards per year. Thus, though greeting card publishers' costs have been subject to the same inflationary trends that have affected the profitability of other United States' industries, and though the GNP increased greatly from 1963 to 1971, greeting card production did not increase during that period. More recent figures are unavailable, but as indicated above, first-class mail has declined, and is now at approximately 50 billion pieces a year, far below the 65 billion estimated. And with future volume declines predicted, the threat to the industry is clear.

WARREN G. MAGNUSON, WASH., CHAIRMAN

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United States Senate

COMMITTEE ON COMMERCE
 WASHINGTON, D.C. 20510

March 24, 1976

REC'D MAR 29 1976

The Honorable Gale McGee
 Chairman
 Post Office and Civil Service
 Committee
 U.S. Senate
 Washington, D.C.

Dear Chairman McGee:

Enclosed is correspondence that I have received from the Ravenna-Bryant Community Association. As you will see, the Association has passed a resolution requesting that the Postal Service issue an environmental impact statement prior to the building of new postal facilities. The Association has also called for a Congressional investigation on the impact of the Postal Service's attempts to reorganize its operations.

I would appreciate your taking this resolution under consideration as your Committee continues its studies of legislation affecting the Postal Service.

Sincerely yours,

Warren G. Magnuson
 WARREN G. MAGNUSON, U.S.S.

WGM:mga

Enclosure

RAVENNA - BRYANT COMMUNITY ASSOCIATION
5770 26th NE
Seattle, WA 98105

February 29, 1976

Senator Warren G. Magnuson
Old Senate Office Bldg.
Washington, D.C. 20510

Dear Senator Magnuson:

Thank you for your letter of December 19, 1975.

Please find our enclosed resolution addressed to the Seattle City Council. Since this is a policy on the national level we are asking your cooperation in this matter.

If this policy of consolidation of carrier stations is followed, we have no assurance that postal service will be more efficient and it will jeopardize the adjacent residential areas. We must save our neighborhoods.

Sincerely,

Constance Palmerlee
President
Ravenna-Bryant Community Assn.

CP:la
Enclosure

RAVENNA - BRYANT COMMUNITY ASSOCIATION

February 29, 1976

Councilman Sam Smith, President
Seattle City Council
1106 Municipal Building
600 Fourth Avenue
Seattle, WA 98104

Dear Councilman Smith:

Since the Sub-Regional Committee of the Puget Sound Council of Government has supported the City's concerns that all post office projects under consideration for this area at this time be reviewed as a comprehensive plan with overall planning rather than on a piecemeal basis, and since the adjacent communities are vitally affected, we have passed the following resolution:

"The Ravenna-Bryant Community Association requests that the post office prepare an Environmental Impact Statement on these projects and that the City take a stand that no post office site be selected until an investigation is made as to the relative costs and merits of these projects and their impact on local communities."

Currently these projects are being conceived and implemented by the postal service without a study and evaluation of the impact on local communities in terms of traffic, pollution and deterioration of neighborhoods.

It will cost a great deal of money to build and maintain these massive post office facilities, and it will be a loss to the City in the form of future tax revenues (property removed from the tax rolls).

Also, this policy has not been coordinated with federal air pollution requirements and energy conservation.

Since we understand that these facilities are being planned all over the country, we propose that a congressional investigation be made.

Sincerely,

(Mrs.) Constance Palmerlee
President
Ravenna-Bryant Community Association

CP:1a

HON. HARRY F. BYRD, Jr.,
U.S. Senate,
Washington, D.C.

DEAR HARRY: Thank you for your April 6 letter in which you enclosed comments by Mr. Andrew Newton about postal operations. Of course, I was pleased to receive his comments, and I am taking the liberty of including them in the hearing record.

The Committee intends to wrap up the hearing process by the 20th of April, and hopes to report a bill to the Senate sometime prior to May 15.

Thanks again for keeping me informed. Please continue to do so.

Sincerely,

GALE MCGEE, *Chairman.*

FALLS CHURCH, VA., *March 30, 1976.*

HON. HARRY F. BYRD, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: Thank you very much for your letter of March 8, 1976 in response to mine concerning the Postal Service. This letter will include formal remarks outlining my personal opinion of the actions that will have to be taken without delay to bring the Postal Service back to a firm foundation of best service at the lowest costs.

ORGANIZATION

The present organizational setup being operated as a semicorporation has consistently become worse since it was formed. When the Postmaster General talks about bankruptcy unless he receives much more than a billion dollars to balance the deficit, I consider the organization a failure.

RECOMMENDATION

Terminate the present type of organization and place it completely back in the Government with cabinet status. At the same time, completely eliminate political influence and fill all positions by ability and highest qualification.

Even though I was a Regional Director, it is my recommendation that the present five regions be abolished, including District Managers and that the Department be organized to set policy for each of the functions. The Postal Inspection Service should be required to see that the Departmental policies are carried out in the field. They should have no administrative authority but should report to the Department through their division.

This would immediately result in great savings and at the same time centralize policy.

COST, SERVICE, RESEARCH AND DEVELOPMENT

Elimination of second business delivery, discontinuance of small post offices, elimination of Saturday delivery would provide a very small savings compared to the amount of the deficit. However, it would result in a great further deterioration of service to the American people. This cannot go on at the same time that higher postage rates are being granted. The American people are paying more all the time for a weakening and poorer Postal Service.

Most of the money goes for salaries to people in the Postal Service. The only way that savings could be made in this area is by reduction of man hours. The fine people of the Postal Service cannot be expected to do more than a reasonable days work. Therefore we come to the question of how this can be done.

Experimentation, research and development have been going on for several years. The best that has been done on letter mail which is by far the greatest number of piece handlings, is to have distributors sit at consoles and code mail as each letter is mechanically brought before them. The rate of distribution is about 60 per minute or 3600 per hour.

The Zip Code usage by mailers has been great. All it has accomplished however is for distributors to sort mail by number instead of by a scheme. Much more could be accomplished with the Zip Code even to the extent of using more numbers to sort it to Letter Carrier routes. This however, would not be the answer unless mechanical, electronic distribution of mail could be accomplished by reading the Zip Code.

RECOMMENDATION

The strongest efforts must be put forth to develop electronic scanners to read and sort by Zip Code. It is conceivable that letter mail could be sorted at the rate of 25-35,000 letters an hour in this manner. If this could only be accomplished by standardization of envelopes then all out effort should be made to accomplish it. The Zip Code could be required to be placed in a uniform position on all such envelopes. Mailers who would want to use other than standard envelopes would be charged extra postage.

BOARD OF GOVERNORS

The present Board of Governors has no member with actual Postal experience. Many of the subjects for discussion would require such experience for the edification of the members from business.

RECOMMENDATION

The Board of Governors should be composed of outstanding men from Business and outstanding people with great Postal experience. It would be my recommendation that the board be 70% business and 30% Postal experience.

CONCLUSION

The Postal Service is floundering in my opinion and something must be done without delay to save it. I have not gone into a great deal of detail in this letter and I do have many thoughts that could be considered in addition to what I have written.

I am enclosing two copies of my biographical sketch as information to show the extent of my experience. I was also awarded the Meritorious Service plaque for heading a nation wide service improvement program in 1960.

I offer my services in any way to assist in this most serious situation, without compensation or position.

With every good wish, I am,

Sincerely,

ANDREW E. NEWTON.

FALLS CHURCH, VA., *March 31, 1976.*

HON. HARRY F. BYRD, Jr.,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: This is with further reference to the very serious condition of the Postal Service as outlined in my letter to you of March 30, 1976.

BULK MAIL HANDLING CENTERS

The damage of millions of parcels by this system was a tragic loss to the American people. The parcel damage is not the only concern. Consider the preparation of the enclosure or the purchase; the wrapping for mailing; the trip to the mailing point; the failure to be delivered to the addressee due to the damage. These parcels carry with them every element of human concern.

It was stated in the hearing that the top officials of the Postal Service did not know about this tremendous damage until after it happened. I do not question this, but I do question any system regardless of what it is in Government or private industry, that such a debacle can go unknown to the people who are charged with the responsibility of conducting that business. This is a decided lack of proper organization.

However, further back than this, they say this was ordered installed by former PMG Blount. Why wasn't proper testing and engineering study made before these Centers were placed in operation. The probable element of damage to parcels should have been disclosed before the operation started.

What is being done about it now? I can visualize the frenzied activity now to find out what happened and if anything can be done to correct it. This is proper, however it should have been done prior to starting the Centers.

CONCLUSION

In 1947 when I was a Postal Inspector in New York City, I was directed by Postmaster General Donaldson to conduct a study and survey of United Parcel Service in the greater New York area.

Mr. Donaldson wanted this done to determine what systems were being used by UPS that we could consider using in the Postal Service. This study was made in three days and report made to the Chief Postal Inspector for transmission to the Postmaster General. As a result of that report much greater use was made of conveyor distribution of mail (Parcel Post) and changes in the handling of parcel post for delivery trucks.

I bring this up because UPS has made great inroads into our parcel volume. The reason is that their service is good and degree of damage is only a fraction of ours. They also handle the preferred deliveries in towns and cities where roads and cities are easy to travel. We deliver everywhere in the Country. I consider this good competition because it should put us on our "toes" to do a better job.

REDUCTION OF SERVICE

It is a saddening feeling to read of possible twice a week delivery in rural areas; elimination of many small post offices; elimination of Saturday delivery; and other actions to reduce costs.

This reduction of cost is a reduction of the vital service to the American people. All the money that could be saved would be absorbed by increasing costs within a comparatively short period of time. Postage rates to 21¢ for first class are already being discussed with reduction in service.

COMMENT

Real reduction of cost and improvement of service at the same time can be realized by research and development in reducing the most of piece handlings of mail. An all out program should be set in motion to develop electronic scanning of mail by Zip code using standard size envelopes and standard location for Zip Code. I would never believe that in this great Country of ours, that we have no person or persons who could come up with this answer.

Action should be taken now, to start restoring the Postal Service without waiting until it is on the brink of bankruptcy, not financially but also in service to the American people.

With every good wish, I am,

Sincerely,

ANDREW E. NEWTON.

Senator Bob Dole (Kansas)
Prepared Statement for the Senate Post Office and
Civil Service Committee

April 19, 1976

THE POSTAL SERVICE AND THE PUBLIC

Mr. Chairman, there is perhaps more concern among more people about Postal Service today than there has been at any other time during the past five years. Our offices on Capitol Hill are being literally inundated with expressions of that concern daily, and it is for that reason that these hearings before the Senate Post Office and Civil Service Committee are being held today. Although Congress reduced its role in postal affairs by establishing the semi-autonomous U.S. Postal Service under the provisions of the Postal Reorganization Act of 1970, we cannot and should not ignore our responsibility now to confront the results of that legislative action. It is my understanding that the purpose of these hearings is to study several legislative proposals now pending before the Senate which suggest various ways of handling the numerous problems in postal operations today.

Indeed, there are a number of very serious problems facing the Postal Service, and they all have an impact on the welfare of the private individual and on private industry in this country. There is a steadily mounting deficit -- about \$3 billion accumulated by the end of fiscal year 1976 -- provoked by inflation, rising energy costs, and soaring labor expenses. There are threats that extensive cuts must be made in traditional services and in daily deliveries; postal rates are growing by leaps and bounds; and small post offices are being closed at a steady pace. All of these factors have been a source of great concern to me, and I am convinced that it is time for this Congress to make some hard, basic decisions about the future of the Postal Service and its policies.

- 2 -

The postal problem can be licked. But it won't be done by putting politics back in the post office; it won't be done by wiping rural America off the map; and it won't be done by introducing the \$1 postage stamp. I believe the solution will require an application of ingenuity and concern for true public service. I believe this solution will be found when postal officials start enforcing "fair share" and "common sense" principles in every aspect of postal operations, with the active cooperation of the Congress.

DOLE LEGISLATION

In September of 1975, prior to the latest postage rate increase, I introduced a bill (S. 2426) which would keep first-class postage rates at the 10¢ level for all private individuals. This would include normal correspondence, greeting cards, and bill payments, among other forms of eligible mail. The basis for this legislation was the recognition that first-class postage rates have increased by 117% in only five years, and that this substantial rise in postage costs is having a negative impact on both the private individual and the Postal Service alike. The relationship between declining mail volume and rising postage rates is nothing but a "vicious circle." As Postmaster General Benjamin Bailar recently pointed out in testimony before this Committee: "Our customers are curtailing their use of the mail, or turning to alternate, less expensive means of communication. And as rates go higher, public resistance grows firmer, and the volume drops even more."

While rising postage rates have a substantial cost impact on all mailers, the added expense is especially hard on private individuals -- especially the low-income and elderly. Business postal costs are normally tax deductible, thereby providing an indirect "subsidy" to commercial

- 3 -

mailers, while more direct forms of subsidies are regularly provided for bulk and media mailers. I have no argument with these latter forms of postal relief, but I do feel that the private individual deserves an even break. My bill, S. 2426, is designed to provide such "postal relief" to the individual mailer.

There has been considerable interest expressed in this measure during the last eight months, but two very important questions have been raised, regarding enforcement and cost of the proposal.

ENFORCEMENT

Since first-class mail is "sealed against inspection," absolute enforcement against illegal use by ineligible mailers is difficult. However, a very similar situation already exists with respect to any special mailing rate or permit, including franked mail, official government business mail, fourth-class parcel post, and other instances where the integrity of the mailer is assumed. Nevertheless, my bill does establish a heavy penalty fine for the improper use of the private individual's special postal rate, and I believe this "risk factor" -- a 3¢ postage savings versus a potential \$2500 fine -- would be a deterrent to unauthorized use of this privilege, recognizing that the recipient of an illegal mailing could very easily report the violation.

COST

Potential cost of such a plan is not an insignificant consideration, particularly at a time when the Postal Service is facing a large deficit. Estimates of the cost of my proposal have ranged from approximately \$200 million per year to \$400 million per year. At the present time, and for the past five years, Congress has been providing \$920 million annually to the Postal

- 4 -

Service in "public service subsidies" to help meet its deficit, and an additional amount has been provided to phase-in second- and third-class postage rates over a period of time and thus soften the impact of those rate increases. It is simply my feeling that, in the context of these forms of financial assistance, the private individual should stand to gain some consideration for his particular situation. With the Postmaster General now requesting an additional annual subsidy from Congress of approximately \$1 billion, I am suggesting that careful consideration be given to directing some of this funding to the relief of private mailers. There are many of my own constituents who feel that their tax dollars could hardly be spent in a more responsible and beneficial manner than this, by means of which they would recognize a direct advantage in their daily activities.

Extensive support has been registered for the "Aunt Minnie" postage rate, and I will attach copies of some correspondence of this type at the end of my statement.

Unless a ceiling or restraint of some sort is placed on first-class postage rates, there is literally no end in sight to their increase in the next few years. Already, postal officials are discussing plans for a postage increase next year, and rates may well double again in the next five years, unless some positive steps are taken in this way. As Congress continues to debate the concept of "public service" in the Postal Service, let us not forget who that service is primarily intended to benefit.

CLOSING RURAL POST OFFICES

Late last year, the Postal Service announced an arbitrary change in its regulations regarding the future closing of third- and fourth-class rural post offices. At that time, it was announced that the impending

resignation or retirement of the local postmaster would no longer be a necessary criterion for considering such a closing. What this means, in a practical sense, is that every third- and fourth-class post office in the country today is potentially eligible for closing should the Postal Service management decide to do so. A study published by the General Accounting Office last year created quite a stir when it suggested that the closing of 12,000 rural post offices nationwide could result in significant savings to the Postal Service. In fact, the estimated savings by these extensive closings would amount to less than 5% of the accumulated deficit now facing the Postal Service.

In my opinion, postal officials have truly given meaning to the phrase "penny-wise and pound-foolish." The Postal Service is trying to nickel-and-dime its way to financial solvency by dismantling the rural post office system. At the same time, it is doling out the dollars in overtime pay to postal workers in large metropolitan areas, and by running rural mail into sectional sorting centers, and back again to the rural areas.

There can be no question about the general unprofitable nature of rural postal service, considering distance and volume factors involved, among other things. But rural residents have a right to expect just as much "service" from the United States postal system as do urban residents and this is, after all, what the concept of "public service" is all about. Statistics cited during these hearings have indicated that as many as 80% of all post offices in the United States could not demonstrate a "break-even" financial status. But no one, I think, seriously suggests that we should therefore close 80% of our nation's post offices.

Instead, there must be an injection of real ingenuity in developing a solution to postal deficits in rural areas, and in my

opinion, such ingenuity has thus far been noticeably lacking.

COMPUTERIZED ROUTE SYSTEMS

For example, in my own State of Kansas, Professor Leonard Schruben, Research Agriculture Economist at Kansas State University, recently completed a very thorough and professional study of rural post offices "star contract routes." The results of his investigations indicate that the Postal Service could save more than \$40 million a year by more efficiently designing star contract routes in light of computerized analyses made of existing routes. According to Professor Schruben, computer-designed star routes could achieve substantial savings by reducing total delivery mileage, reducing the number of necessary trucks, and by operating more miles at a marginal cost. Professor Schruben's conclusions are based on considerable prior experience and local studies made in the Topeka, Kansas, area, and his conclusion is that the Postal Service could provide equal or better service at a substantially lower cost by simply utilizing computers in designing star routes for delivery of rural mail.

I have asked both the Postal Service and the General Accounting Office to make a thorough review of Professor Schruben's study and to provide me with their individual assessments of its merits. In the meantime, I make reference to this study as an example of the manner in which ingenuity can be used to find acceptable alternatives to the unacceptable practice of closing our rural post offices.

LABOR COST IMPACT

The legislation introduced by Senator McGee, S. 2844, contains

- 7 -

a provision to establish a "Commission on Postal Service" to study public service functions of the Postal Service and the need for Congressional appropriations to support those services. I would add my own recommendation that such a commission, if established, should be charged with the responsibility of surveying the impact of postal labor costs on the Postal Service deficit. This study should be made in view of the fact that 85% of the Postal Service's annual budget goes to pay labor costs, and in view of the provisions contained within the most recent postal labor contract: a \$1500 "up-front" salary increase for all postal employees, six guaranteed cost-of-living increases over a three year period, and a no-layoff clause. It is, I believe, premature to pass judgment on the propriety of such labor benefits without having the benefit of a thorough study of the situation by an independent body, such as the proposed commission. I believe that such an analysis could be helpful to the American public in terms of understanding the relationship between labor costs and the postal deficit, and could help facilitate future postal labor contracts, which are negotiated between postal labor unions and postal management.

CONCLUSION

In conclusion, I want to simply restate the thesis of this testimony: That postage rates must be kept within practical reach of all citizens if postal volume is to be sustained, and true public service must remain the hallmark of the U.S. Postal Service if it is to survive as a useful institution in the future. These, I think, are major considerations which I and my colleagues must bear in mind during consideration of specific legislative proposals in the weeks ahead. For, whatever specific form may be taken by the legislation finally approved by the Senate, two principles

must be preserved: postage rates must be distributed on a fair and reasonable basis among mailers, and postal service must be available for all regions of our country. It is with these principles in mind that I will consider the postal legislation which is likely to be on the Senate floor in the weeks ahead.

NINETY-FOURTH CONGRESS

JAMES M. HANLEY, N.Y., CHAIRMAN
 ROBERT N. C. HIX, PA.
 WILLIAM D. FORD, MICH.
 WILLIAM LEVYMAN, FLA.
 PAUL SIMON, ILL.
 NORMAN Y. MINETA, CALIF.

ALBERT W. JOHNSON, PA.
 JAMES M. COLLINS, TEX.

EX OFFICIO:
 DAVID H. HENDERSON, R.C.
 EDWARD J. DERWISSE, ILL.

U.S. House of Representatives

SUBCOMMITTEE ON POSTAL SERVICE

OF THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

122 CANNON HOUSE OFFICE BUILDING

Washington, D.C. 20515

STATEMENT BY HON. JAMES M. HANLEY

OF NEW YORK

For Senate Post Office & Civil Service Committee

Hearings on S. 2844, the Postal Reorganization

Act Amendments of 1976

Mr. Chairman:

The financial condition of the Postal Service is so severe that we must move with S. 2844 quickly if we are, in fact, going to have a Postal Service to save.

The debt ridden posture of the Postal Service is a story which has become familiar to those of us in both Houses who deal in postal affairs. I do not think that a restatement of these figures is necessary today.

More than two years ago, I began to raise questions about the future viability of the Postal Service. My thought then, as now, was that the services which the Postal Service provided, and which were necessary for the smooth functioning of our economic, cultural and social life, could not and should not be self-sustaining. Additional appropriations for the public service functions of the Postal Service will always be necessary to maintain a viable and useful Postal Service.

- 2 -

The self-sustaining concept written into the Postal Reorganization Act and still considered fondly by some is, to put it bluntly, a bust. Contrary to the rosy picture consistently painted by the Postal Service, service is not better than ever, and deficits continue to mount. We are now facing a crisis time when we must decide whether to increase funding for the Postal Service or face the prospect of drastically reduced service at higher cost.

As I mentioned, I believe that we should make a long-term financial commitment to the Postal Service at substantially greater levels than now. S. 2844, however, represents a viable compromise which contains some of the better features of H.R. 8603 which is currently pending before you.

This bill would give a greater voice to Congress in postal policy making by giving only a three-year authorization for the increased funds. Frankly, I would like to see the bill amended to require annual authorizations for each of the three years included in the bill. I think that nothing less is going to satisfy our colleagues.

However, the temporary nature of this increased funding should be emphasized. The three years of increased funding will give us time to carefully study the long-term financial needs of the Postal Service. The Commission on Postal Service established by both H.R. 8603 and S. 2844 would carefully

- 3 -

study and define the public service functions of the Postal Service, put a price tag on them, and establish a proper balance between appropriations and revenues generated by rates and fees for postal services. This Commission is a keystone of the bill.

I also support the provisions of S. 2844 regarding the Postal Rate Commission. However, I would encourage you to consider amending S. 2844 by removing the requirement that rate proceedings be held in accordance with the hearing procedures outlined in the Administrative Procedure Act. I have serious doubts as to whether the Commission can consistently hold to a ten-month time schedule unless this requirement is repealed. The Administrative Conference of the United States agrees with the position taken by the House Post Office and Civil Service Committee on this matter, and I would suggest that your Committee read the Conference's report on H.R. 8603 before making a final decision.

I would like to commend you, Mr. Chairman, for your deep and abiding interest in providing good postal service to the people of this country. I look forward to working with you, as I have in the past, toward this end.

ED HERSCHLER, Governor

A. J. "JACK" HULL, Pres., Laramie
 FLOYD CARR, Vice Pres., Sundance
 CHARLES H. BROWN, Wheatland
 DR. DE WITT DOMINICK, Cody
 GENE BONDI, Sheridan
 ROGER WEIDNER, Evanston
 DAVE WHEELER, Lander

State of Wyoming



JAMES B. WHITE
 Director
 EARL M. THOMAS
 Assistant Director
 REX CORSI
 Chief Game Warden
 W. DONALD DEXTER
 Chief Fish Warden
 PETER N. TERTIPES
 Chief Fiscal Officer
 CHESTER C. ANDERSON
 Chief Research & Development

GAME AND FISH DEPARTMENT CHEYENNE 82002

April 5, 1976

APR 16 1976

Senator Gale W. McGee
 Post Office and Civil Services Committee
 344 Russell Senator Office Bldg.
 Washington, D. C. 20510

Dear Senator McGee:

You may recall our correspondence of January 17, 1975 concerning efforts of the International Association of Game, Fish and Conservation Commissioners and the American Association for Conservation Information (AACI) to secure passage of a law that would provide lower Second Class postal rates for the mailing of state conservation agency magazines.

Several bills to accomplish this objective have been introduced in the House since that time, among them HR 2813 (dated February 5, 1975) and HR 4065 (dated March 3, 1975). We have been informed Senator Hatfield has now introduced such a Bill in the Senate (S 872) and that Bill has been referred to your Post Office and Civil Services Committee. We urgently request your thoughtful consideration and, if possible, support of this measure at the earliest appropriate time. Two postal rate hikes since that earlier correspondence have increased mailing costs of our conservation magazine, Wyoming Wildlife, 24.5% in the interim. The cost of publishing and disseminating a magazine of this caliber, particularly in view of the fact it contains no advertising, is fast becoming prohibitive. Since Wyoming Wildlife is the only publication of its type printed in the State of Wyoming we are, of course, most anxious to perpetuate its existence as an effective public relations tool for the State of Wyoming and as an important source of State information to the now in excess of 50,000 monthly subscribers. This publication has assumed some rather magnitudinous proportions since it is read internationally, not only in the United States and Canada, but in some 25 foreign countries. It is estimated a quarter of a million people read Wyoming Wildlife each month.

Senator Gale W. McGee
Post Office and Civil Services Committee
April 5, 1976
Page Two

If S 872 received favorable consideration and allowed the official state conservation agency in each state to use Special Second Class postal rates it would mean Wyoming Wildlife could save approximately 50% in mailing costs. Thus, an additional \$10,000 could be kept in the State for enhancing recreational opportunities and wildlife habitat. Similar benefits would accrue to most other state conservation agencies.

Enclosed please find information we hope will be of assistance in assessing the value of this piece of legislation. At the risk of being repetitive we mention our request is predicated on a statement contained in the informational material--"We do not ask to be made an exception to a general rule; we only ask to be included under a general rule."

Your consideration and support of S 872 would be greatly appreciated. If further information is desired, please do not hesitate to call on us. We are most desirous to see that complete and accurate information accompanies consideration of S 872, because we feel the facts will sufficiently justify our request.

It is our understanding that Senate hearings on S 872 will be held in the near future, and we would appreciate greatly the opportunity to have this correspondence placed in the permanent hearing record as the comments of Wyoming Game and Fish Department relevant thereto.

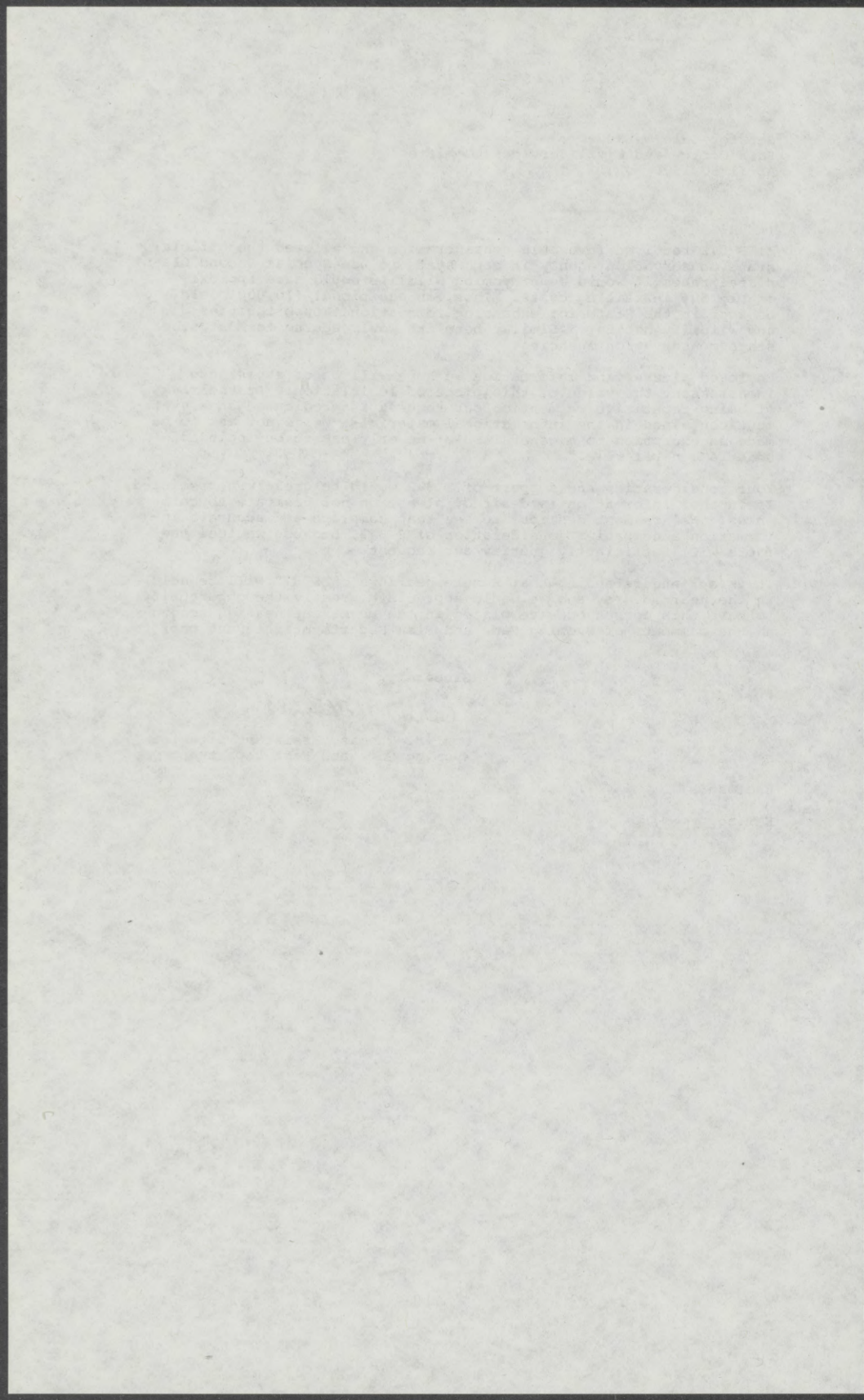
Sincerely,

Earl M. Thomas

Earl M. Thomas, Assistant Director
Wyoming Game and Fish Department

Enclosure

EMT:ag



POSTAL REORGANIZATION

TUESDAY, APRIL 20, 1976

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

The committee met, pursuant to recess, at 10:07 a.m. in room 6202, Dirksen Senate Office Building. Hon. Gale W. McGee (chairman of the committee) presiding.

Also present: Senator Randolph.

OPENING STATEMENT OF CHAIRMAN McGEE

The CHAIRMAN. This is the seventh in a series of hearings on pending legislation that is aimed at tightening up and otherwise improving the 1970 Postal Reorganization Act.

The purpose of the bill—that is, S. 2844—is really twofold. The first is to address the immediate issue at hand, which is keeping the Post Offices going; that is, keep them in business because its immediate emergency is a considerable deficit that was largely the result of inflationary factors that were not programed into the Post Office Reorganization Act.

The 41-percent inflation from 1970 to January 1 of this year was absorbed in all of the private sector of our country in a number of ways, such as jumping the prices of their product or by closing down plants to protect their cash flow, or by cutting back inventories or what have you.

The Post Office can do none of those things so the basic fiscal problem of the Post Office is the inflationary factor, and the thesis of the bill that is pending is that those inflationary forces were not invented by the Post Office Department but were the result of other factors in our economy and, indeed, in the world economic picture. Therefore, it is properly the responsibility of the Government of the United States, the people of the United States, and that includes the President of the United States, to pick up the gap; that is, the inflationary gap.

Secondly, the bill addresses itself to tightening up the reforms of nearly 5 years of experience under the new Postal Reorganization Act in ways that experience has taught us.

First of all, to speed up the ratemaking processes of the Rate Commission. Had there been no delays in the ratemaking process that permitted the 3-cent increase last fall, the operational cost of the Postal Service would have been in the black for this fiscal year. But that delay of many, many months only aggravated a rapidly worsening situation in terms of inflationary costs.

Under the bill, we are setting out new guidelines for the Rate Commission. Those guidelines would limit to 10 months the interval of time that the Commission will be allowed to assess a request for rate adjustments.

A second key factor in the reforms under the bill is to proceed toward a permanent public subsidy percentage that would be a part of the postal budget each year.

The public service subsidy derives from the basic belief of a great many of us here that there is a portion of the Post Office business that properly belongs in the best interest of all of the people, regardless of where they live, or how they move about, that because of its national monopoly characteristics, the Service renders much in the country's interest, tying it together more closely, binding it together by communications. Remember, we have learned very dearly in these last 41½ years, particularly in the professional testimony of these last many weeks of hearings, that most Post Offices can never pay their own way at a rate that the consumer can afford to meet. The Post Offices are an important link in this national concept and, thus, we believe must be maintained.

The bill provides for the creation of a Blue Ribbon Commission to be made up of representatives of many interests in a national postal service to determine what fraction of the postal budget ought to be directed to the public interest, what ought to be picked up as a subsidy.

We started out, when the bill was first written, with the assumption that 10 percent of the 1970 operating budget was a legitimate guess as to what that percentage ought to be. But there was no expertise. It was simply an educated guess.

Now we believe that that question ought to be explored in depth, full-time, and so that bill provides 24 months within which the Commission is to report back to the Congress and to the President on that public service quota, and they may decide 12 or 14 percent, or some figure along that line.

Whatever it is, that would be an annual appropriation, automatically filed into the postal budget.

From that point on, it would be our expectation that good management and good service would take care of the postal budgetary problems.

The Members of the Congress have all been home in the last few weeks one way or the other. Most of them are there now, and they are reporting in and they are telling us again and again, almost in the same words, that people have made it clear to them they want no cutbacks in the services.

Now, if you are going to run the Post Office at all, there are only three ways you can pay the bills, and only three ways. You can cut back service, you can raise the rates, or you can allocate a subsidy.

I believe a blend of all three of those is what is in order.

We also think that the increase in rates has already occurred and ought to be held at the level where it now is with assurance that there are no new rate increases that are imminent so we can stabilize for examination purposes what the Postal Service is capable of doing in these terms.

Second, there was some brash talk about severe cutbacks in service which ought to cease, and we ought to be asking what the price is and

proceed to a determination of what the public subsidy ought to be as the public's share of the costing of a national Postal Service.

With those factors in mind, we have scored a number of breakthroughs in this series of hearings, painfully slow though they may be. One is that we have finally succeeded in persuading the White House to talk to the Postmaster General of the United States. It is just unbelievable that that was a year in taking place. But they are now talking. They are now talking to the two appropriate committees of the Congress.

The second breakthrough has been that the Budget Committee, that is the new budget process of the Senate, has already set aside up to \$1 billion in this next budget year to assist in absorbing the postal deficit as a public trust.

That is a significant breakthrough, but that has to be matched now by the decision of the President of the United States, without the presence of Ronald Reagan, to designate to the Bureau of the Budget an equal commitment, a willingness to accept the public subsidy approach.

This cannot be permitted to become a political football either by commission of sins or by hiding from it, hoping it will go away.

The Postal Service is new. The Postal Service was put together with the greatest of care, with the assistance of the administration, the Congress, the business interests, the consumer groups, the labor groups. Everybody was "gung ho" until they had headaches, and then only the chairmen of the congressional Post Office Committees turn out to have had a hand in anything that went on in those days.

But, then, if you can't take the heat, as Harry Truman once said, get out of the kitchen. But the job has to be done responsibly. It cannot be done by Republicans nor can it be done by Democrats. It has to be done by responsible Americans because they accept the responsibilities that a national Postal Service requires.

Now, with those informal opening remarks, which you might consider a filibuster to try to keep the hearing underway until Senator Randolph could arrive, I am informed he has already landed at National Airport and he has some constituents here who wanted to testify. And I want to protect his time on that. He got stacked up a bit out there due to traffic at the airport, and we have all been through that kind of a race also.

So far, nobody has blamed that on the Postal Service of the United States, but they will. They will find some way of doing so.

I shall file the rest of my opening statement for the record.

[The document referred to follows:]

OPENING STATEMENT BY SENATOR GALE MCGEE

Hearing on S. 2844

April 20, 1976

This, the seventh in a series of hearings on legislation aimed at improving on the 1970 Postal Reorganization Act so as to update the operations of the Postal Service and Postal Rate Commission and address the financial deficiencies now existing, brings the Committee close to the point where it can begin to sort out the options and produce a proposal for the Senate at large to consider.

When we began these hearings in January, the Committee's problem appeared very large indeed. And, while the problem remains a large and complex one, the hearings themselves have had a positive effect. It appears increasingly likely that this Committee can shortly begin to distill the various recommendations and ideas explored through this process into a workable legislative plan which will address both the short-term financial needs of the Postal Service and the much larger question of where our universal postal system is headed in the years ahead.

One certainty is that we who represent the people here in the Congress must exercise the will of the people and not permit events to drift and bring the U. S. mails to ground. The people, the message is clear, have had enough of reduced service.

Already, the Committee has under consideration some of the changes proposed at earlier sessions. In all likelihood, today's session will produce further information and suggestions.

If I were to condense the testimony presented to the Committee to this point, I would have to say that it establishes two things: One is a clear need for the kind of increased appropriation to the Postal Service that is provided in the bill S. 2844. Postal users, the Postal Service itself, representatives of postal labor, and the General Accounting Office have generally agreed on that. The second is the need, also provided for in the legislation, for a careful, detailed examination of the public service factors present in postal operations so that adequate provision can be made for Treasury financing of those postal functions which ought to be paid out of tax revenues and not by users of the service. This recognizes that the fixed dollar payment, totaling \$920 million a year, which was provided for public services by the Postal Reorganization Act has proven insufficient.

Before proceeding with today's witnesses, I should say that the Committee is very appreciative of the fact that many if not most of our witnesses have laid it on the line in their appearances here. That is surely true of the Postmaster General, who, over the past few months, has appeared here twice to detail the problem as he

sees it and make recommendations. His candid testimony has been largely responsible for the signs we have seen of increasing Administration attention to the problems of this most fundamental government service organization.

Just yesterday, representatives of postal labor sat at the same table and related the situation from their own perspective. It is significant, I believe, that both sides, management and labor, have supported the basic approach taken by the legislation under consideration, with some differences in details.

Today's session will begin with testimony from a panel of witnesses representing the American Association for Conservation Information and end with the appearance of representatives of some of the most deeply involved and best informed postal people, the postmasters of America.

The CHAIRMAN. I think I had better not proceed with the witnesses until Jennings gets here. I am sure it will be only a moment or two.

Now, I have just been handed a note that he has just hit the building. It should be just a moment for Jennings to arrive. Those standing in the rear of the room there seems to be two or three chairs up here, but that would produce a panic because there are too many bodies for those seats.

Jennings, we welcome you to Washington this morning. I was just making a speech while we had been getting flashes about the delay that was holding you up at the airport.

Senator RANDOLPH. I had no delay.

The CHAIRMAN. I covered you better than you are covering yourself now, Jennings.

Senator RANDOLPH. You ought to be in Wyoming instead of being here during the recess.

The CHAIRMAN. I should be in Wyoming, but you cannot do it all in Wyoming.

This was the one opening we had to continue the hearings, and I appreciate the special effort you made in order to continue this.

We had a fine hearing yesterday, our initial day, and I am sure this one will be a very rewarding one because of the individuals that have been assembled here.

I want to explain that Senator Randolph is the senior member of this committee, and other things being equal, would be the chairman of this committee right now. But at the time these things broke, there were a couple of chairmanships that opened up, and Jennings was in important positions and had to make his choice. And we divided it up this way.

Maybe we should not have divided it up the other way so you could have had the headache that I have right now.

Senator RANDOLPH. It is a challenge, not a headache, Mr. Chairman.

The CHAIRMAN. It is a headache that is challenging.

Senator RANDOLPH. I am sorry we are not meeting in the Appropriations Committee room where these West Virginians could be comfortably seated during our proceedings.

The CHAIRMAN. I also noticed the West Virginians are always willing to stand up for you.

Let us call forth the first panel and then we can begin the interrogation if that is agreeable with you.

Will the first panel please come up?

We have Mr. Russell McKee, chairman, and Mr. Ed Johnson, editor, "Wonderful West Virginia," Department of Natural Resources, State of West Virginia.

STATEMENT OF RUSSELL MCKEE, CHAIRMAN, JOINT COMMITTEE ON POSTAL RATE STRUCTURE, INTERNATIONAL AACI, MICHIGAN DEPARTMENT OF NATURAL RESOURCES; ACCOMPANIED BY ED JOHNSON, EDITOR, "WONDERFUL WEST VIRGINIA," DEPARTMENT OF NATURAL RESOURCES, STATE OF WEST VIRGINIA

Mr. McKEE. I am Russell McKee.

Senator RANDOLPH. Mr. McKee has been introduced. He is the gentleman on the left.

I know the gentleman on the right very well, Ed Johnson. I give you a special greeting from approximately 65 or 70 West Virginians who are standing back there and will be intensely interested in your testimony.

I will not take the time to explain the problems that you and others have with the publications that you are editing.

I will, perhaps, as we move along, indicate the value of such publications to the people of not only West Virginia, but to others throughout the Nation. We also need to very carefully estimate and evaluate the productivity of such a magazine which is not sold for profit. It is published to be informative and helpful.

I think the able chairman of this committee is interested, as are all members of the committee in attempting to hear from those who do the job of putting together State conservation magazines back in our States. The problems faced in the production of such publications are many.

With that, Mr. Chairman, I shall conclude.

Are there others appearing with Mr. McKee and Mr. Johnson?

The CHAIRMAN. They will appear further along in the hearing.

Well, I did see a panel with four names on it. Two cannot be here this morning. So you have the star already introduced, and I would suggest, sir, that you proceed with your statement in any way that you see fit.

If you want to capsule it or highlight it, that is your option.

Mr. McKEE. There is prepared testimony for the record.

The CHAIRMAN. The full testimony will appear in the record.

Mr. McKEE. I will read a portion of it and then paraphrase it.

The CHAIRMAN. Pull the microphone up close to you.

Mr. McKEE. Mr. Chairman, my name is Russell McKee. I am editor of "Michigan Natural Resources," official publication of the Michigan Department of Natural Resources.

With me today is Ed Johnson, chief of information and education, West Virginia Department of Natural Resources, which publishes the magazine "Wonderful West Virginia." Mr. Johnson has no formal testimony today but is available to respond to questions which may arise.

We appreciate the opportunity to testify in support of S. 872 on behalf of the International Association of Game, Fish, and Conservation Commissioners, an association whose government members comprise the fish and wildlife agencies of all 50 States, and the American Association for Conservation Information, whose members include information and education officers of State conservation agencies.

S. 872, introduced by Senator Hatfield and cosponsored by 14 other Senators, would allow one magazine published by a State's conservation agency to be mailed at second-class nonprofit rates. Under existing law, such magazines are mailed at the same rate utilized by commercial magazines.

Forty-three States publish conservation magazines. A listing of such publications is set forth in the attachment hereto. These publications qualify for second-class regular rates based on weight and delivery zones. They do not now qualify for special second-class rates which Congress has extended to certain qualified nonprofit organizations.

We urge that your bill being considered by this committee be amended to extend special second-class mail rates to State conservation periodicals.

With that introduction, I can paraphrase what has happened here.

In the early 1950's, Congress authorized certain organizations to use nonprofit postal rates.

In 1962, they extended that authority to include one highway agency of each State.

The CHAIRMAN. That was so we could include Arizona.

Mr. McKEE. That was when highway periodicals were authorized nonprofit postal rates.

In 1967, Congress again amended the law to include State development agencies.

In 1976, we are coming to you and asking that conservation and wildlife agencies be included.

I think the historical perspective is interesting tied to those dates. In the early 1960's, we indulged in a national binge of highway construction, and after we got those highways all built, we went out and developed the countryside, and that is when State development agencies became strong. By the late 1960's they too had received nonprofit postal rates for their periodicals.

Now, in 1976, we are coming to you and asking that conservation agencies be provided these nonprofit rates, and I think what the country has done is recognize that we have over-highwayed and overdeveloped in some areas and that it is time to pull back a bit. We built highways, we developed the land, and now we are driving down those highways looking for a bit of woods or wild land left to visit.

Circulations of our State magazines have more than doubled in the last few years. I think it is instructive to the country to look back occasionally on some of these things and see how they do progress.

Basically, S. 872 does two things. It removes an inequity which now exists with conservation and wildlife magazines vis-a-vis commercial magazines.

These wildlife magazines have no income from advertising. They must exist for the most part on their subscription fees or on the willingness of State legislatures to provide them with funds.

In all cases, they are losing money, Mr. Chairman. There is not one of them that is making any money.

The CHAIRMAN. That is why you want the association with the post office of the United States?

Mr. McKEE. Well, sir, I think our bill will remove an inequity which now exists, and the second purpose, after removing that inequity, is to update the legislation.

Our request is consistent with the pattern Congress established when these earlier exemptions were made. The conservation ethic is coming into the picture more strongly, and it would be consistent to include these agencies.

Furthermore, nearly all States have these magazines, so all States could be included.

Now, the growing importance of conservation issues, I think, is seen everywhere across our country. I am sure you have observed it in Wyoming with the enormous influx of people that want to get out and see the country and get away from the roads.

The CHAIRMAN. We also have a lot of people out there who want to dig it up.

Mr. McKee. You sure do.

The CHAIRMAN. That is why we are trying to insist on preserving the quality of life if we can.

Mr. McKee. Your State to the north, Montana, is also very concerned about strip mining. The editor of the Montana magazine and members of his department, and his State legislature are all concerned about that. I should note that both Senators Mansfield and Metcalf have signed our legislation, and they are quite concerned.

Senator RANDOLPH. What did you say about the roads Mr. McKee? I thought you said they wanted to get away from the roads.

Mr. McKee. Yes; they do, get away from them, get out of their cars.

The CHAIRMAN. You mean get out of sight.

Mr. McKee. I mean they do not want to use the roads to get to the back country.

Senator RANDOLPH. Thank you very much.

Mr. McKee. Now, this is not a last minute request on our part. We have been working on it for about 4 years.

The legislation that would have extended special postal rates to wildlife magazines was introduced in the 93d Congress. It was again introduced in the first session of the 94th Congress.

It has been approved by the House of Representatives and is contained as a portion of section H.R. 8603, which is now also before your committee.

The growth of conservation, I think, is significant. We have all observed it. Hunting and fishing license sales in the States have remained steady over the years, but there has been a tremendous increase in other activities that have drained the resources of these agencies.

There is a movement in the Eastern States—West Virginia, Michigan, New York, and several others—a move toward creation of multi-agencies that include all spectrums of conservation affairs—environment, water pollution, and so forth. The Western States are still mainly fish and game agencies but there is also a movement to develop environmental agencies as well.

There is great concern about air pollution, water pollution and so forth. You have some of the problems in your State, and I think every State has them, Mr. Chairman.

We are investing enormous amounts of money to control those things. Without some means of getting Government information to the public, it is very difficult to accommodate those desires.

I have worked as a newspaper man much of my life, and I know that newspapers serve a purpose. But very, very frequently, facts are garbled, and the subject matter is presented in too brief a manner. Newspapers frequently just do not get the material across.

The State conservation magazines are informative. They are authoritative, and they do get the information across. They come from the Government, and they must be authoritative and accurate before they are published.

So, Mr. Chairman, we are in sore straits. We need your support. It is not a large amount of money we are talking about, and we think the change should be made.

I will conclude by reading from the testimony.

Postage for State conservation magazines is borne by the fish and

game fund. At present, State conservation magazines are mailed at the same rate utilized by commercial magazines.

Almost invariably, however, the State agency magazines are published without the benefit of advertising revenue.

In most cases, the burden of postage rests with the game and fish fund. This is a fund composed, in most States, of license fees drawn from hunters and fishermen.

The charges for special second-class rates are approximately half of those for regular second class.

For example, mailing charges for an issue of my magazine, mailing 100,000 pieces at regular second-class rate, would be around \$2,400. At the special rate, the magazine would have paid about \$1,200.

Were special rates available, these savings to the fish and game fund could be directed toward wildlife restoration programs. It is estimated that annual savings for all State conservation magazines would approximate \$300,000 at existing rates.

For the reasons set forth, we urge that the committee give favorable consideration to S. 872.

Thank you.

The CHAIRMAN. I appreciate your comments, Mr. McKee.

I want to mention that most all of the wildlife conservation magazines that the many States identify with are, I think, a real constructive input to the ethic of our society.

With every issue I read I am carried away, with the Wyoming Wildlife magazine, for example. It is not a commercial journal, but it is a thrillingly beautiful thing, not only in its narrative, but in the marvelous photography.

In the magazine, you see a bighorn ram hanging over the crest of a rocky peak, maybe 14,000 feet up in the sky.

You see the migrations of the elk and the moose, perhaps the ugliest animals in some ways, put together by a committee, as someone said, particularly a cow moose. Or the antelope with their grace, or the deer or the bear, the bald eagle, the gold eagles, and even down to the yellow-bellied sapsucker.

These are all thrilling to see, the intensity that good photography can bring that out, and you appreciate them more, and the richness of all that is around us provided by nature.

I think that makes a difference between the harshness of the life that the city boys have to put up with and the well-fed individuals in most parts of all the States really have learned to appreciate.

I am in agreement with the thrust of your proposal.

Mr. McKEE. Thank you.

The CHAIRMAN. We think it is very worthwhile, and in the context of what this section of a national Postal Service is really all about, to encourage your kind of publications, is it possible for you to continue under current conditions?

Is it a little bit more than a paycheck, or how much is it worth?

We sometimes used to equate our daily living and the sense of values. There is something else there which is sheer beauty, which knows no price that you can put on it.

Senator Randolph, did you want to pursue questions with the witnesses?

Senator RANDOLPH. Briefly, Mr. Chairman.

Are you having both of these gentlemen speak before questions?

The CHAIRMAN. Whichever you prefer.

I wanted to get my speech in while we were still in the area of Mr. McKee's comment in regard to the magazine.

Why not proceed, Jennings?

Mr. JOHNSON. Mr. Chairman, I am in full accord with my colleague's thoughts and your very warm and kind remarks that you made about our State magazines in general.

I am very familiar with your magazine out there.

The CHAIRMAN. I have just gone through the West Virginia magazine here, and that matches the quality that we take for granted, you know, in the State publications. It is just beautiful.

Mr. JOHNSON. I have had the privilege of visiting your beautiful State, and I regularly read your very fine magazine.

Again I say we appreciate very kindly the remarks that you made in general about our purposes and our State magazine in general.

Senator, in your opening remarks, you spoke about the objective about the Postal Department wanting to stay in business.

Mr. Chairman, we are in the same category. We naturally want to stay in business, and we have, to a minor extent, budgetary problems that the Postal Department has, and we appreciate those remarks very much.

At the same time, those of us who are publishing magazines, particularly a magazine like the Michigan magazine, the Wyoming magazine and the West Virginia magazine, we hope to keep the kind of quality up that will encourage people to read it. And, modestly speaking, the three magazines mentioned, we think, are three of the better magazines in the Nation in quality, and we do not want to put out mimeographed sheets with the same information, because it would obviously lose its effect.

That is about all I have to say.

Senator RANDOLPH. The questions that I shall pose to both of you indicate, of course, at the outset that you are here in a common purpose, Mr. McKee and Mr. Johnson. I would want one or both of you to supply information for our record as to how much additional new money would be deferred from State wildlife agencies to the Federal Postal Service if the measure, Senate 872, is not attached to the postal bill which, of course, is a major matter being discussed before the committee today.

Mr. JOHNSON. Senator, about \$180,000 to \$200,000 per year total nationwide.

Of course, the amount will vary as to circulation, number of pages, weight of paper, and so forth.

Senator RANDOLPH. Ed, how many issues do you publish each year?

Mr. JOHNSON. In my publication entitled, "Wonderful West Virginia," Senator, it is a monthly magazine.

Senator RANDOLPH. Yes.

Mr. JOHNSON. Some of our very fine State magazines are published bimonthly.

Senator RANDOLPH. That is why I wanted to bring out the difference in publication dates.

Mr. JOHNSON. That is right.

Senator RANDOLPH. What is your circulation?

Mr. JOHNSON. Currently it is 98,000.

Senator RANDOLPH. Ninety-eight thousand?

Mr. JOHNSON. Yes, sir.

Senator RANDOLPH. And what is the percentage of those copies to West Virginia residents?

Mr. JOHNSON. Thirty-five percent of our circulation is outside the State, Senator, and we have circulation in a small measure worldwide. We are in a 150-foreign-country status.

Senator RANDOLPH. Then we are providing information which is very valuable to those persons who frankly want to use our highway system to leave the metropolitan areas and to drive to the countryside, to the rural sections, through the forests, through the fields, through the farms, and to the habitat of the animals that are still, in a sense, living as they lived 100 years ago in this country.

Mr. JOHNSON. That is correct, sir.

Senator RANDOLPH. It is very important, as I see it, that whenever we can, we be realistic and we try to understand that the strength of this country is nationwide; that it exists where not only people by the millions live, and I am not speaking against the cities. But I doubt, however, that we will ever be able to remedy all the problems of the great cities.

But that is another problem, and not for me to discuss in detail here today.

If I may digress for a moment, there needs to be a program of more reasoned distribution of the population of the United States. When I think of all the conferences at the White House on this and that problem, I return to the need for a redistribution of the population of this country. I believe such an action will strengthen America and will give many, many thousands of people the same opportunity to be direct participants as persons living off the land, understanding the soil and the products of the soil.

We have a controversy, as you know, Ed, going on now. I mention it because another Federal agency is involved. I am intensely concerned, as are many people in the Senate and House, with the U.S. Forest Service which, in the mixed hardwood forests of the East, are practicing what we call clearcutting.

Mr. JOHNSON. Yes, sir.

Senator RANDOLPH. And if it would not encumber the record, Mr. Chairman, because we are talking about the places to which people from the cities will go, I would like to include at this point in the record the editorial from the Washington Post, of a week ago yesterday, and the editorial of a week ago today from the New York Times. Both of those newspapers, in their lead editorials, have taken cognizance, and properly so, of the dangerous clear-cutting practices which the U.S. Forest Service employs.

The CHAIRMAN. We will make both of those editorials a part of the record, and permit me to note that they are very appropriate, very much right on.

It was my measure that ultimately got the Forest Service to shift its clear-cutting practices in high altitudes, and it was your measure in the Monongahela action, and the court's decision on that that permitted us to try to save the forests for the people rather than let them be bulldozed into heaps rather than leaving the great forests that we have.

I would say you are making the point very well here, and all of that will be made a part of the record at this point.

[The following was received for the record:]

The New York Times

TUESDAY, APRIL 13, 1976

Retreat on the Forests?

With little public attention or debate, Congress is approaching a major decision on the future of the national forests. Although these forests—155 of them in 43 states—belong to all the people, the private timber companies put relentless pressure on the Forest Service to allow extensive clear-cutting, overcutting, and other profitable but destructive practices.

The companies may pay lip-service to the "multiple use" concept but, naturally, they generally put logging ahead of recreation or of protection of watershed and wildlife, of wilderness and scenic beauty. In 1945, the Forest Service sold 2 billion board feet of timber from the national forests. In 1975, it sold 10 billion board feet, an increase of 400 percent.

More ominous is the rapid increase of clear-cutting in recent years. This is the practice of leveling all the trees in a particular area rather than selective cutting of mature trees. Clear-cutting is defensible if done on a modest scale and on trees such as the Douglas fir of the Pacific Northwest that need direct sunlight to regenerate themselves. But the Forest Service has permitted it in the mixed hardwoods of the East and sometimes on steep slopes and along streams with catastrophic effects of soil erosion and water pollution.

* * *

Because conservationists have lost confidence in the Forest Service's capacity to resist timber company pressures, they have sued in the courts to compel the service to obey its own basic mandate, the Organic Act of 1897. In a historic decision, a United States District

Court ruled in *Izaak Walton League v. Butz* in 1973 that the Forest Service had, indeed, violated the law by its irresponsible management practices in the Monongahela National Forest in West Virginia.

After the Fourth Circuit Court of Appeals affirmed this decision, the Government chose not to carry the issue to the Supreme Court. Instead, the timber companies are seeking to overturn the decision by having Congress rewrite the law. They are strongly supporting a bill that, strangely enough, is being sponsored by Senator Hubert Humphrey, normally a staunch conservationist. The Humphrey bill contains impressive verbiage but it lacks enforceable standards or specific restraints. It would open the way for even worse abuses by the timber companies and a compliant Forest Service. Senator Humphrey's sponsorship is inexplicable.

* * *

Senator Jennings Randolph of West Virginia and Representative George Brown Jr. of California have introduced a far better bill that would modernize the basic law while protecting the essentials of the Monongahela decision, setting clear standards, and thereby freeing the Forest Service from industry pressures.

Passage of the Humphrey bill would be a grave blow to the precious heritage that the national forests represent. They must not be converted into mere tree farms. Timber production is only one of their uses, and not necessarily the most important—certainly not to the point of their destruction as a precious segment of the nation's wild and natural heritage.

The Washington Post

AN INDEPENDENT NEWSPAPER

THE WASHINGTON POST Monday, April 12, 1976

Controls on Timbering

AS THOUGH EARTHQUAKES, smog and the loss of Andy Messersmith were not gloom enough for the citizens of Los Angeles, still another threat of disaster was recently announced: the loss of toilet paper. The National Forest Products Association has warned the residents that if a forest management bill now before the Congress ever becomes law, toilet paper consumption in Los Angeles might have to be lowered by 25 per cent. The unrolling of that argument has done nothing to enhance the current debate on the merits of legislation offered by Sen. Jennings Randolph (D-W. Va.) in the Senate and by Rep. George Brown (D-Calif.) in the House. Happily, the association has since come forward with other arguments. Whether they persuasively make the case against the Randolph-Brown bills is another question.

The issue raised by the proposed National Forest Timber Reform Act is what kind of management practices should be allowed in the commercial timbering of some 90 million acres in 15 national forests. In the background is an August 1975 appeals court decision that effectively banned clearcutting in the Monongahela National Forest in West Virginia, a decision that was later applied to a case involving the Tongass National Forest in Alaska. Sen. Randolph, who states with accuracy that the U.S. Forest Service has "become insensitive over the years to its original mission," has offered legislation that would limit clearcutting in the West to a general 25 acres (reduced considerably from the much larger clearcut sizes common in the West and Alaska), correct the economic imbalances that deny many counties a fair return for the tax losses they suffer from national forest lands in their area, and discourage the massive cutting of younger and younger trees. Rather than being an anti-timber bill, as some of its opponents

are claiming, the legislation's supporters—including the Sierra Club, the Friends of the Earth and other conservation groups—believe that some balance is finally being brought between the nation's demands for timber and wood products and its obligations to conserve the forests and woodlands for the generations to come.

The timber industry would like to put a chain saw to the Randolph-Brown bills. It argues that—at a time when the nation has increasing need for timber and wood products—unemployment, shortages, mill shutdowns and bankruptcies could result if the bill becomes law. Instead of being burdened by what it sees as a rigid set of guidelines being imposed on it by the Randolph-Brown bills, the industry is seeking what it calls “flexibility.” It favors a bill of Sen. Hubert H. Humphrey (D-Minn.), one that would, among other measures, ask the Forest Service to issue new standards and guidelines. In supporting the Humphrey bill, the industry wants to avoid any further spread of the restrictions articulated by the Monongahela decision.

Senate and House committees now have these bills, plus a proposal that would postpone any legislative decision at all. As with most disputes involving the environment, the economy and the public interest, complexity and controversy are likely to surround the issue of timber management until it is finally resolved by Congress. For now, the Randolph-Brown bills deserve a serious hearing. Nothing in the political philosophies of Sen. Randolph or Rep. Brown suggests that they are using their bills to destroy or even damage such an important and beneficial industry as forestry and timbering. The Randolph-Brown restrictions against excessive clearcutting, over-reliance on young trees and unequal tax revenues offer the kind of reforms that Congress needs to be thinking about.

Senator RANDOLPH. I am not a harping critic, but the U.S. Forest Service has failed to realize that the national forests are for the people; that the national forests have a multiple use, and one of those uses, of course, is a proper selected cutting of timber so that that lumber produced may go into the products needed to build housing in this country—and for the many varied timber uses.

Certainly we realize that. No one is more interested than I in providing adequate timber supplies to the private interests from the national forests just as we cut timber from private lands.

I have seen the worst of clearcutting in the State of West Virginia. On the Gauley Ranger District in Nicholas County the clearcutting was not spaced adequately by the Forest Service but rather pulled up close together so it resembles one gigantic clearcut in the worst sense of the word. Erosion flowed down the steep slopes of our Allegheny Mountains and into the Cranberry River where I witnessed that stream run muddy for 7 weeks.

I am not attempting to overemphasize this situation, but it seemed very natural to discuss it here today because you are thinking of people who are going out into the forest lands of this country to have not only rest and recreation, but I hope a strengthening of their spirit.

Mr. Chairman, when we discuss these matters, we discuss them in terms of the information Ed has presented.

Mr. JOHNSON. Yes.

Senator RANDOLPH. In the forests of the West, we have a different situation as to the cutting practices, which we realize.

The CHAIRMAN. Would the Senator yield for one comment on that since you gave me a good lead on that?

Senator RANDOLPH. Gladly.

The CHAIRMAN. At our altitude in the Rocky Mountains, if an evergreen is cut with a girth of 19 inches, which is a typical commercial size for our particular part of the world, it takes, according to the Forest Service's own study, 146 years to replace it, not a generation.

You can regrow a tree in the Carolinas back to commercial girth in 35 to 40 years, or perhaps 42 years. But, because of the altitude and the moisture problem and the chemistry of the soil in the Rockies, it takes 146 years.

Out there we have beautiful spans that they want to knock down now, and we have to stop it. That underscores the point that you make very specifically.

I hate to get committed less than 146 years now. I was thinking of what that would mean in seniority in the Senate.

Senator RANDOLPH. I was introduced recently as not the senior Senator from West Virginia but as the senior citizen of West Virginia.

Well, thank you.

The reason I am making the point is that it is bearing on this information we received Ed—of your magazine and the other magazines that have been mentioned here today.

Your publication properly informs and really stimulates the people of the cities who need what we have to offer. And we must keep it, of course, under realistic management.

It is for those people to enjoy.

Now, a further question. Why should the Federal Government take on the additional \$200,000 costs in new postal funds for publication

of these wildlife agency magazines. Should not these wildlife magazines pay the regular second-class rates?

Mr. McKEE. Senator, one of the first acts of the First Continental Congress was to provide lower postal rates for those periodicals that they felt carried information to the public and were strengthening national values and were attempting to acquaint our people with the ideals we believe in.

Senator, that approach has continued to this day. I think it was in 1951 that Congress regularized the nonprofit postal rates into eight categories—fraternal, scientific, labor, educational, and so forth—and then followed up with extensions to the highway and development agencies, a move that simply continues this desire to carry forward the educational and informational aspects of public work that we think the Congress really supports.

Ours is not a special pleading. It is consistent with a longstanding national direction.

Senator RANDOLPH. Ed, do you wish to supplement?

Mr. JOHNSON. Senator, I believe that pretty well covers that particular question.

Senator RANDOLPH. Now, what if a State publishes not one magazine, but we will say two or more magazines? Would one agency preempt, Mr. McKee and Mr. Johnson, the privilege of another?

Mr. JOHNSON. Yes; that is right. For example, I think our magazine is a case in point.

As you know, historically our Department of Commerce has variously published publications of their own in the past, and they started out with a monthly, and then went to a quarterly, and then twice a year, and they finally gave up.

That left us as being the only State agency that was publishing a magazine eligible for the second-class mailing rate.

In that instance, since we were the only one, we have that exclusive privilege there, of special second-class mailing in West Virginia.

That certainly does not exist for the other States in the case of Mr. McKee's magazine.

Mr. McKEE. It is the same. We have one magazine in Michigan.

As a practical matter, Senator, there are no conflicts. Arizona Highway has the special rate, but there is no Arizona wildlife magazine.

Vermont Life, a development agency, has the nonprofit privilege in Vermont, but again, there is no State wildlife magazine.

Those are two States where nonprofit permit is now being used, but because there are no conservation magazines in those States, there would be no conflict if our request were approved.

What happened was that early in the 1960's when highway development was strong, there were a lot of State highway magazines. Those have since largely fallen away.

Then later on, the development magazines came in, and they have since fallen away, too, so that our conservation magazines now really control the national field.

Wonderful West Virginia is an exception in that most of your circulation is out of State. With nearly all the others, the circulation is primarily within the State, so that the State magazines do not compete against, but rather complement, each other in this way.

Senator RANDOLPH. I shall not belabor the record, as we have other testimony, but what would be the effect on State wildlife agencies if the measure S. 872 is not included in a bill that would attempt to cope with the modification of postal legislation being considered?

Mr. McKEE. Senator, in a recent issue of *Field and Stream*, the directors and commissioners of the State wildlife agencies were asked to describe their most pressing problem, and in all cases, without exception, it was cutbacks in State budgets.

All of these agencies are rather small. They are faced with constant legislative pressures.

By the time the budgets filter down to the various divisions within departments, there just is not very much money available for specific programs, such as magazines. The matter of a few thousand dollars added on to a yearly budget for such an agency is sometimes insurmountable.

I think the taxes we pay the Federal Government can be wisely used in the area of postal services. The Post Office is one of the major public services the Government provides, an agency used almost every day by everyone in the country.

Senator RANDOLPH. Mr. McKee, I commend you for your comments about the Postal Service and its place in the American society from the very beginning of this country.

Would you care to say that you think we might spend less on foreign aid programs and more on the programs at home?

Mr. McKEE. Yes, sir, I would. I certainly do think so.

I think the times have gotten out of joint, and the people of our country are clamoring for services that the Federal Government should provide. We see this daily in our cities where life is very difficult. We see it in our need for more parks and wild land. We see it in the difficulties of our welfare system.

Your comment, Senator, about people going out of the city into the country, seeking ways of getting off the highways, and into rural areas, well, most of the people here today are very much a part of this same situation.

They are attempting to maintain a rural ethic, Senator, and really want to keep rural life alive. I think the public at large wants that as well.

Thirty percent of the circulation of my magazine is in the Detroit area. We print pretty pictures of birds and animals because we know a lot of those people never get out of that city. Our magazine may be the only contact they have with outdoor Michigan, a place they respect and want to know, and yet our magazine is one of only a few periodicals devoted to this subject.

Senator RANDOLPH. I will not keep you much longer. If we had been spending one-tenth of the amount on coal research that we have been spending on nuclear research, we would not be in this fix.

We have been led, to a certain degree, down the primrose path in the fifties and the sixties by the nuclear interests.

Mr. McKEE. I think we are all responsible for what happened with nuclear power. We had a strong belief that nuclear would be the ultimate solution to our energy problems, but that hasn't proved out.

I think for the present that coal research is really the horizon of energy work, in my estimation.

Senator RANDOLPH. West Virginia coal included.

Mr. McKEE. West Virginia coal included.

Senator RANDOLPH. Does the problem that you present, gentlemen, really require legislation?

I presume you feel that in a sense it does, but could our approach to the Rate Commission—that is, our Postal Rate Commission—can it work its will and help you, or does the Postal Service make accommodations to the problems you present through administrative action, or are we at that point where the spelling of it out in legislative language meets your need?

Would you care to respond?

Mr. McKEE. Sir, about 4 years ago we approached the Postal Rate Commission on that point, believing that was the route to go, but the barriers proved so formidable that we were stopped before we got half-way through. There was simply too much need for legal services, for testimony, for struggling our way through the Administrative Procedures Act all of which was beyond our means.

As a matter of fact, a number of Members of Congress, including Senator McGee, attempted to have our requested change made administratively. They wrote letters over to Mr. Bailer for us, but he responded that the change could not be made administratively, that in view of the history of the changes made for highway agencies and development agencies, that our change would have to be made by the Congress.

That is why we have come to you.

Senator RANDOLPH. In a sense, Mr. McKee and Mr. Johnson, you are speaking today for all States that have the problems that you presented here today?

Mr. JOHNSON. That is unanimous, Senator.

Senator RANDOLPH. Once again, for the record, Ed, how many of your magazines are produced each month?

Mr. JOHNSON. There are 98,000 currently, Senator.

We are printing 100,00 for our Bicentennial issue in July, and we think our circulation would legitimately be there, but we are going to have them ready, and we are getting a lot of response and interest on our Bicentennial issue.

Mr. McKEE. I should add that Mr. Johnson's 100,000 circulation probably means 300,000 or 400,000 readers, a multiple reader situation that I think is sometimes overlooked.

Senator RANDOLPH. I am sure that, not only the editorship of Mr. Johnson and the choice of copy, but the illustrations, the colored photography, all combine to make this magazine the informative and beautiful publication that it is.

I thank both of you gentlemen, and all others who face this problem.

I am sure that the chairman of the committee and the other members of the committee will give careful attention to what you have presented.

Again, we thank you very much.

The committee will take a brief recess.

[Short recess.]

[Prepared statement of Mr. McKee follows:]

Joint Statement of International Association
of Game, Fish and Conservation Commissioners
and the American Association of Conservation Information

Before the Senate Committee
on Post Office and Civil Service
on S. 2844 and Related Bills

April 20, 1976

Mr. Chairman, my name is Russell McKee. I am editor of Michigan Natural Resources, official publication of the Michigan Department of Natural Resources. With me today is Ed Johnson, Chief of Information and Education, West Virginia Department of Natural Resources which publishes the magazine Wonderful West Virginia. Mr. Johnson has no formal testimony today but is available to respond to questions which may arise.

We appreciate the opportunity to testify in support of S. 872 on behalf of the International Association of Game, Fish and Conservation Commissioners, an association whose government members comprise the fish and wildlife agencies of all fifty states, and the American Association for Conservation Information, whose members include information and education officers of state conservation agencies. S. 872, introduced by Senator Hatfield and co-sponsored by fourteen other Senators. It would allow one magazine published by

a State's conservation agency to be mailed at second-class non-profit rates. Under existing law such magazines are mailed at the same rate utilized by commercial magazines.

Forty-three states publish conservation magazines. (A listing of such publications is set forth in the Attachment hereto.) These publications qualify for second-class regular rates based on weight and delivery zones. They do not now qualify for special second-class rates which Congress has extended to certain qualified non-profit organizations. We urge that your bill being considered by this committee be amended to extend special second-class mail rates to state conservation periodicals.

The amendments to section 3626 of title 39, United States Code, proposed by S. 872 would (1) remedy the existing inequity wherein state conservation magazines, which almost without exception do not benefit from advertising revenue, are mailed at the same rate utilized by commercial magazines, and (2) update legislation enacted in 1962 so as to extend special second-class rates to a type of state magazine which has taken on increasing importance.

Background. In 1951 Congress extended special rates for certain second-class and third-class mail when mailed by qualified

non-profit organizations including "religious, educational, scientific, philanthropic, agricultural, labor, veterans or fraternal organizations not organized for profit." §§ 2, 3, Pub. L. 82-233, 65 Stat. 672-73 (1951). From the outset the Post Office Department interpreted this provision as not extending the special rates to second-class matter when mailed by governmental bodies.

In 1962 Congress amended the definition of "qualified non-profit organizations" eligible for special second-class rates to include "one publication published by the official highway agency of a State." § 104(b), Pub. L. 87-793, 76 Stat. 832-33 (1962).

In 1967 Congress again amended the definition of "qualified non-profit organization" to include a "development agency of a State." § 104(a)(2), Pub. L. 90-206, 81 Stat. 617 (1967). However, a State is limited by existing law to receiving special second-class rates for only one periodical published by either the official highway or development agency.

Legislation that would have extended the special postal rate to wildlife agency periodicals was introduced in the 93rd Congress, and again in the first session of the 94th Congress. It has been approved by the House of Representatives and is contained as section 10 of H.R. 8603, now also before this committee.

Role of State Conservation Magazines. Since postal legislation in this area was last amended by Congress there has been a dramatic surge of popular concern for the quality of the environment, for conservation of fish and wildlife, for saving from degradation wilderness areas, wild rivers and other relatively undisturbed areas of this nation. These popular attitudes have been reflected also in the significant increase of interest in outdoor recreation, hunting, fishing, back-packing, bird-watching, nature study and the general enjoyment of open space.

State conservation publications which reflect and nurture this interest play a key role as spokesmen for public concerns. In the past decade the circulation of these magazines has more than doubled, and such circulation, now about 20 million units annually, represents either paid circulation or free distribution on request, thereby testifying to the growing importance which the citizens of these states attach to the matters treated in these magazines.

State Highway and Development Agencies. Present law allows either a state "highway" agency or a state "development" agency to make use of special (non-profit) second-class postal rates for mailing their periodicals. However, remarkably few state highway and development agencies utilize special second-class postal privileges, and many

states do not even publish periodicals of this character. (A listing of such agency publications is set forth in the Attachment.)

With respect to state highway agency publications, twenty-nine states do not publish magazines. Of the twenty-one that do publish magazines, newsletters or house organs, all but two travel by third-class bulk rate. The exceptions are Arizona Highways, which utilizes the special second-class rate and South Carolina Highways, which utilizes the Controlled Circulation Second-Class Rate.

For development agencies, thirty-five states publish magazines but only two of these publications, Alabama Development News and Vermont Life, utilize the special second-class rate. Of the remainder, twenty-three use the bulk third-class rate, while the other ten use the regular second-class rate.

We point out the foregoing not to argue that special rates extended to state highway and development agencies should be withdrawn or limited in any way but rather to point up the relative importance that states appear to place on such magazines vis-a-vis conservation magazines.

Postage Is Borne By the Fish and Game Fund. At present, state conservation magazines are mailed at the same rate utilized by commercial magazines. Almost invariably, however, the state agency

magazines are published without the benefit of advertising revenue (of the forty-three states only three state conservation magazines accept advertising) and the burden of postage in most cases constitutes a charge to the fish and game fund which represents revenues available from hunter's and angler's license sales. The charges for special second-class rates are approximately half of those for regular second-class. For example, mailing charges for an issue of Michigan Natural Resources, mailing 100,000 pieces at regular second-class rates, are approximately \$2400. At the special rate, the magazine would have paid about \$1200. Were special rates available, these savings to the fish and game fund could be directed toward wildlife restoration programs. It is estimated that annual savings for all state conservation magazines would approximate \$300,000 at existing rates.

For the reasons set forth we urge that this Committee give favorable consideration to S. 872.

CHARACTERISTICS OF PERIODICALS

Published by

STATE CONSERVATION, DEVELOPMENT, AND HIGHWAY AGENCIES
of the United States

CONSERVATION AGENCIES

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	FREQUENCY OF ISSUE/YEAR	MAIL CLASS USED
Alabama	Alabama Conservation	free	25,000	6	2nd Class
Alaska	Alaska Fish Tales & Game Trails	free	7,500	6	2nd Class
Arizona	No publication				
Arkansas	Arkansas Game & Fish	free	28,000	4	2nd Class
California	Outdoor California	\$2/yr	20,000	6	2nd Class
Colorado	Colorado Outdoors	\$2/yr	39,000	6	Special 2nd Class
Connecticut	Connecticut Citizens Bulletin	free	4,500	12	2nd Class
Delaware	Delaware Conservationist	free	8,300	4	2nd Class
Florida	Florida Wildlife	\$3/yr	23,000	12	2nd Class
Florida	Florida Conservation News	free	9,800	12	2nd Class
Georgia	Outdoors in Georgia	\$3/yr	35,000	12	2nd Class
Hawaii	No publication				
Idaho	Idaho Wildlife Review	free	21,500	6	2nd Class
Illinois	No publication				
Indiana	Outdoor Indiana	\$3/yr	32,000	10	2nd Class
Iowa	Iowa Conservationist	\$1/yr	51,000	12	2nd Class
Kansas	Kansas Fish & Game	free	64,000	6	2nd Class
Kentucky	Kentucky Happy Hunting Ground	\$1/yr	42,000	6	Special 2nd Class
Louisiana	Louisiana Conservation	free	135,000	6	Special 2nd Class
Maine	Maine Fish & Game	\$2/yr	16,000	4	2nd Class
Maryland	Maryland Conservationist	\$3/yr	5,000	6	2nd Class
Massachusetts	Massachusetts Wildlife	free	34,000	6	Special 2nd Class
Michigan	Michigan Natural Resources	\$3/yr	125,000	6	2nd Class
Minnesota	Minnesota Volunteer	free	75,000	6	Special 2nd Class
Mississippi	Mississippi Game & Fish	free	40,000	6	Special 2nd Class
Missouri	Missouri Conservationist	free	240,000	12	Special 2nd Class
Montana	Montana Outdoors	free	43,000	6	2nd Class
Nebraska	Nebraskaland	\$5/yr	60,000	12	2nd Class
Nevada	Nevada Outdoors	\$2/yr	6,000	4	No 2nd Class
New Hampshire	New Hampshire Natural Resources	(Uses 3rd Class Bulk to mail its two issues per year. Mail costs unknown.)			
New Jersey	New Jersey Outdoors	\$3/yr	20,000	6	2nd Class
New Mexico	New Mexico Wildlife	\$2/yr	13,000	6	2nd Class

CONSERVATION AGENCIES—Page 2

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	FREQUENCY OF ISSUE/YEAR	MAIL CLASS USED
New York	The Conservationist	\$3/yr	180,000	6	Special 2nd Class
North Carolina	Wildlife In North Carolina	\$2/yr	100,000	12	Special 2nd Class
North Dakota	North Dakota Outdoors	\$2/yr	25,000	12	2nd Class
Ohio	No publication				
Oklahoma	Oklahoma Outdoor	\$2/yr	27,000	11	Special 2nd Class
Oregon	Oregon Wildlife	free	65,000	12	2nd Class
Pennsylvania	Pennsylvania Game News	\$3/yr	220,000	12	2nd Class
Pennsylvania	Pennsylvania Angler	\$3/yr	54,257	12	2nd Class
Rhode Island	No publication				
South Carolina	South Carolina Wildlife	\$3/yr	75,000	6	Special 2nd Class
South Dakota	South Dakota Conservation Digest	\$2/yr	18,000	6	2nd Class
Tennessee	Tennessee Conservationist	free	10,000	12	2nd Class
Texas	Texas Parks & Wildlife	\$3.15/yr	100,000	12	2nd Class
Utah	No publication				
Vermont	No publication				
Virginia	Virginia Wildlife	\$2/yr	50,000	12	2nd Class
Washington	Washington Wildlife	free	20,000	4	2nd Class
West Virginia	Wonderful West Virginia	\$3/yr	80,000	12	Special 2nd Class
Wisconsin	Wisconsin Conservation Bulletin	free	105,000	12	Special 2nd Class
Wyoming	Wyoming Wildlife	\$3/yr	53,000	12	2nd Class

DEVELOPMENT AGENCIES

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	NO. PAGES	MAIL CLASS	USED
Alabama	Alabama Development News	Free	5,100	12	Special 2nd Class	
Alaska	Monthly Newsletter Econofacts	Free	1,000	4	No 2nd Class	
Arizona	Arizona Directions	Free	3,000	8	No 2nd Class	
Arkansas	This is Arkansas	Free	10,000	24	2nd Class only	
California	California Traveler,	Free	16,000	8	No 2nd Class	
	California Trader,	Free	16,000	8	No 2nd Class	
	California Update	Free	16,000	8	No 2nd Class	
Colorado	Colorado Development Digest	Free	3,200	8	No 2nd Class	
Connecticut	Connecticut Commerce News	Free	8,500	6	2nd Class only	
Delaware	No publication					
Florida	No publication					
Georgia	Georgia Progress	Free	10,000	26	No 2nd Class	
Hawaii	No agency					
Idaho	No agency					
Illinois	Illinois Business & Economic Development	Free	13,000	8-12	No 2nd Class	
Indiana	Indiana	Free	15,000	48	3rd Class Bulk	
Iowa	Iowa Digest	Free	11,000	12	3rd Class Bulk	
Kansas	Kansas!	Free	32,000	32	2nd Class	
Kentucky	No publication					
Louisiana	Louisiana Horizons	Free	10,000	24	3rd Class Bulk	
Maine	Mark Maine News	Free	4,000	16	2nd Class only	
Maryland	Maryland Magazine	\$4/yr.	19,300	32	2nd Class	
Massachusetts	The DPW News	Free	900	6	No 2nd Class	
Michigan	No publication					
Minnesota	Tourism News,	Free	6,000	4	2nd Class*	
	International News,	Free	1,500	4	2nd Class*	
	Industrial News	Free	10,000	12	No 2nd Class	
Mississippi	No Publication					
Missouri	No Publication					
Montana	No Publication					
Nebraska	Nebraska on the March	Free	20,000	14	No 2nd Class (Bulk)	
Nevada	No publication					
New Hampshire	No publication					

DEVELOPMENT AGENCIES—Page 2

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	NO. PAGES	MAIL CLASS USED
New Jersey	New Jersey Economic	Free	Unknown	18	No 2nd Class
New Mexico	New Mexico Magazine	\$3.75/yr.	75,000	48	2nd Class
New York	Business In N.Y. State	Free	25,000	24	Bulk
North Carolina	North Carolina Report	Free	11,500	24	Bulk
North Dakota	BIDD for Progress	Free	5,500	4	Bulk
Ohio	No publication				
Oklahoma	Oklahoma PEP	Free	22,000	8	Bulk
Oregon	Oregon Progress	Free	11,000	12	No 2nd Class
Pennsylvania	No publication				
Rhode Island	No publication				
South Carolina	South Carolina Economic Trends	Free	7,000	12	2nd Class only
South Dakota	South Dakota	Free	8,000	4	2nd Class only
Tennessee	Tennessee Thrusts	Free	13,000	4	Bulk
Texas	Texas Ideas	Free	2,000	4	No 2nd Class
Utah	No publication				
Vermont	Vermont Life	\$3.50/yr.	95,000	60	2nd Class Special
Virginia	No publication				
Washington	No publication				
West Virginia	No publication				
Wisconsin	No publication				
Wyoming	Big Wyoming Progress Report	Free	3,200	8-14	No 2nd Class

* 2nd Class permit has been applied for and is pending.

HIGHWAY AGENCIES

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	NO. PAGES	MAIL CLASS USED
Alabama	No publication				
Alaska	No publication				
Arizona	Arizona Highways	\$6.00/yr.	500,000	48	2nd Class Special
Arkansas	Arkansas Highways	Free	5,000	36	No 2nd Class listed
California	No publication				
Colorado	No publication				
Connecticut	No publication				
Delaware	No publication				
Florida	No publication				
Georgia	No publication				
Hawaii	No publication				
Idaho	Idaho Highways	Unknown	Unknown	Unknown	No 2nd Class
Illinois	"Transportation Digest"	Unknown	Unknown	Unknown	Bulk
Indiana	No publication				
Iowa	No publication	Free	5,500	20	Bulk
Kansas	Highway Highlights				
Kentucky	No publication				
Louisiana	No publication				
Maine	Transportation News	Free	Unknown	8	3rd Class Bulk
Maryland	Maryland Roads	Free	Unknown	Unknown	3rd Class Bulk
Massachusetts	No publication				
Michigan	No publication	Free	7,500	16	No 2nd Class
Minnesota	Minnesota Highways	Free	8,000	24	Bulk only
Mississippi	Roadways				
Missouri	No publication				
Montana	No publication				
Nebraska	Road Runner	Free	2,500	10	No 2nd Class
Nevada	Nevada Highway News	Free	1,900	16	No 2nd Class
New Hampshire	No publication				
New Jersey	No publication	Free	3,500	24	No 2nd Class
New Mexico	Paisano	Free	16,000	4-6	No 2nd Class
New York	Transportation Newsletter	Free	18,000	32	Bulk-No 2nd Class
North Carolina	North Carolina Byways	Free	2,000	20	Bulk permit
North Dakota	Shop Talk	Free			

HIGHWAY AGENCIES—Page 2

STATE	PERIODICAL'S NAME	MAILED FREE OR SUBSCRIPTION	CIRCULATION (if known)	NO. PAGES	MAIL CLASS USED
Ohio	Highlights	Free	2,100	8	No 2nd Class
Oklahoma	Oklahoma Highwayman	Free	8,000	16	Bulk Postage
Oregon	No publication				
Pennsylvania	No publication				
Rhode Island	No publication				
South Carolina	Caroling Highways	Free	8,200	24	Controlled 2nd Class Non Special
South Dakota	No publication				
Tennessee	No publication				
Texas	Texas Highways	\$5.00/yr	30,000	32	Special 4th Class for one issue & Bulk
Utah	Centerline	Free	4,000	12	Bulk
Vermont	No publication				
Virginia	Virginia Dept. of Highways & Transportation Bulletin	Free	13,000	36-40	No. 2nd Class
Washington	Washington Highways	Free	14,000	12	No 2nd Class
West Virginia	West Virginia Highways	Free	Unknown	Unknown	1st Class for 40 or 50
Wisconsin	No publication				
Wyoming	The Highwayman	Free	2,000	16	Bulk

Senator RANDOLPH [presiding]. Mr. Goodman and Mr. Jennings, will you come forward?

Will our witnesses identify themselves, the organizations that they represent, and the associates who sit with you. We are going to ask you, Mr. Jennings, to be our first witness.

STATEMENTS OF A PANEL CONSISTING OF KENNETH R. JENNINGS, PRESIDENT, NATIONAL LEAGUE OF POSTMASTERS; JOHN C. GOODMAN, PRESIDENT, NATIONAL ASSOCIATION OF POSTMASTERS; EUGENE DALTON, LEGISLATIVE REPRESENTATIVE AND POSTMASTER IN LOGAN, GA.; AND JOSEPH GONDOLA, LEGISLATIVE CHAIRMAN

Mr. JENNINGS. I am Kenneth H. Jennings, president, National League of Postmasters.

I have with me Mr. Eugene Dalton, legislative representative and postmaster in Baldwin, Ga.; John Goodman, president of the National Association of Postmasters; and Joseph Gondola, who is legislative chairman.

First, I want to express our appreciation to you, Senator, for allowing us to present our views on the matter of post office closings and financial conditions of the Postal Service.

Following my opening remarks, Mr. Goodman will deliver the testimony which expresses his thinking.

Together we have the privilege of representing all of the nearly 31,000 postmasters, the middle management of the U.S. Postal Service.

Emphasis should be placed on the word together, for never in the histories of our two organizations have we come together—have we striven for the complete unity of purpose and method that we now find ourselves working toward in this time of trouble for our Postal Service.

Our hope in coming before you together, and in searching for the solutions to our problems together is that this spirit of unity will spread to all levels of Postal Service management.

We agree with the Postal Service that the funding sponsored by Senator McGee is greatly needed. We do feel, however, that these moneys must be applied to proper functions of the Postal Service that demand immediate attention and not to experimentation in theoretical probabilities or programs that do little to resolve our currently worsening delivery performance. The prudent assignment of funds and accountability must necessarily accompany additional funding.

The distinguished members of this panel are each accountable to their respective constituents; we, as postmasters, are accountable to the Postal Service. We pose the question—to whom is the Postal Service accountable?

We admire those who seem consumed with the thought of building a better and more efficient postal system. At the same time, we admonish them for not doing enough to get the system we have touted as the best in the world back on the track.

At this time I have the pleasure to present Mr. Goodman to continue our suggestions.

Mr. GOODMAN. Our appearance here, the first before a Senate committee since postal reorganization, permits us the privilege of ampli-

fyng and clarifying our goal—which is the same as yours—to support the shaping of positive and effective legislation, such as that of Senators McGee and Randolph, which will aid our Postal Service in this economic crisis.

I would like to digress. Is there a Postal Service representative here?

Senator RANDOLPH. Is there a representative of the U.S. Postal Service present?

Mr. GOODMAN. Seeing none, I would like to bring to your attention something else.

Senator RANDOLPH. There is one gentleman present.

Give your name for the record.

Mr. VAN COVERDON. I am Paul Van Coverdon.

Mr. GOODMAN. Then I can change what I was going to say by being grateful that there is somebody here from the Postal Service that has finally seen fit to listen to us. It has not happened in the last few months.

We have a very real obligation to our memberships—an obligation spelled out in the law of this land—to recommend constructive programs, proposals, and hopefully solutions that will alleviate postal problems which have certain effect on every postmaster in the field.

Too often we are denied this right to fulfill this obligation within the structure of consultation with top management of the Postal Service.

We offer the thinking of those who serve in the post offices across the Nation, your postmasters who deal not in theory, but in practice.

We firmly believe that serious consideration should be given to the recommendation of Postmaster General that a commission be established to explore and define the public service aspects of the U.S. Postal Service.

We would hope and expect that this commission's findings would better enable a real value to be assigned to this important facet of postal service.

Naturally, we are concerned with the choice of members for this study commission. We suggest that this commission be composed of five members: two appointed by the President, one appointed by the Senate, one by the House and the fifth member being the Comptroller General or his designee.

We join in the call for a moratorium on accelerated post office closings, any discontinuance of selected special services, further service cuts, and other, certainly debatable economic gestures in response to current financial philosophy. We request that implementation of the new criteria on post office closings, which is in effect no criteria at all, be delayed until the study of public service is completed and a proper evaluation is made of the multirole of traditional post offices whose receipts do not exceed operating costs.

We are sometimes rebuked when we attempt to explain the real and extensive role that post offices play in the lives of their communities. We have been accused of ignoring the financial plight of the Postal Service in deference to maintaining current levels of membership in our organization. If this were a valid argument, our response is certainly tardy.

The number of post offices and postmasters has dwindled from nearly 90,000 to 30,000 over the years. I ask you, Mr. Chairman, and distinguished committee members, how can one ignore a financial situation that one is faced with every working day of his life?

Not in the postal headquarters here in Washington, but in the post offices across the Nation, is this financial plight a reality. It is here where our membership attempt to manage, that service hours are cut, clerical hours are cut, operating funds are cut—until we wonder—what will be left to manage?

We do not ignore this financial situation, nor do we shirk our responsibilities in squarely facing it. I certainly will not waste the time of this distinguished group by practicing rhetorical razz-a-ma-tazz, and citing statistical extremes that would favor my personal viewpoint or that of the financial wizards of postal headquarters.

Let us meet our problems as men of common sense. We are all in agreement that where justifiable savings can be realized, they should be. Where there are strong and valid arguments for closing post offices, we will no doubt be in agreement. But we say an emphatic no to the much accelerated closings and consolidations that are being considered across this Nation this very day.

The new criteria for closing Post Office is no criteria at all. The previous criteria agreed upon by the postmasters' organizations and the U.S. Postal Service at the time of postal reorganization allowed the closing of more than 300 post offices a year. Until only recently, the Postal Service averaged closing a post office each day, every day of the year, and we believe that this is quite enough.

We can envision real benefits to our postal system in having a Postal Rate Commission in which members have acquired and demonstrated knowledge in ratemaking procedures and a precise understanding of postal affairs.

We support the appointment of the five Commissioners by the President, with Senate confirmation. Going a step further, we feel advantages would be realized in severing the financial dependency of the Rate Commission upon the Postal Service. Under a new budgeting system, it would be of benefit to all for the Postal Rate Commission to report its budget directly to the Congress and the administration.

It is imperative that a functioning board of governors be composed of individuals who possess an adequate knowledge of postal affairs. A successful businessman from a corporate structure in the business world with little or no knowledge of the Postal Service does not bring to the board an understanding of the workings of the Postal Service.

The original intention that the Board of Governors would serve in directing and overseeing the Postmaster General and the operations of the Postal Service has fallen short of all expectations.

The successes and failures of the Postal Service, more than any other agency of the Federal Government, have an immediate and lasting impact on the economic and social well-being of our Nation.

While Cabinet status is not necessarily desirable for the position of Postmaster General, it is necessary that the Postal Service, the administration and the Congress share and contribute to a mutual understanding of budgetary and operational problems.

Following this reasoning, we support efforts to return the power of appointment of the Postmaster General and the Deputy Postmaster General to the President, and confirmation authority to the Senate.

We have every hope that this Senate Committee will make the needed effort to secure a suitable level of funding from the Congress for a 2-year period, while public service aspects are being studied. We would anticipate that the funds would be subject to congressional oversight.

We believe sufficient time has elapsed in the experiment of a break-even philosophy for the agency responsible for delivery of the mail. We submit that a more responsive Postal System will evolve if the Postal Service is required to submit budget proposals to Congress.

The dismantling of the Postal Service and the Postal Reorganization Act is not in the best interest of an efficient Postal System. We are equally convinced that the closing of 40 percent of the Nation's post offices is most unwise.

It is interesting that some of those who support the theory that closing the excess of 12,000 small post offices to capture a promised \$100 million savings readily assign more than \$600,000 to build a "solar post office." Such experiments do little to address immediate problems. While we do not condemn postal progress, we must cry for survival first.

The proposal to accelerate post office closings is a bandaid approach to resolve a condition that demands major surgery. Too few have studied or discussed the potentially devastating effect on a community when the only vestige of Government service and contact to its citizens is withdrawn or diminished.

It appears that there are those whose zeal to recover dollars to fit self-created budgetary limitations are blinded to the total service provided by post offices in small communities.

We would do well to heed the advice of Senator Randolph and his proposed legislation to bring the reason of a local public forum into what has developed into an arbitrary "leap before we look" policy concerning closing, discontinuing and consolidating post offices and postal facilities.

We believe quite strongly that Members of Congress should receive proper notification from the Postal Service when post offices within their respective areas are to be considered for discontinuance or consolidation. We recommend prior notification of no less than 90 days would be an acceptable time frame. This time for notification should coincide with the notification reviewed by the Senior Assistant Postmaster General for Operations from the sectional center management of that area in which the closing would occur.

In closing, permit me to express a personal viewpoint shared by Postmasters across the Nation. Postmasters are not comfortable in the present postal atmosphere. We find no pleasure in being compelled to seek relief in the courts to remedy inequities. We want very much to be a part of a true management team.

However, none exists—there is no true consultation when one member can and does arbitrarily decide to discuss or not discuss items of mutual and vital concern.

We have an obligation to the Postal Service, our customers and our members to participate and contribute our knowledge and experience

to improve our postal system. There has been a demonstration by some who still have difficulty recognizing that this is our Postal Service.

We sincerely appreciate this opportunity to share our thoughts with you today, and we welcome future occasions. We offer the complete services of our organizations to assist this committee and any special study committee should one be named.

This concludes our prepared statement, we would be happy to respond to any questions that you may have.

Senator RANDOLPH. Thank you very much. I am appreciative, of course, of the president of the National Association of Postmasters, Mr. Goodman, and the president of the National League of Postmasters, Mr. Jennings, for your statements in this hearing of today.

If I would seem to appear provincial it is only to indicate that we have perhaps 50, 60, 70 or so Postmasters from West Virginia here today, and I am going to ask in a moment that those Postmasters stand.

I want the record of the hearing to indicate that these persons come here today and take a part of their annual leave. These people are traveling at their own personal expense, and I want the record to indicate that that is so.

Perhaps this is a propitious time as any to have all West Virginia Postmasters who are here stand.

Now, not a member of this group was asked by this Senator to appear here today. They came on their own initiative. They came not as a pressured group, but they come as a group of participating citizens of the United States, addressing themselves, as do you, to the problems of the Postal Service, and the strength of the system as it serves the American people.

We make no mistake when we underscore that statement at this hearing.

We shall not attempt to go into the past too much here this morning, but in the opinion of the witnesses, Mr. Jennings and Mr. Goodman, what would you say about the intent of the Congress as it passed the postal reform legislation, and what has happened since that time, perhaps most recently?

Mr. JENNINGS. We opposed the Reorganization Act. We did so for several reasons.

First of all, many of our people in rural areas felt that they would be the first to get the ax; the rural areas would be the first to lose the type of mail service that they had been accustomed to.

Senator Yarborough at that time made some predictions, and to this date, those predictions have fallen right in line with what happened to the Postal Service.

We fought very hard during the hearings on the Postal Reorganization Act, and especially section 104(b).

We were very instrumental in having that written into the act, where no post office would be closed solely for operating at a deficit. We still feel very strongly about that. We feel that it was the intent of the Congress.

However, since it is in court, some judges think that perhaps that was not the intent of the Congress.

Going back to that time, and I have done some research, and it was said at that time by Senator McGee, the Post Office serves every hamlet,

village and city in the United States, and it is too important and too personal to be divorced from the direct and continuing control of the elected representatives of the American people.

He continued to say we are a board of directors that our constituents can throw out.

With that, I think the intent of Congress was to keep the Postal Service in rural America, and I think since the time of the Reorganization Act, the administration, over at L'Enfant Plaza has been very detrimental to the Postal Service by the discontinuance and curtailment of services to the American people.

MR. GOODMAN. If I might add to that, Senator, our organization, the National Association of Postmasters, was the only organization that supported postal reform.

I neither apologize or try to agree, or take a particular stand at this time. That was the decision of our leaders, and I respect their decision.

However, we have had in our possession, before we backed postal reform, written material that small post offices would not be closed, and in fact, Postmaster General Blount at that time in writing stated that there would be even more post offices going nationwide.

We were led down the primrose path by actual documents, in his own words at the time.

Senator RANDOLPH. Mr. Goodman, is that correspondence in any public record?

MR. GOODMAN. If it is not in any public record we can make it available to you. We have copies of his actual correspondence to our president at that time.

Senator RANDOLPH. Well, the committee would want to share that information. We may have it in our files, but would you provide it for us as a part of your testimony?

MR. GOODMAN. Be happy to.

Senator RANDOLPH. It is very important that we have it.

MR. GONDOLA. Senator, when postal reorganization was being considered many Members of Congress, as well as people in the Postal Service, were taken back with the judgment within Postmaster General Lawrence O'Brien, who indicated we were on a collision course with a catastrophe, and we needed to have better business practices to provide the Postal Service with the means of getting itself by the bootstraps and pulling itself up.

We have had experience with that over the last years, and it has not worked.

I want to add a word of caution. I certainly hope you share my feeling that the proponents who suggest now we eliminate the private express statutes are suggesting we do that for the very same reason that possibly by turning the Postal Service over to private enterprise that will suddenly be a panacea for all of our problems.

I certainly hope the Congress is not persuaded this time to follow that reasoning.

Senator RANDOLPH. And what is your name?

MR. GONDOLA. Gondola, like the gondola, the boats in Venice.

Senator RANDOLPH. We cannot run the white waters of the south branch of the Potomac with them!

MR. GONDOLA. They are getting just as polluted in the water in Venice.

Senator RANDOLPH. Thank you.

You make a telling point.

Mr. DALTON. I am Gene Dalton, and if I might elaborate one step further on your question.

It was my opportunity to be on the board at the time postal reorganization was being discussed. Therefore, I feel there are two or three points that need to be made part of the record as to why we so vividly opposed postal reorganization.

First of all, it was determined by the members of our organization that this would be the first step toward what Mr. Gondola was speaking about, toward abolishing the private express statute and turning mail service to private enterprise.

It specified in the Postal Reorganization Act that the Postmaster General would no longer be a part of the Cabinet. That would therefore make this man actually accountable to no one except private businessmen from the outside sector who had absolutely no knowledge of the Postal Service whatsoever.

The word "Postmaster" was eliminated from the entire text of the Postal Reorganization Act.

The word "manager" was used in many places, but the word "Postmaster" never appeared.

In the writing of the Postal Reorganization Act, which Mr. Kaplan was the main author of, it was determined that Congress would keep hands off as far as the administrative part of the Postal Service was concerned.

This, of course, was a mistake.

We also saw it written into the Postal Reorganization Act that we would reach a breakeven point by 1980. Now, this has already proven to be a myth, because in no way can you provide free, rural delivery service, and free city delivery service as the Continental Congress provided in the first writing of the Postal Act, and reach a breakeven point, because the largest part of our budget is designated for labor.

Therefore, for these reasons we had to oppose it. We are happy today that we did. I think history shows, over the 4½ years of postal reorganization, even though there has been and continues to be a large reshuffling of the organization, as we have been decreased from 15 regions to five and we have been decreased from 15 data centers to five. Many people have been laid off the rolls of the Postal Service and yet, we see the deficit continue to increase.

We know the excuses used are inflation, and it has contributed very greatly to the plight the Postal Service finds itself in today, but we also must bear in mind that all other industries and businesses have been hit by the same type of inflation.

Therefore, we feel that it is not only the inflation factor, but because of the lack of knowledge of what the Postal Service was actually founded upon, that we find ourselves in this position today.

Thank you.

Senator RANDOLPH. Thank you very much, Mr. Dalton.

I did not inadvertently neglect the introduction of those postmasters who have come from many other States. At the time I had no knowledge of how many were here, or how many States were involved. If I failed to cover all the States, I want you to call it to my attention.

Would those persons from Maryland please stand?

Will those postmasters who are here from Pennsylvania, please stand?

It looks like the Commonwealth of Pennsylvania is doing well.

You know, West Virginia is just a State. The Commonwealth of Pennsylvania we often say they have all the money up there and we have all the problems in West Virginia.

Let me see now.

Delaware is represented. Those from Delaware raise your hands.

Will those postmasters from New Jersey raise your hands?

Would that be covering all the States?

Indiana, please raise your hands.

Of course, our witnesses, as we know, are from Michigan and West Virginia.

Mr. Gondola, where are you from?

MR. GONDOLA. New Jersey.

Senator RANDOLPH. What part of New Jersey?

MR. GONDOLA. Clifton, a suburb of New York City.

That is why I quite frankly appreciated your comments about the publications of the States of West Virginia and Michigan, and so forth.

Mr. Chairman, I have a personal interest in that. I have a 9-year-old son, and we live in a very congested area, and there is one way he can relate to the greatness of our country, by reading these magazines, and I certainly hope that we have that kind of exchanges to the people throughout our country.

Senator RANDOLPH. Thank you for referring to the earlier testimony.

Mr. Dalton, where are you from?

MR. DALTON. Georgia, otherwise known as the Garden of Eden.

Senator RANDOLPH. Mr. Goodman, you are from St. Louis?

MR. GOODMAN. From Illinois, but near St. Louis.

Senator RANDOLPH. We say Lincoln's mother was born in what is now West Virginia.

Mr. Jennings, where are you from?

MR. JENNINGS. I am from Tennessee.

Senator RANDOLPH. Let me tell you a story.

This mountaineer had been out to a party, and had a considerable amount of this under his belt, and he was attempting to find his cabin in the hills.

About daybreak there was a rattlesnake in his way, and he looked down at that rattler and he sort of reared back on the strength he had, because he was a little wobbly at that point, and he said strike me if you must, because you will never find me in a better condition.

I do realize it perhaps has a value. You know we need a nation that keeps its laughter, of course, which is part of life.

I am going to ask that the staff director, if he would, acting for the chairman, direct a communication to the following former Postmaster Generals of the United States. From memory those would be James Farley, Mr. Day, Gronouski, O'Brien, Watson, Blount, and Klassen.

I have known all of those men, and I would like for them to provide their impressions of the Postal Service, in reference particularly to the matter of the service element and the possible closing of offices that may not have a cost-benefit ratio.

I believe we are keeping the record open until about April 30, roughly, and this would give us an opportunity to include their responses.

Now, there is a frequent complaint that the membership of the Congress receives about the postal operations, in what we call the service windows. I suspect this is true of postmasters.

Now, who would determine the amount of clerical time that is to be used at the window service, the hours of service, and whether or not there is a Saturday service?

Is it the postmaster?

Mr. JENNINGS. Sectional center managers normally control clerk-hour allowance and also the number of hours that we provide service to the windows.

I have not verified it yet, but I understand that there is one area that just recently cut back on small offices to 4-hour service per day.

Senator RANDOLPH. I see.

Mr. JENNINGS. It has not been verified by letter.

I received a telephone that they have reduced window service to 4 hours a day, and I am awaiting further information on that.

Mr. GOODMAN. This is true, Senator, if I might elaborate.

The sectional center manager in many instances is only following orders. The actual orders come from above as far as the cuts in hours because of budgetary reasons.

I think this should be emphasized. It is passed on from headquarters in Washington. I think that the American people and the Congress are being led astray somewhat by the cuts that are being proposed by the Postal Service at this time, because if we can go back in reference to Senator Yarborough, when he printed the nine strategems of the Postal Service, the closings and consolidations that we are talking about were planned, as were the cuts in Saturday service, as was the 5-day delivery week, and all of this is a matter of public record in your own Congressional Record.

You know, I think we are being led down the primrose path because of the economic situation that we say we are in today.

This was all planned before postal reform was ever passed. And I think we have to look back at that, Senator Randolph.

I am not fooled by it, because I have read everything Senator Yarborough said about it, and what he has said about it, that is, the Postal Service, has come true.

Senator RANDOLPH. Did you say planned or contrived?

Mr. GOODMAN. Planned.

Senator RANDOLPH. Mr. Crowlie, you will, because of what Mr. Goodman has said, give the opportunity to the former Postmasters General, to convey their thinking about the problem in perhaps a larger scope of the subject matter than I might have indicated. I would appreciate it if you would follow through on that.

[The following responses were subsequently supplied for the record:]

United States Senate

GALE W. MC GEE, WYO., CHAIRMAN
 JENNINGS RANDOLPH, W. VA.
 QUENTIN N. BURDICK, N. DAK.
 ERNEST F. HOLLINGS, S.C.
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HIRAM L. FONG, HAWAII
 TED STEVENS, ALABAMA
 HENRY BELLMON, OKLA.
 COMMITTEE ON
 POST OFFICE AND CIVIL SERVICE
 WASHINGTON, D.C. 20510

April 26, 1976

The Honorable James A. Farley
 515 Madison Avenue
 New York, New York 10017

Dear Mr. Farley:

On April 20, 1976, the Senate Post Office and Civil Service Committee continued its hearings concerning S. 2844, a bill which seeks primarily to secure an additional public service subsidy for the United States Postal Service.

During the latter part of the hearing, while Senator Randolph was acting as Chairman during my absence, the paneled witnesses representing the Postmasters of the United States Postal Service were commenting on the closings of small post offices, and about the service of the U.S.P.S. to the country at large. Senator Randolph quite properly asked that the Committee write to former Postmaster Generals asking for their comments about the Postal Service since its reorganization in 1970.

As a result of examining the hearing record for that part of the day that I missed, I concur with Senator Randolph that your comments would be most useful to the Committee as it grapples with the very serious problems now confronting the Postal Service. The Committee is particularly concerned about the closing of small post offices and what your reaction to those closings might be.

Moreover, your long experience and contribution to the United States Postal Service would be especially useful to the Committee if you directed your comments as well to the role the United States Postal Service should play with regard to the service concept. That is to say, in your judgment, how much of the cost of running a Postal Service should be borne by the users and how much should be borne by the public at large? Phrased another way, what services do you believe the public can do without, what services are absolutely essential in terms of the welfare of the nation, and what services should we add that don't presently exist?

Even though we ask you these difficult questions within a rather restricted time frame, the Committee would deeply appreciate any comments you might be willing to make. The Committee, under the requirements of the Budget Act,

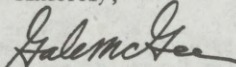
The Honorable James A. Farley
Page Two
April 26, 1976

must report a bill out of Committee if it involves expenditures from the Treasury by the 15th of May. For this reason, we will be closing the hearing record sometime during the first week of May.

For what it's worth, I am enclosing a compilation of a Committee document, *Problems of the United States Postal Service*, which you may find useful.

Once again, thank you for your attention to this matter. The Committee looks forward to your response.

Sincerely,


GALE McGEE, Chairman

GM:cc

Enclosure

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May 4, 1976

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Re: S. 2844 - Request for Views of
Former Postmaster Generals

Dear Senator McGee:

This is in reply to your letter of April 26, 1976, in which you state that Senator Randolph suggested asking former Postmaster Generals for their comments about the Postal Service since its reorganization in 1970 and in which you said you concur with Senator Randolph. Your letter points out that the Committee is particularly concerned about the closing of small post offices and what my reaction to those closings might be. You also ask for my comments on the role that the Postal Service should play with regard to the public service concept.

As you know, since 1968 I have represented as a lawyer various business mail-user groups and have, since that date, in addition to my general practice of law, served as General Counsel of Associated Third Class Mail Users. I therefore always try to make it clear in making comments about the Postal Service that I do not pose as an objective postal statesman.

However, in regard to the request for my comments about the Postal Service since its reorganization in 1970, you will recall that I strongly opposed the adoption of the postal corporation legislation. I testified against it five times before Congressional committees, and at that time I predicted that it would result in skyrocketing postal rates and curtailed postal service. I first took a public position against the so-called Postal Reorganization Act prior to the time I began representing any postal clients, and that was a purely objective position based upon my conviction that the Post Office would be better off working in close cooperation with Congress than it would be operating as a quasi corporation.

On the overall public service aspect, I recommend that postal rate increases for each class and subclass be

limited to increases in the consumer price index and that any other funds the Postal Service needs for essential operations should be treated as "public service" and appropriated out of general revenues. I think this approach is more productive than trying to itemize each expense of the Post Office, such as providing door-to-door delivery instead of curbside or cluster box delivery, which the Postal Service might not provide if it were purely an operation for profit subject to no regulatory or policy mandates about its level of service. However, if there is to be an itemization of "public service" costs, the extra expense of providing door-to-door delivery rather than curbside or cluster box delivery should definitely be included as a public service item.

Beginning in 1973, I strongly urged that Saturday service be discontinued as an anachronism comparable to Saturday banking hours. In 1973, the Postal Service and the hearing examiner in the then pending postal rate case gave the brush-off to this proposal. I think this is one area where service could be curtailed without serious inconvenience to the public.

In regard to the talk about closing small post offices, I refer you to my filed testimony dated April 20, 1976, on S. 2844 in which I stated:

"The talk about closing post offices is largely a symbol of the desperation of the financial plight of the Postal Service. The fact is that the Postal Service estimates that if it closed 12,000 small-town post offices, it would save annually only about the amount of money the Postal Service spends currently in three days. Even more incredibly, the Postal Service has estimated that if it closed or consolidated 2,000 larger post offices, it would save only about \$30 million a year. That compares with the fact that the Postal Service now spends nearly \$40 million every day including Sundays."

As you well know, the postal operation has been closing small-town post offices for at least three-quarters of a century in cases where the locality served by the post office has largely disappeared. In such non-viable communities today, there is justification for closing small post offices, but even then it should be borne in mind that the annual dollar savings will usually be in the area of only a few thousand dollars. Where a rural town or village is still a populated

COX, LANGFORD & BROWN

- 3 -

and cohesive community, the post office should be maintained at the slight additional expense involved in order to help maintain the community.

In my testimony dated April 20, 1976, I outlined some of the reasons which are given by the opponents of an increased public service approach for the Postal Service, and I rebutted these reasons one by one. I concluded that testimony as follows:

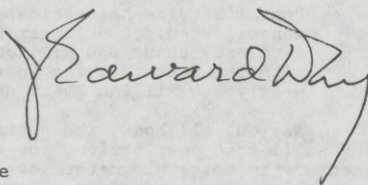
"There are many, many legitimate criticisms that can be made of postal operations. There is need for more continuity and experience in postal management.

"But there is also the danger that criticism can become so virulent that it tends to hound good men out of office and to be counterproductive in bringing about continuity and experience.

"The Postal Service should have received a multi-billion dollar appropriation at the very outset as 'start up costs' for the new method of operation. It did not. Moreover, the public service allowance in the Act, which was inadequate from the beginning, has become more and more outdated as postal costs have increased."

Best wishes,

Sincerely,

A handwritten signature in cursive script, reading "J. Edward Day". The signature is written in dark ink and is positioned to the right of the typed name.

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

J. Edward Day:hm

E. T. Klassen
220 Belleview Boulevard
Clearwater, Florida 33516

REC'D MAY 10 1976

May 5, 1976

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

Dear Mr. Chairman:

I have just returned home and found your letter of April 26 together with the 183 page Committee Print. In light of the time frame I have not read the Committee Print and therefore will confine myself to general comments.

As you know, it has been my philosophy that the Postal Service should be self-sustaining; that the users of the mail should pay for the service they get. Obviously, there are exceptions, and what portion of the costs of these exceptions should be borne by the "public at large" is a matter for Congressional determination.

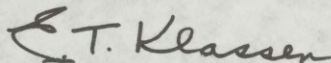
The reduction of costs is essential to the self-sustaining principle. As you are aware, there are many restraints on the Postal Service which limit these economies.

Reductions in service will always be unpopular with some segment of the public. And yet, what service today compares to what it used to be. Hotels? Restaurants? Trains? Doctors? Hospitals? Plumbers? -- to say nothing of their increased charges. Anywhere one goes, good service - if it is available at all - is something you have to pay for. The unpopularity of increased postal rates is something I need not emphasize to the Committee.

The only alternative I see is government subsidy.

The Committee is dealing with a problem of great magnitude, but I know that with patience and understanding an equitable resolution will be found.

Respectfully,

Handwritten signature of E. T. Klassen in dark ink.

BLOUNT INC

WINTON M. BLOUNT
CHAIRMAN OF THE BOARD AND PRESIDENT

May 6, 1976

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

Dear Mr. Chairman:

Thank you for the opportunity to comment on certain of the issues before your Committee at this time, particularly with regard to the concept of postal public service. I'm sure you can appreciate how difficult it is to respond in any but the most general terms because of my distance from the situation, but I have a very great continuing interest in the Postal Service and welcome the opportunity to comment on it.

First, a general comment on the Postal Service since its reorganization in 1970. I believe the Postal Service, despite problems during its initial years which were largely beyond its control, has indeed made progress. This is borne out in the GAO report entitled "Summary of Observations on the Postal Service's Operations from July, 1971, to January, 1976." As to the difficulties, few organizations anywhere fared well in the past two years under the burden of double-digit inflation and worldwide recession. In the legislation, the Postal Service was faced with the mandate of improving the lot of the postal employees in a time of the worst inflation in this country. With a labor-intensive operation it is vital that you be able to respond to these kinds of cost increases promptly. Like most other organizations, the Postal Service found itself in a cost squeeze; unlike most other organizations, it could not readily raise prices. The pay telephone call in some areas increased from 10 cents to 20 cents. The Postal Service, on the other hand, had difficulty winning approval for a three-cent increase in stamp prices, and by the time the increase finally went into effect, it came too late to avert financial difficulties. So the Postal Service was by no means unique in emerging from these economically troubled years in serious financial difficulty, and I believe it is appropriate that your Committee seek to determine if these circumstances warrant special assistance and a change in the response time to requests for rate changes.

The Honorable Gale W. McGee

- 2 -

May 6, 1976

As to the specifics you mentioned in your letter, my positions on the role of the Postal Service with regard to the service concept, and the question of how much the cost of running the Postal Service should be borne by the users and how much by the public at large, were made quite clear during hearings on postal reorganization and were largely reflected in the completed legislation. Perhaps the question I and others who supported reorganization must now answer is whether, in view of the large operating deficits of recent years, the principles we incorporated into the Postal Reorganization Act are still viable.

You will recall, Mr. Chairman, that at your insistence the Act provided a subsidy of 10 percent of our 1971 budget, or \$920 million, to continue for some years. My understanding was that this amount was intended to cover public service requirements, such as operating rural delivery routes, and the kind of built-in institutional service that is provided every resident who receives mail delivery regardless of whether he purchases stamps or pays into the system at all.

I resisted the creation of this subsidy largely because I believe the Postal Service needed to have rigorous financial independence and, to the largest extent possible, freedom from second-guessing by the Congress. It was my feeling then, as now, that in the long run nothing would be so beneficial to the Postal Service as the necessity of adhering to the discipline of a financial statement. Furthermore, I felt users should bear the full cost of the service, including public service, and that deficit operations should be countered by cutting costs or raising rates, or both. I believe these principles are still valid and that the question is simply whether we can live with the tough decisions they force upon us. Are we, in short, prepared to pay the price of operating the Postal Service with emphasis on both improved service and the economic terms envisioned in 1970?

I believe that decision was made in 1970, and we should not abandon it at this time. The Postal Service should be permitted to take whatever measures are necessary in order to work through its financial difficulties. The economic pressures inevitably will force stringent operating economies, impose restraint on wage bargaining, and cause modifications in some areas of traditional service. Ultimately, they will provide us with the kind of postal service we are willing to pay for.

As far as service cutbacks are concerned, the Congress provided in the Reorganization Act that service changes of nationwide scope should be submitted for approval to the Postal Rate Commission. Other than that provision, I recall no strictures imposed upon the Postal Service with regard to service, except that rural post offices should not be closed solely on the basis of operating deficits.

The Postal Service, as currently mandated under the Reorganization Act of 1970, must of necessity view such matters in both service and economic terms. Thus, if it can provide equal or better service at less cost by closing certain rural post offices, by all means it should close them. If Congress, on the other hand, wishes to keep certain or all of the post offices open

The Honorable Gale W. McGee

-3-

May 6, 1976

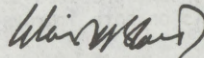
for whatever reasons, it should foot the bill for the additional cost of keeping them open. And that money should not be called financial support, or subsidy, or anything other than what it is - an expense assumed by the Congress for reasons of its own and having nothing to do with essential postal operations.

It is a frequently mentioned but nevertheless valid point that much abuse of the Postal Service results from the fact that even the smallest number of complaints per piece handled - as little as 1 percent - still amounts to nearly one billion complaints. The press has its own ax to grind when it runs down the Postal Service - it doesn't like the idea that subsidies for second class mail are on their way out. So I am pleased to see from the GAO summary that sound progress has indeed been made.

In general, Mr. Chairman, I am suggesting that the principles incorporated in the Postal Reorganization Act have not yet proven invalid and should be given sufficient time to prove themselves. I do believe there must be a more prompt response to requests for rate changes, and this may require legislation. The decisions we face now with regard to the Postal Service were not considered beyond the scope of possibility at the time of enactment because we were submitting to a rigorous economic discipline in the interest of a better Postal Service, while at the same time improving the service standards of the Postal Service.

I appreciate, once again, Mr. Chairman, the opportunity to comment on these matters.

Sincerely,



Winton M. Blount

W. MARVIN WATSON

May 7, 1976

REC'D MAY 12 1976

Dear Senator Mc Gee:

You and Senator Randolph were very thoughtful to request my comments on the several questions as outlined in your letter of April 26th.

I believe that there certainly is information that is not now available to me that would allow more detailed reasons for these opinions.

In reply, I favor the retention of the smaller post offices for so long as there is a community to justify their existence. It is my conviction that the United States Postal Service should continue in the tradition of a service organization. I continue to recommend that First and Fourth class mail should break even or be profitable. (In order to maintain this position, the delivery of mail should be a Governmental obligation not subject to private efforts serving only profitable areas.)

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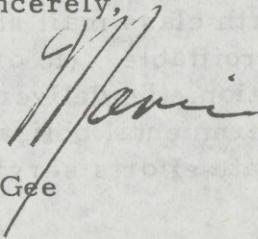
In order to serve the public interest, Second and Third class mail should be subsidized.

A study of the Postal Service by a prestigious public committee is recommended. They should review the costs of postal services and suggest methods of eliminating any unjustified costs. As an example, the study could include the savings (if any) for four day per week home delivery.

The reason that I as Postmaster General ever believed the United States Postal Service should exist was for an ability to finance the mechanization and modernization of the 300 largest Post Offices in this nation. Should that have been done and based on the 1968 facts, then the postal deficit would have by now been eliminated.

Your allowing this statement is appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read 'G. McGee', written over a horizontal line.

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

NOTE: The Honorable James A. Farley, former Postmaster General of the United States, on May 10 replied to the request in Senator McGee's letter of April 26.

One paragraph from Mr. Farley's reply explains why his full letter is not included in the hearing record. That paragraph is:

"Unfortunately, as I indicated to you, I have been away from the Postal Department for nearly thirty-six years, and not being at all familiar with what has been going on within the Department down through the years, consequently, I have no opinion to offer that might be helpful or even detrimental to the work of your Committee."

The remainder of the letter to Senator McGee is personal in nature.

Senator RANDOLPH. Now as the witnesses have indicated we have a postal deficit, and there are contributing factors to that deficit.

There was testimony in prior hearings establishing that fact. You have not yet had the opportunity at this table to give your reason or reasons for the postal deficit.

Would you care to add to what has been said by others who appeared at hearings, Mr. Jennings, Mr. Goodman?

Mr. JENNINGS. Senator, I just read a recent report where the top management has increased by 98 percent under the Reorganization Act.

Mail handling people have only increased by 7 percent.

Our volume has decreased, of course, but the three levels of management which we now experience, not including the Postmaster, who has very little authority in his own office, does not have too much to say about what kind or what type of operation he has in his own office, and I think this is a very critical point in the financial status of the Postal Service.

It was very interesting to me last week and, of course, it was a worthwhile service I thought, but I was lucky enough to stop by my hometown, and there was an advertisement on the television where the Postmaster had stated there would be persons standing at the curb to collect income tax papers on the 15th of April.

Just for curiosity sake I drove by. I had an extension on my own, by the way, but I drove by to see just what was going on, and it was a regular traffic jam, but they did have two people standing at the curbside to receive that mail.

People were driving approximately 100 miles to get there that night, because no other office in a 100-mile area was providing that type of service.

Senator RANDOLPH. That was the Post Office?

Mr. JENNINGS. Yes, sir, in a large town, the only one that could provide this type of service.

Mr. GONDOLA. Part of our problem in the past, whether rightly or wrongly, we were involved in a number of programs, and the Postal Service, when it was reorganized, came along with the concept that they ought to beef up their marketing approach and advertising approach, and as one illustration, a couple of years ago we spent somewhere in the neighborhood, as I understand it, about \$11 million to advertise the benefits of airmail service.

The results of that program were horrendous. As a matter of fact, subsequently we dropped air mail service, and went to priority mail.

That kind of an approach, and I was curious in looking at some of the former testimony here, and you are talking about as to why we have the deficit we do.

I notice here, I believe this is the Postmaster General responding to a question you asked, that in Georgia we built a bulk mail facility that handles 95,000 pieces of mail, and costs us \$35 million.

In Atlanta, Ga., UPS is handling 226,000 parcels, and they built that facility for \$4.5 million.

I think we have jumped into some of these situations without really looking at them closely. This is part of our problem.

Senator RANDOLPH. You have mentioned, Mr. Goodman, the word management, and I know that several of the Postmasters who never

come into Washington from West Virginia by plane do not do so because of what you said about management.

Let me tell you a story about a priest who was in a scheduled carrier, and sitting by him was a lady that had never been on a flight. There was extremely turbulent air that made the trip very, very rough. She became very frightened, and understandably so. She grabbed his arm and said Father, can you not do something about this, and he said Madam, I should like to, but I will be unable to help you. I am in sales, not management.

There has to be a sort of combination, does there not?

Mr. JENNINGS. Sure does.

Senator RANDOLPH. There has to be a selling job, and of course, these other very important elements must be put together.

I have said on many occasions, and I do it again today, I think the Postmaster General, Mr. Bailar, has, in a sense, an almost impossible task.

I say that, not in defense of Mr. Bailar, but I think any person in attempting to do what seems to be a request on the one hand countered by requests on the other—with all of the complexities that are involved—has a difficult task. I believe Mr. Bailar is a very fair man.

What I am attempting to do, and I am sure other members of the committee and the Senate and the House are attempting to do, is to be realistic in the face of that which has happened as well as the improvements which we believe can be instituted and carried forward in the Postal Service of our country.

As you know, we do not want to crucify the Postal Service on the cross of the balanced budget.

We do not want that, because the Postal Service, as many of you have said, is by its very name, service. It is a service, not just a distribution of the mail. The Postal Service is a symbol of the closeness of the citizens to his or her Government and a part of the understanding process that our form of Government exists with a rapport between a constituency and an agency of Government. We must not allow ourselves to become so cold in our attitude toward the actual breakeven point on the Postal Service of the United States.

There are so many places where we can save, including the Postal Service.

I also think there are many, many places where we are spending Federal dollars where the returns, frankly, are questionable. The results of a good Postal Service are not questionable in the United States of America. The people, if they were here by the millions, would testify to the value of this part of the Federal Government which they use almost daily.

This is the mobility of the movement of the mails, and the contacts between individuals, the conduct of business. Yes; even the letter that goes within the family unit.

All of this is a part of America, and to turn aside and look at it in just a cold-blooded, detached way, is not, I think, in the best interest of the American people.

We should provide postmasters with the opportunity to be here expressing a valid concern. That is what the presence of these some 200 people that are at this hearing today is about.

That is what it is all about, do you not agree, Mr. Goodman?

Mr. GOODMAN. I agree. I think our Postmaster General has done a wonderful job, after having taken over after Mr. Blount and Mr. Klassen. That is one hell of a job to make up for the errors made during their administrations.

I think by the fact that he has appointed career service people to top positions, such as Bill Bolger, as the Deputy and many others, like Jim Conway, and Pete Dorsey, I think this is indicative of the way the Postal Service should have proceeded when Blount became the Postmaster General. He preached it, but we saw no career people come onboard.

Mr. Bailar has put these people at the top of running the Postal Service.

Senator, I agree with you. I do not want to tear down something I believe is the greatest communication system ever known to man. I am worried about the repeal of the private express statutes.

The real losers are going to be the American people, because we in the Postal Service know that private enterprise could not possibly do the job we do, and that is moving the mail.

Senator RANDOLPH. Well, thank you very much.

Did you want to add anything, Mr. Dalton.

Mr. DALTON. I would like to add one thing.

Senator, like Mr. Goodman said, I am not here to tear anyone down, but we as postmasters deal with the American public and the customers every day, and irrespective of whether they are career people at the top or whether they are brought in from outside industry, when we hear continuous complaints of a letter taking 3 to 5 days to travel a total of 85 miles just to be processed in an area mail processing center on a machine, we are the ones in the field who have to take the blunt of this. Or when we see a small piece of parcel post taking 11 days to travel 90 miles, because it actually travels around 300 and some miles to be processed in a bulk mail facility, which the record will show is not working; when we see level 3 clerks transferred from a third-class office to a sectional center and being paid at a level 5 to do the same work that could have been done in the third-class office, and we hear rumors of the continual talk of doing away with the only touch of Federal Government that one of these small communities has, and the fallacy in the statement that a rural carrier can serve the same purpose as a post office in that community, then we are made to stop and wonder just how much management is at the top of Postal Headquarters.

One other facet I would like to add in conjunction to this is the way the Postmaster has to go about his budget.

Each year, the local postmasters are called upon to submit a budget. Very consciously, this postmaster sits down and cuts all corners he can determine can be cut and still not curtail service to his people.

Well, it starts up the ladder and goes to the Sectional Center, District, Region, and Postal Headquarters. When it reaches Postal Headquarters, they say it is too much. And it comes back to the region and they have to make a slice in it. And it comes all the way down to the local postmaster. And, as has been brought out here this morning, and as Mr. Truman once said, "the buck stops right here."

It is the local customer in that small office who has to bear the vindictiveness of service cuts. And most people in the rural areas have outside jobs to support their families, and to the people who are on the welfare rolls.

They go to work at 8 in the morning. They get off at 5, and the majority of your post offices are closed at that time.

As Mr. Jennings brought out, we have a report where one office is only giving 4 hours a day service. This is depriving the American people of something they pay taxes to receive.

We have some of the greatest and knowledgeable graduates from West Point and other places in the Defense Department, but you never hear anyone complain about the subsidy that the Defense Department receives. So I think it is time that both the Postmaster General and the Congress agree that this is a service organization which has to be paid for in some way.

And as was brought out in previous testimony what is the difference in a subsidy under the right leadership and guidance and that of paying it out through unemployment checks and the welfare rolls?

The majority of the American people want a job. But the postal people in the smaller post offices are working today under the lowest morale that they have ever worked under. And I am not speaking of money because, at the first of this month, and you were not present, but I asked a group of some 300 postmasters if any of them would be willing to take a 10 percent pay cut if Congress would take over the Postal Service and straighten it out to please stand.

I do not believe there was a person left sitting in their seat that day.

This is the feeling of the postmasters throughout the Nation. We want to give the service but have to have some authority in managing our office.

I cannot manage my office in Georgia the same as the postmaster in New York. We must have the leeway.

I do not think this concept has ever reached the top echelon of postal management.

Senator RANDOLPH. Well, you speak with authority.

I am going to do something that the person I am going to call on has no knowledge of, but with reference to what you said about a postmaster, I will just pick out one, Pat Lee, would you stand up? Pat, I want you, just in your own way, as you are in charge of the Post Office at Glasgow, W. Va., to talk about that office and what you do there.

STATEMENT OF PAT LEE, POSTMASTER, GLASGOW, W. VA.

Ms. LEE. Senator, you have scared me to death.

I worked as a part-time clerk before I became postmaster and I liked that setup. When I became a postmaster, the first year was trying, then I really began to enjoy my responsibilities and obligations.

But, as Mr. Dalton mentioned, we are under constant pressure, and it is difficult to perform our duties in the allotted time.

Senator RANDOLPH. What do you do in the office?

Ms. LEE. Well, we serve the public. We take care of the demands of the customers, provide window, box and general delivery services. We provide regular contact with our customers.

This is not just selling stamps or distributing mail. We come in contact with people all day long and with their problems, we try to help them in any way we can. We write money orders, handle inquiries and deliver special deliveries. We maintain files, records, and try to keep current with the many postal changes.

Senator RANDOLPH. Those money orders, do you help people make them out?

Ms. LEE. If they need help, we do.

Senator RANDOLPH. Do you have time for that and want to do it?

Ms. LEE. Sometimes it has to be done, but we encourage those who can to fill out their own.

Senator RANDOLPH. What about the elderly?

Ms. LEE. We help the elderly or those who can't read or write.

Senator RANDOLPH. What time does your office open in the morning?

Ms. LEE. I go to work at 7. I open the service window at 8. I close the window at 11, and then I am back in the office at 1 and work until 5.

Senator RANDOLPH. How many persons would you serve in your office?

Ms. LEE. There are probably 1,000 patrons. I also serve a small adjoining community having between 90 and 100 families. Their office was closed, so they travel 2 miles to be served at my office.

Senator RANDOLPH. I think your office performs a service. Is your office one of those to be discontinued?

Ms. LEE. To be discontinued?

Senator RANDOLPH. Yes.

Ms. LEE. No, sir; I do not think so.

If so, I do not want to think about it. I have not been advised of a closing but with the threat of closing 12,000 post offices, my office could be one of that number.

Senator RANDOLPH. Well, thank you very much, Pat. We appreciate your appearance.

Mr. DALTON. Senator, I would like to add one thing to what Pat said.

I realize that you have caught her off guard. But, in conjunction with what she said, I made the statement that we do not operate our offices like the office in New York City.

Down home, we have people who are not able to read and write. They have to pay their utility bills the same as we do. The Postal Service Manual states we will not fill out money orders for our customers.

There is not a postmaster sitting within sound of my voice that has not filled out a money order for a customer. Ninety percent of the postmasters present here this morning even have to serve as their own custodian. The fallacy of that is, well, if you will pardon me, I will use a personal example. My office has 2,016 square feet of floor space, but because one manufacturing company dropped a little bit in their parcel post business, the office is being relegated to third-class.

This means not a cut in my salary, but it means I have to start washing and waxing my floor. The size of the office has not decreased. The work is still there, but because I will become a third-class office, my contract cleaner will have to go.

These are some of the fallacies we have tried to point out to the top management over in L'Enfant Plaza. And I would not deny that they

are excellent in making cans but they cannot run the Postal Service, Senator.

Senator RANDOLPH. Do you think the Postal Service should place a moratorium on the closing of Post Offices and the consolidating of Post Offices?

Would you comment, any of the witnesses?

Mr. GOODMAN. I definitely think they should. They are going to be so many that are under survey right now that will be closed before legislation can be enacted or before a true study can be made that all of these Post Offices under survey will be closed and not reopened. And we will have lost in our fight.

Mr. GONDOLA. I know the Postmaster General expressed the concern, and I think all postmasters shared with him, that we are in this vicious circle of increasing postal rates and decreasing mail volume, that it certainly seems logical to me, because I think there is an analogy about what we are about to do in closing offices.

And that what Western Union did when they closed their outlets and, as a consequence, the volume of telegrams decreased until they joined in marriage with the Postal Service and we now have the mailgram.

I think if we eliminate these offices continually and reduce the outlets for the people to do business, we will impact further on the volume of mail we are going to handle and get deeper into the cycle the Postmaster General is concerned about. And we in the field share that concern.

We should have a moratorium, at least during that period in which the Commission is going to study the public service aspects of the Postal Service. That is the only way to go.

Senator RANDOLPH. Do you think the proposal that I have introduced could well be considered as a part of the bill of Senator McGee in connection with some of these matters?

Mr. GONDOLA. Is that the public hearings prior to closing?

Senator RANDOLPH. Yes.

Do you think that is a realistic approach?

I would want you to give me your feeling about it. I am attempting to do that which will let the process work while not moving so quickly that damage could be done to the Postal Service and the American public.

Mr. GONDOLA. I agree.

If we really believe the Postal Service belongs to the people, then there ought to be an opportunity for these people to express themselves in the terms of the impact on the community.

Now, the Postal Service alleges and circularizes the communities that they want to close. They do not give them the alternatives or explain in detail the alternatives.

One of the alternatives they recommend is the establishment of a community post office. That is fine.

That post office could probably provide a service but, you know, 6 months downline, because the contractor or the Postal Service may disagree about something, they can close the community Post Office, so the community is left without any postal service at all.

The full ramifications of the alternatives that are offered are not fully explained, and the people ought to know that because they make a decision about their Postal Service.

Mr. GOODMAN. In addition to that, the large office, like Carmichael, Calif., and Pasadena, Tex., they are not even required to circularize to the customers of those large communities whether or not they want a post office in the identity of their particular town. They are not even asked.

Mr. JENNINGS. I was just reading where Canada took the same action where we are heading now. They closed several post offices some years back. And as a result the time taken to deliver a letter jumped from 2 days to 7 days. I think that is where we are heading at the present time. In our last report from the GAO, it said that delivery time had increased from 1.5 to 1.65 since reorganization, which tells me something.

The percentage of error in missent mail has increased from 2 percent to 7 percent, and when five additional letters are missent, that means approximately four extra handlings for that piece of mail. This can contribute and has contributed to part of the Postal Service's financial problems.

Mr. DALTON. Senator, we spoke a few moments ago, and I am not deviating from your question at all as it has been answered, just as a typical example as to management of the Postal Service today, Monday morning, on April 18, our rural carriers left our office. A new special service went into effect at 12 midnight on the 17th.

The amount of the fee of money orders was increased; insurance, certified mail, all of this without any advance publication to the American public.

Can you imagine the number of money order applications that rural carriers had to leave in a box because there was not sufficient money for the fees?

We have seen this happen throughout, Senator. We increased the postage to 13 cents. And up until approximately 1 month ago, we could not get enough postage stamps to operate our office.

Is this management, sir? No, not in my book.

Mr. JENNINGS. I would like to comment on that. Since I visited a post office who was sent the tax forms that night and were out of 1-cent stamps. Everyone who bought a stamp had to pay 15 cents instead of 13 cents.

Senator RANDOLPH. Since we are in our 200th anniversary I will touch on it, as everyone else does.

You know, when the men met and wrote our Declaration of Independence, they never referred to a monarchy or an empire or a kingdom or a potentate doing the job, and so too with our Constitution.

What was that preamble?

The preamble was, "We, the people," in order to do such and such.

It is very important that we never forget that. We have to be very careful about not informing the people.

I am not attempting to be a carping critic. That is not my role nor my desire. But, you know, we must not tell people after the fact. We must give them a chance to know something before the fact.

Mr. JENNINGS. Exactly right.

Senator RANDOLPH. I imagine you would be in favor of public hearings prior to closing or the consolidation of an office, would you not?

Mr. JENNINGS. Definitely would.

Senator RANDOLPH. It seems to me that is just common sense.

The committee chaired by the Senator has jurisdiction over the authorization for our highway programs and many years ago we came to the realization that the people should be given an opportunity to be heard in connection with construction projects and programs.

We felt that citizens should not have to come into court afterwards, but rather to come and counsel and be part of the process of thinking this matter through and weighing it back and forth. This will save much trouble farther down the line in whatever that project might be.

I think this is very important that there be a certain amount of patience and procedure that people can be accommodated.

Would you gentlemen endorse that?

Mr. JENNINGS. I certainly would.

In fact, I think it is becoming more available to our communities where commissions are appointed and open hearings are held. Even building factories and sewage plants are turning to this on matters that will affect the American people in the communities where they live.

I think it is very beneficial. In fact, I have sat in on a few of them myself, and we have had some heated arguments.

However, after the hearings were concluded the decision came out to be of benefit to the majority of the people.

Senator RANDOLPH. Well, we had criteria, let us say, in the days when the Postal Service was part of the fabric of Government. We had a criteria for the closing of an office.

How does that compare with the criteria of present proposed closing of an office?

Are you gentlemen able to discuss that?

Mr. JENNINGS. Actually, there is no criteria at all.

Senator, we did have one, and we were living by it. At that time, they were closing approximately one office a day.

One of the criteria for closing was an office serving 25 families or less, could be closed if there was a postmaster vacancy. When they eliminated the postmaster vacancy requirement and said they could move the postmaster to another position and give them salary protection for 2 years, then that gave them the right to close that office.

In fact, we have a very big problem going on in Phoenix, Ariz., where five large post offices in that particular area (if it is not stopped by August 1 on part of them, and July 1 on two of them), they are not consolidating it but they term it unification. They are pulling all the employees from that management office and putting them in the Phoenix Sectional Center.

We are in total disagreement with that, because each of those offices is doing a tremendous business. Most of them are operating in the black. And we think they should remain as is.

Late yesterday afternoon, the date was set for the unification of these facilities.

Senator RANDOLPH. You mention the incumbent postmaster.

What is the situation today that we find ourselves in regarding the closing of an office?

Mr. JENNINGS. Mr. Goodman and I had an opportunity to go look at some of the records on offices which were surveyed after January 1, since our court action. We found that only two offices had been closed, and one postmaster was a WR-2, who worked 3 hours a day, and he was promoted to a level 17. The other office was vacant.

This does not mean they are not continuing to survey. What we are afraid of now, unless a moratorium is put into effect, all the surveys that have been taken, and if the money is not made available, there will be 2,000 offices closed immediately.

Mr. GOODMAN. What has happened is that all the worked up cases were done in error were returned to the regions and to the districts and to the sectional centers because they did not adhere to the Postal Service instructions.

A judge ordered them returned, and they went back to the field. And now they are returning, and dates have been set in the future, June, July, and August.

Mr. DALTON. I would not want the record not to show that they do offer employment to the incumbent postmaster but the fallacy of the thing is it could be my office, and they could offer me employment in Utica, N.Y. They have fulfilled their obligation by offering me employment. However, I would not want to uproot my family and move to New York. It is like the choice that is given to the customers of an office where the Postal Service makes a survey, when they do not give them all the opportunity to say we would like to keep our post offices.

They give them alternatives, but those alternatives are limited.

Senator RANDOLPH. Well, we are told, and I want to be very careful of what I say on this matter, that the letters sent to the patrons of a post office being surveyed for closing are not perhaps as clear as they might be.

Mr. JENNINGS. Very misleading.

Senator RANDOLPH. It is at best confusing.

I will check that out more carefully as a member of this committee. Would you want to comment on that subject more definitively?

Mr. GOODMAN. I would like to add one thing.

The thing that is confusing about it is the American people do not have the choice of maintaining and keeping their own post office. That is what is left off the forms, whether or not they want to continue their post office. That is the confusing thing.

Had they had the right to vote yea or nay on that, it would not be confusing, and there would not be so many closed.

Senator RANDOLPH. Well, there are many problems associated with the closing of an office. The postmaster and the patrons are, of course, involved as well as the area served. All of these matters are a part of the puzzle oftentimes of placing together the patchwork.

Now, do you feel that nonveterans should have appeal rights to the Civil Service Commission in adverse action cases?

Mr. GOODMAN. I am glad you asked that question.

We feel that the current postal reform that our people who were not veterans were led down the primrose path, and we feel the appeal rights of nonveterans and women should be the same as those given to veterans.

Under the existing procedures set up by the U.S. Postal Service, women and nonveterans cannot appeal to the Civil Service Commission Board of Appeals as can veterans.

We feel this is discriminatory to a sizable percentage of postmaster nonveterans.

I understand they are 44 percent at the present time, and we propose that this committee offer an amendment to any proposed legislation for the correction of this unfair procedure among our people, that we prompt you during the discussion on postal reform that any fringe benefits had at that time would be carried over, and certainly the right to go to the Civil Service Commission in an adverse action would be a fringe benefit, I would say, at this time.

Senator RANDOLPH. And that can be documented and made a part of the record?

Mr. GOODMAN. If we can consider it as a fringe benefit?

Senator RANDOLPH. I mean there was at the time, as I understand it, a clear mandate that that be so. Is that correct?

Mr. GOODMAN. That is true.

Senator RANDOLPH. We want to have these matters for the record so that Mr. Crowlie and all the members of the staff and committee can know. We must check out the situations to be sure that when we bring a bill up on the Senate floor, we are certain of our facts.

Mr. GOODMAN. We have just lost two adverse action cases involving women in Ohio and Alabama.

The Postal Service brought the charges, heard the case, made the decision, and executed it. They removed them from the Postal Service on minor infractions, and a 30-day suspension would have been more than adequate, or had we had the opportunity to go to the Civil Service Commission in their cases, we would have won the action cases. But it was all cut and dried, because these same people that were bringing the charges were making the decision.

Senator RANDOLPH. You have, I hope, material in writing that will help us with this matter?

Mr. GOODMAN. We have both of the cases documented. We have one in Ohio, and the other is in Alabama.

Senator RANDOLPH. Well, we want to have that for the record, and any other material that you gentlemen have.

We are going to stop in a few minutes, but I would like your feelings on savings that you think could be instituted in the Postal Service without the curtailment of the service.

Mr. GOODMAN. I could spend much more time than we want to sit here, but I would think that in one area would be that the delivery service in the metropolitan area as far as deliveries on an individual route are concerned certainly could reach that total that we have in the suburban area of America such as in my community, the deliveries for city delivery average some 550 deliveries, whereas, in the metropolitan city, if you can show me anywhere that come close to 350, I would say it would be outstanding.

That would be one area where a lot of money could be saved.

Senator RANDOLPH. You mean the productivity?

Mr. GOODMAN. Productivity increase, yes.

Senator RANDOLPH. Any other comment on this point?

It is very important that all of you help us.

Mr. JENNINGS. I do not want to be critical of any of the craft organizations, and I am sure they talked during their contract to keep everything intact that was prior, but one way they could save a tremendous amount of money was to eliminate the two areas of compensation for rural carriers.

As you know, now they can either select that which pays the most, either by the hour or by the number of boxes served. Two examples were presented before the committee on the House side. I investigated those two examples being paid by mileage and the amount of time it took to deliver the mail on those two routes. It amounted to \$2,000 each if they had been paid like other employees in the Postal Service.

Senator RANDOLPH. Well, we will have to have a documentation of these matters.

Mr. Dalton?

Mr. DALTON. I have a few suggestions that, in my opinion, would save money for the Postal Service.

First of all, many responsibilities are taken from the local postmaster and are given to the sectional center.

Additional people have to be hired in the sectional center to do the paperwork.

Postmasters are paid on an annual rate. Our salary does not increase whether we put in 5 or 8 hours. They have taken many responsibilities away from the Postmaster and put these functions into the sectional center which has cost a great amount of money.

Another facet where the money could be saved is if the Postal Service furnished the vehicle for the rural carrier, instead of paying the 17 or 20 cents a mile for use of the carrier's private vehicle.

One other aspect where we have lost a large amount of business is with our local banks. Many of the postmasters retained a local bank account until a few months ago. They deposited this money themselves and submitted a check for the amount that was deposited.

Now, many postmasters are having to mail their deposit into a section center concentration bank. Additional personnel in the sectional center had to be hired to deposit the same money and, in turn, send it to the Postal Service side of the ledger.

There are many functions, Senator, which we were doing, at the same amount of pay in the local office, things that have now been taken away from us. Until such time as some of these responsibilities are restored to the postmasters who draw the same amount of pay, whether they do the job or whether they do not do it, we are wasting money.

Approximately 2 weeks ago I had the opportunity to visit in the State of Alabama and survey several offices. In two different large offices we found LSM's sitting on the back platform. Thousands of dollars invested in a machine sitting there rusting because they did not have the facilities to house that machine. Yet, they are taking the mail out of the local office and hauling it to the sectional center to process, bypassing a large number of offices where the mail could have been dropped off at its destination just to process it by mechanization.

We are not opposed to mechanization, but when you let a level 3 clerk go from processing mail and buy the machine and pay the mail handler at a level 5 to 7 salary to do the same job, in our opinion, that is a waste of money.

Mr. JENNINGS. Senator, I might add that I mentioned before a 98-percent increase in management since the Reorganization Act, and this is in accordance with the report put out by the Postal Service, we contend there can be a lot of money saved if we return to three levels of management, whereas we now have four.

Another thing we would like to point out is the fact when post offices are closed rural service must be extended to these areas. It does not appear that consideration is being given to the additional cost involved in delivering this mail by extending the rural routes. In many instances 8 or 10 miles could be added to an existing route which is quite expensive.

Most of the schools and churches in these smaller communities go to the post office and pick up their mail early, which is very beneficial to them. So, considering all these matters and the amount to be saved by closing an office we think it is in the best interest of the American people to retain these offices and the services they provide.

Mr. DALTON. One other thing I would like to add.

In a House hearing a few weeks ago, the man who is in charge of the bulk mail facilities made a statement, after the billions of dollars spent on building the bulk mail facilities, we are not trying to recover any of the lost parcel post business, we are only trying to keep what we now have.

Well, every postmaster in this room has made a sincere effort to recover the parcel post business we lost because it determines the level and the class of our office.

When we have people at the top echelon of management who make statements such as this, it becomes a little demoralizing on those in the local management area who are trying to increase business.

Senator RANDOLPH. You are saying that a defeatist attitude at the top does not help in the other levels of the Postal Service to bring back this part of service.

Mr. DALTON. That is correct, sir.

Senator RANDOLPH. Now, a final question.

Perhaps it is final, but to hear a Senator say that causes one to doubt it.

Do you think you really represent your patrons?

What is their reaction to the proposed closings and the consolidations?

Are any of you prepared to say?

Mr. GOODMAN. I really do not think our customers are aware of what they are about to lose.

I think if we had a public relations firm, organizations, and we could tell the American public exactly what they might lose, for instance, if the private express statutes are repealed. And then I think they would be concerned.

Right now, it is really insignificant to them because they do not know the truth. They only hear what the one side says.

I think we have to do a better job in telling our people. Then they would be concerned.

If they had an actual vote and knew the truth, I guarantee you they would vote for the Postal Service to remain.

Mr. GONDOLA. Borrowing the vernacular, today the average customer is up tight because of the anticipated rising rates and the re-

duction in service. And this is true, not only in rural areas, but the cities as well.

Just as a case in point, I live on a dead end street with about 25 homes, and this Christmas, most of the kids were delivering Christmas cards to the neighbors rather than sending them through the Postal Service. This is just one example, and I am sure it has been magnified throughout the country.

I have talked to a number of people who tell me now if they happen to go by the utility office, they go into that utility office and pay their bills with cash rather than sending it through the mail.

The people are very definitely up tight about the specter of increased rates and, at the same time, decreasing service.

Mr. JENNINGS. I think you will find this in all areas, Senator.

Just recently, I had a personal experience of a letter taking 5 days to be delivered. This letter traveled 12 miles to be worked at one office and then returned to the office of delivery, and actually the people only lived about 300 yards apart.

I received many letters stating they are very unhappy with the service.

Mr. DALTON. Senator, I can speak for my patrons.

President Gerald Ford, Senator Talmadge, Senator Nunn, all 10 congressional people in Washington and Mr. Bailar, have in their files letters from my constituents because they are trying to close my office. These people are concerned.

My people have written all these gentlemen, and with the exception of Mr. Bailar and their own Congressmen, they have had no response whatsoever from anyone else from the region.

The mayor and the town council wrote the district manager and he has not even had the courtesy to acknowledge their letter.

My people are aware of it because I made them aware of it. I have to go back home and face these people. And if I did not come up here and speak for them then I could not go back home and face them.

I would like to make one point clear, and I promise this will be my last one because I know we are running overtime.

I would like to express for myself personally and for my people our thanks to you and your committee for holding these hearings and giving us an opportunity to speak out against the wrongs that are being done to the American people.

I would like to leave that thought with you, Senator. I have been accused of speaking about everything from motherhood to apple pie, and if it takes that to keep my office open, I will speak about that.

Each time that you close a post office in the United States, an American flag comes down, and the thought of that is felt on Iwo Jima.

Senator RANDOLPH. You can even say because you are in Georgia, it could be peach pie as well as apple pie.

Mr. DALTON. Right.

Senator RANDOLPH. I hope that our hearing has been helpful. I believe that the testimony given has been in a spirit of understanding and clarification, yet with a deep conviction of the cause which you represent.

You are saying to the members of this committee and the Congress that a cause needs assistance.

Mr. DALTON. Correct.

Senator RANDOLPH. Perhaps I should say you are telling us there is a wrong that needs correction.

Mr. DALTON. Right.

Senator RANDOLPH. And you are asking us to think very carefully about our responsibilities in the distance, and what will be our responsibility.

I hope we will understand what you have said. I do not wish to unduly burden the record, but I will place in the record the statement that I made in the Senate on March 11 at the time of the introduction of the bill which, of course, is Senate bill 3082.

Did you know we had more than 16,000 pieces of legislation introduced last year in the Congress of the United States? It is a little difficult always to keep the designation of the numbers for the record.

We have a Committee on the Budget in the Senate now trying to do a job of housekeeping. Perhaps that is necessary. And the House, I am sure, is having to do the same. But that process and the new Budget Committee is chaired in the Senate by our colleague, Senator Muskie, of Maine, and they are dealing with, the authorization. As I am informed, that committee will go to the markup, I think, May 16. So the time element is very important. It is not necessary for me to make a pledge, but it will be my purpose working, I am sure, with Senator McGee, the chairman, and the other members of this committee, to include my bill. I hope that S. 3082 will be included in the bill that is offered by our chairman, which is S. 2844.

I think that the budget group should have our thinking on this matter. We will keep in touch with them.

[The aforementioned statement on S. 3082 follows:]

CONGRESSIONAL RECORD — SENATE

*March 11, 1976***SENATOR RANDOLPH PROPOSES
LEGISLATION TO PREVENT INDIS-
CRIMINATE CLOSING AND CON-
SOLIDATION OF POST OFFICES**

Mr. RANDOLPH. Mr. President, in 1970 the Congress approved the Postal Reorganization Act which was supposedly designed to correct the postal problems of our country. We were promised that the adoption of business methods would improve service and lower costs. It was said that employee morale would improve and political favoritism would disappear. I reluctantly supported that legislation.

Five years after the U.S. Postal Service was made an independent agency of Government, despair hangs heavy and the hopes of many people have been blunted. The new methods have not prevented cost overruns. The billion dollar bulk mail system is floundering. Even more serious is the increasing financial situation with the Postal Service facing a \$1.3 billion deficit. First-class postage rates have risen from 8 to 13 cents and the General Accounting Office says the service is not as good as it was in 1969. If morale has improved, it is not reflected in congressional mail and personal contacts with postal employees.

Now the Postal Service has embarked on a new project. It has far reaching implications for rural America. Congress does not want indiscriminate closing of our rural and small town post offices. The decision has also been made to create branches out of many post offices close to large cities. This would transfer a community oriented post office into one administered through the instructions and directives of large city postmasters with little or no community involvement. This plan will erode the identity so important to people who wish to maintain a heritage of mutual interest.

Mr. President, our post offices were established to serve a growing Nation requiring good communications. Binding this country together with an efficient mail system is essential.

America's strength comes from the well springs of all parts of this Nation. Our vitality derives not only from our cities, but from our rural areas, fields and farms where our foodstuffs are produced—where our coal, oil, gas, and natural resources are developed.

We must not remain silent while established postal services for people in rural areas are dismantled. We must mount a counteroffensive.

It is important that the independence and integrity of communities continue and that good mail service is maintained. To insure this, I introduced legislation, S. 3082, on Thursday, March 4, to provide for an open and participatory review of Postal Service changes. Under this legislation the U.S. Postal Service must substantiate any proposal to change or eliminate independent post offices.

I provide a brief explanation of our bill.

Prior to making a determination on the closing or consolidation of any post office, the Postal Service must hold a public hearing to allow patrons the opportunity to present their views. To insure that the postal patrons have an opportunity to attend and participate in such a meeting, 60 days of advance notice must be given.

In making the determination whether or not to close or consolidate a post office the Postal Service must consider any oral or written testimony presented.

The effect the closing or consolidation has on the community must also be determined. Likewise, the effect on the employees working in the post office must be considered.

The Postal Service will most likely be interested in the provision dealing with economic savings resulting from such closing. This legislation reiterates the need for consistency in carrying out the intent of the present status. Section 101 (b) of title 39, United States Code, requires the Postal Service to provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.

At the completion of the hearings, our proposal would require that the Postal Service place in writing its findings, which shall be made available to the persons served by such post office. No action to close or consolidate a post office will be allowed until 60 days after this written determination is made and delivered.

If the citizens disagree with a determination an appeal procedure is available.

As I have noted, the Postal Reform Act states in section 101(b), title 39, United States Code:

The Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective

postal services be insured to residents of both urban and rural communities.

I believe the Postal Service has overlooked this section of the law, at least in part, and with a misguided interpretation not intended by Congress.

Mr. President, I am rightly concerned by trends in our Postal Service. The growth of an uncontrollable and unresponsive bureaucracy fails to provide the mechanism to insure that people are served. The Postal Service should not attempt to close and consolidate post offices on the scale reported. The present method of overseeing postal affairs must be reevaluated.

With the flash of a teletype message an order affecting the fate of thousands of postmasters and post offices has gone forth. Will the Postal Service select a few dozen offices in each State and tell the public we are in an age of motorization? Postal services are not adequate if you must drive 40 or 50 miles to secure them.

I am not an alarmist. I do not push the panic button. However, I am alarmed by a new philosophy of Postal Service. We must not cut costs by cutting service. We must do better, officials of our Postal Service must be responsive and well-reasoned in this time of confusion and misunderstanding.

Little by little, it seems our mail service has slipped. A need is shown for more accountability—an accountability from all people of good purpose.

Effective accountability allows for a necessary partnership of Government and people. People of good intentions must not mistakenly embark on courses that spring from arbitrary decisions.

To return the Postal Service to the people, our legislation will require that the Postmaster General and the Deputy Postmaster General be appointed by the President with the advice and consent of the Senate.

This provision of our bill is not directed toward the present Postmaster General, Benjamin Bailar. I believe him to be a diligent and dedicated official. President Ford may want Mr. Bailar to continue. The Postmaster General, under the present law, is appointed by the Board of Governors. This policy needs to be changed.

In fiscal year 1973, the Postal Service had a deficit of \$13 million. This was the first full year of operations under the Postal Reorganization Act. By 1974, the deficit had swollen to \$438 million. In fiscal 1975, ending June 30, 1975, the

deficit had ballooned to \$825 million. By the end of fiscal year 1976, it is estimated that liabilities will exceed assets by \$1.3 billion. This is a \$3 billion cumulative loss, over and above the \$6.5 billion contributed by the Federal Government.

Under the Postal Reorganization Act the operating budget of the Postal Service is its responsibility with approval by the Board of Governors. The Postal Service and the Board of Governors must respond with a careful weighing of the facts.

How do we achieve higher revenues and also limit costs. The revenues from postage rates have fallen for the first time since the great depression. While revenues have dwindled, increased wages, cost of living provisions, and other employee benefits have pushed costs higher and higher. Productivity and efficiencies must be a twin goal.

The reduction of costs by the cutback in service is not the solution. The increase in postal rates is not a full solution.

There is a basic need to increase efficiency and develop better cost controls. This can be done especially on capital building projects.

The most discussed alternative to the postal problem is the provision of additional public subsidies for the Postal Service. The administration opposes the subsidy. James T. Lynn, Director of the Office of Management and Budget, recently told the Senate Post Office and Civil Service Committee:

It provides neither an answer to the underlying problem of rising costs nor any incentive to increase efficiency.

He also said:

It is unfair to the Country's tax payers, and it obscures the true costs of postal operations.

I quote more of Mr. Lynn's testimony:

Subsidies, in contrast, provided no incentive to postal management to face these questions. Can postal management be expected to achieve efficiencies and deal squarely with problems if they know that they can come back again to the tax payers for more money?

Taxpayer subsidies are also inequitable. They require those who use the mails less to pay more than their fair share. Conversely, those who use the mail more are not required to pay for the services from which they directly benefit.

Mr. President, I have referred to this testimony before the Senate Post Office

and Civil Service Committee to highlight the need for returning some of the responsibility and accountability for a re-

sponsive and efficient postal service to the President and Congress. By the very nature of our Government the President must be involved. At present the Postmaster General still must have some overview of his budget by the Office of Management and Budget. This being the case, the President should have a Postmaster General appointed by him and responsible to the people through him.

If increased subsidies are to be made, they should not pass this Congress without enactment of such a provision. The Postal Service is important to America. It should not suffer because the lines of responsibility and authority are improperly drawn.

I believe the bill I have introduced, although not perfect, will strengthen and help to protect the Postal Service as we endeavor to do a better job.

Mr. President, it is important that S. 3082 be enacted. On March 5, 1976, Judge John Lewis Smith, Jr., ruled against the two national postmasters associations and 51 Members of Congress by rejecting the contention that the Postal Service was totally prohibited from closing rural post offices. The plaintiffs alleged that: First, the U.S. Postal Service was in violation of 30 United States Code, section 101(b), which prohibits the closing of rural post offices "solely for operating at a deficit"; and, second, the Postal Service is in violation of 39 United States Code, section 3661(b), which requires the Postal Service consultation with the Postal Rate Commission before making a "change in the nature of postal services" with a nationwide affect.

Judge Smith did grant the plaintiffs' motion for preliminary injunction in these actions. The preliminary injunction prevents the Postal Service from closing rural post offices unless and until it complies with its own procedural regulations. These procedural regulations require a survey of the mail users affected and a 90-day notice before closing. In most cases, I am informed, this has not been done.

Unfortunately the judge's ruling does not solve the problem. It is a temporary solution to a situation which deserves careful attention and affirmative action. I hope we can have the constructive cooperation of the administration, the Congress, and the Postal Service leadership.

Mr. President, I ask unanimous consent that S. 3082 be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

Senator RANDOLPH. I am rather weighing my words now, but what you have said here today we must not take lightly. We must be very earnest, as you have been, in attempting to understand the presentations that you have made.

What you have done is, in the dialog of democracy, as I understand it. So this hearing is worthwhile in that you have once again been able to appeal or present a petition to your legislative body, the Congress of the United States.

We hope that your visit to Washington, regardless of the hours that you will be here following this hearing, will be very pleasant and that you will return safely to your homes and your offices. I am remembering that there was once a Member of the Congress of the United States who served from Kentucky who said, when he came back to the Chamber, that he wanted to speak for just a moment about no bill pending in that body, but he wanted to say that he just realized that the greatness of this country is not in the statuary in Washington, D.C. It has a symbolism which is important, as is the marble halls of the buildings that are here, and on and on.

He talked about the Capitol, which we all have a justifiable pride in, because it is the headquarters of the Republic. But that he felt that from time to time it would be well to think of the strength of this country, and everywhere in this land, which he said is the heartbeat of America. That applies to a city as well as to a hamlet. It applies to a metropolitan area as well as to my hometown.

We, the people, as long as that process works, can have faith in this country after 200 years, including the heritage that we shall give to those that are going to follow us.

Will we give the attention to these matters?

Will we make the necessary sacrifices?

Will we face up to the problems, not cast them aside and shove them into corners?

This is the American way. I know that today's hearings, in a sense, have been a furtherance of that desire to serve.

I have perhaps talked too long now, but I am just remembering, of course, that we want nothing that is extra, do we?

We do not want the overruns that take place in this country.

We want just that which we need, which we can work with to serve the American people.

George Washington in those troubled months of the beginning of this Republic, faced with almost insurmountable obstacles, realized this.

How precise he was when he went to the Continental Congress and appealed for 261 pairs of pants. We rather smile, and even laugh at that today, but he did not ask in generalities, did he? He asked very precisely.

Well, that was because he and his fellow officers knew that in his tattered Army there were that number of men who could not answer muster call, yet he asked not for something that was beyond that. He asked only for that which he felt was necessary.

I do not believe you come today to ask for extras, for dessert.

You talk of the substance of America that must continue to be strong all over this country. We must remember the fact that we the people must be very earnest about presenting a cause like you espouse

here today, and at the expense of being overly indulgent in my words I would ask us to remember that when the signers affixed their signatures, mostly in bold letters and flowing hand, one man signed his name, and he was so very ill and afflicted. He came from little Rhode Island into Philadelphia to sign his name. He was Steven Hopkins, and if you will look at that Declaration of Independence, you will find he was unable almost to spell his name. Even Steven rather fades away but the four letters are there, and the other letter is not attached.

Against the advice of his doctor he was spirited out in the middle of the night and began the journey to be there to affix his signature. They had to place the pen in his hand, and as he began to write his name, as a signature to the Declaration of Independence, he said my hand trembles, but my heart does not.

So you come here to your country, on its 200th anniversary, and let us remember that the Bicentennial would fail if it were only for Philadelphia, or for some great city, important as those cities are to our Republic.

The Bicentennial, you know, exists where I was yesterday, way back in the hills of Mingo County, far from a large city, where the people paused for a moment, and 10,000 or 12,000 of them lined the streets for a Bicentennial parade, only one of the many activities of that day.

We must remember these post offices that you women and men serve. You know, these are part of America, as it speeds out there in its challenge to the future.

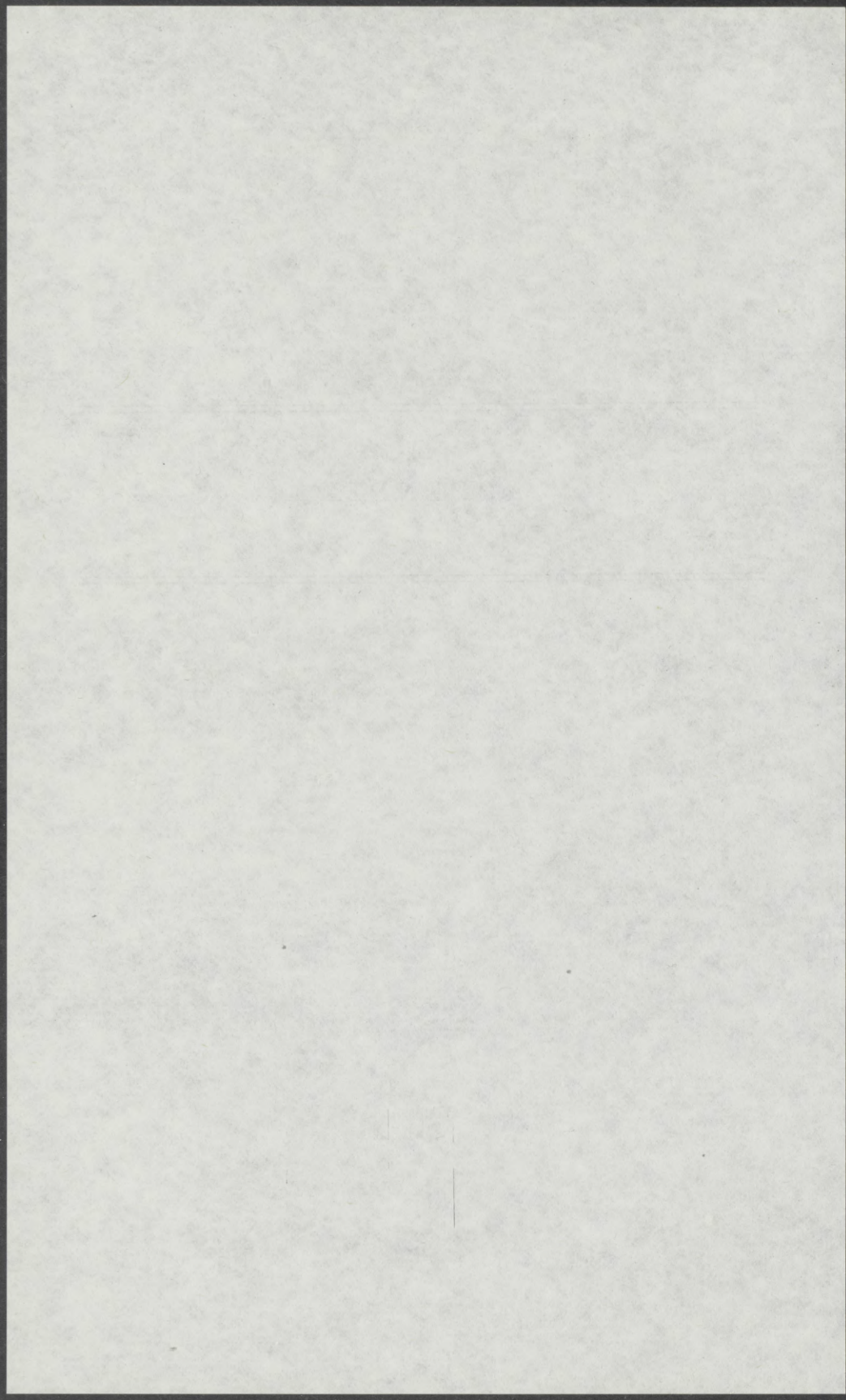
Do not lose faith. Keep it, because again looking back, it was General Mercer who, writing to General Washington when the darkest hours were upon the beginnings of this country, said that in his so-called staff hospital he had no food, no medicine. He did not have a single bandage fit to be used, but he told General Washington he had not lost.

I hope you will have a considerable amount of faith, and I hope that the Congress will not let you down, because I think you represent an America that needs you to help it to become a better land.

Thank you very much.

[Whereupon, at 1:07 p.m., the committee adjourned, subject to the call of the Chair.]

APPENDIX



TESTIMONY OF U.S. SENATOR ALAN CRANSTON

ON S. 2844

Mr. Chairman, I wish to submit to you my thoughts about S. 2844, the legislation to amend the Postal Reorganization Act, currently under consideration by your committee. I also wish to request that my testimony be entered as part of the official record.

It goes without saying that our experiment with a semi-autonomous post office has not worked well. It has fallen far short of our expectations both in terms of service and finance.

The questions to which the American public deserves answers and to which we must find solutions are why the Postal Service is not working well and what we can do legislatively to make it work better.

I agree with those who say that a majority of the problems with the Postal Service have arisen not only because the concept was faulty but because the people who were chosen to carry out the concept were poor managers. A substantial part of the current deficit of some \$1.5 billion is attributable to the construction and mechanization of bulk mail handling centers. These centers delay delivery of packages by causing them to be carried long distances out of their way for processing. They also cause huge fuel expenditures because packages are often hauled long distances to the centers. Worse, the machines tend to chew up the packages as frequently as they correctly process them causing huge dollar losses to the public and to the Postal Service -- not to mention loss to the Postal Service in public confidence and revenues. I believe that much of this expensive machinery and the buildings that house it will ultimately have to be reconsidered.

The Postal Service implemented the bulk mail handling program without proper experimentation and against the better judgment of many in Congress -- including my own. I believe -- based on this and other experiences -- that the managers of the Postal Service must be made more answerable to Congress.

As now written, the Postal Reorganization Act provides for the appointment of the Postmaster General by the Postal Board of Governors. I believe that the legislation you report out of committee should require a Presidential appointment of the Postmaster General with the advice and consent of the Senate. This will give us a handle on the quality of the person selected and will create an answerability to Congress on the part of the Postmaster General.

Many have suggested that the solution to the Postal Service's problems would be for the government to repeal the Private Express Statutes, which now give the Postal Service monopoly over the carriage of letter mail. Those who adhere to this theory believe that by allowing private enterprise to compete, the Postal Service would be forced to acquire the competitive incentive to do a more efficient job. Opponents of the concept contend that if this were to happen, the private companies would take only the most profitable routes leaving the least profitable to the Postal Service and worsening both the Postal Service's financial deficit and the delivery service to remote areas. Supporters counter that subsidizing rural mail service would be less costly than subsidizing the entire Postal Service as we now find ourselves in the position of having to do. I feel that repeal of the Private Express Statutes merits a very close look. It may be that the Postal Service as now constituted has outlived its usefulness.

For the immediate present, however, we'll probably have to work within the current postal structure and make such improvements as we can.

Among the services that most of our constituents have told us they do want to have and are willing to pay for is the door delivery of mail. I note that S. 2844 contains a requirement that the Postal Service extend this service unless a local government specifically permits curbside or cluster box delivery. I'm pleased that this provision is in the bill because I think it's unfair that the owners of new homes should be denied the type of service that has traditionally been extended in urban and suburban areas. Moreover, I'm concerned about the increased risk of vandalism when mail boxes are placed at curbs. Further, since the postal policy of requiring curbside installation of mail boxes frequently conflicts with local ordinances, this provision will resolve a problem that has been plaguing many California locales.

Another issue about which I've heard extensively from Californians is the closing and consolidation of small rural post offices. The post office is a tradition and a mainstay of the sense of community in many small towns. In California, as elsewhere across the nation, many of these post offices even have an historical significance. Transportation costs both to postal patrons and the Postal Service for alternative service in many cases may not justify closings. Further, increased use of fuel is contrary to our national energy needs.

S. 2962 is pending in this committee. I'm a co-sponsor of the bill, which requires the Postal Service to take a very close look at the socio-economic factors and the fuel issue before taking any final action on post office closings. I believe that the provisions of this legislation should be incorporated in S. 2844, as a clear signal to the Postal Service that Congress will not permit the wholesale and arbitrary closing of rural post offices.

The Postal Service is revoking, without reasonable explanation, the second-class mail permits under which colleges and universities have always mailed their catalogues. I believe it was the intent of Congress that college and university catalogues be sent at subsidized rates as part of our continuing commitment to higher education. Discontinuing the subsidy will eventually be reflected in higher tuition fees. As a co-sponsor of S. 2015, a bill requiring the Postal Service to continue to extend second-class mailing privileges to colleges and universities, I would like to suggest that the provisions of this legislation also be included in S. 2844.

In closing, I'd like to talk about the postal subsidy itself, which is, after all, the main reason this legislation was introduced. Notwithstanding its own claims that inflation and fuel and labor costs have driven the Postal Service back to Congress to request money, poor management has been a major cause of the Postal Service's current problems. I am very reluctant to reward poor judgement and lack of foresight with bailout money. At the same time, the mail system must not be allowed to come to a grinding halt.

I hope that the report language will contain strong admonitions to postal management that waste at the top must be cut and that there be careful experimentation and very close scrutiny before any new policies or programs are adopted. Precipitous and ill-advised actions by postal management have led us to where we are. The Postal Service must understand that many of its actions have been unacceptable and unworkable.

Thank you for giving me this opportunity to present my views.

STATEMENT BY
HONORABLE BILL ALEXANDER
FOR THE
SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
APRIL 30, 1976

"The people need to be informed now, because at the end of five years they are going to be asking who voted this burden on their backs." Congress would have done well to heed the warning of Senator Ralph Yarborough about the Postal Reorganization Act that 30th day of June 1970.

We have had five years of postal reform and many Americans are indeed clamoring to know who voted this burden on their backs. I am one of the guilty ones. I too voted for that postal reform package in 1970. I made a mistake. Congress made a mistake. It is time we owned up to it.

The estimated postal deficit for this year is at the same level it was in 1970. Five years of a quasi-independent postal corporation have proven that the Postal Service will never be self-sufficient, let alone show a profit, and must be subsidized. That five years of postal reform has also brought a virtual end to the service concept for which the Postal Service was created in the first place, a development which Senator Yarborough also predicted back in 1970.

It is time, in my estimation, to return the postal purse strings to Congress. It is also time for a change of management to eliminate the favoritism, waste and inefficiency that have characterized the postal establishment since reorganization.

My amendment to the House-passed reform bill accomplishes the first objective. It requires the Postal Service to come to Congress annually to request appropriations and to justify its budget. The Postal Reorganization Act of 1970 so isolated the Postal Service that its management is accountable to no one.

The House-passed bill also accomplishes the second objective. It requires Presidential appointment and Senate confirmation of the Postmaster General and his chief deputy.

I urge inclusion of both these provisions in the Senate bill.

I recognize that the present financial condition of the Postal Service requires subsidy. To continue to write USPS a blank check year after year, however, without proper accountability to those the Service was created to serve, is irresponsible.

In order to amplify my views on the management problems at the Postal Service, I am inserting into the Record, at this point, a paper I prepared for use in a panel discussion at the American Society for Public Administration's recent national conference. The panel discussed management decision-making and used the Postal Service as its case study.

I appreciate the opportunity to share my views with members of the Committee.

Statement Of
Congressman Bill Alexander
Prepared for Presentation
Before The
American Society for Public Administration
April 21, 1976

The Postal Reorganization Act of 1970 created an independent Federal agency, the U.S. Postal Service, that is unique throughout the Federal government. In the Postal Service we have a major Federal agency created by Congress; the second largest employer of Federal employees operating at an estimated deficit of \$8 million a day; the performer of a vital government service without which this country cannot exist--yet, incredibly, not having any of its top management personnel accountable in any way to the people through their elected Representatives. This combination of facts has produced classic government favoritism, inefficiency, and waste.

When Congress abolished the Post Office Department in favor of an independent and "free-of-politics" Postal Service, it did so on the promise that the mail service, through injection of time-tested business management principles, could be made to achieve business-like efficiency and become self-sufficient.

That proposition is as ill-advised and unattainable today as it was six years ago.

The Postal Service is, and should be, just that--a service. As such, past and present history proves that government service requires subsidies.

Some would contend that more money in subsidies is all that is needed to solve our postal woes. I cannot agree. Postal rate increases cannot, in themselves, resolve the problem of today's postal deficit.

If Congress chooses to continue to write the Postal Service a blank check year after year, then the postal management will assume, as it has in the past five years, that all is well.

All is not well. The performance of the Postal Service in the past five years clearly indicates that it cannot stand on its own.

In freeing USPS from politics, we have isolated it to such a degree that the management is unaware, and even surprised, that the American people are dissatisfied with its performance. Management, in my estimation, has lost sight of the main objective of the Postal Service--that of providing a prompt handling of mail at a reasonable cost to the consumer.

I don't think the American people mind paying for adequate postal services. What we do not have to continue to pay for, however, is the favoritism, waste, and inefficiency that have characterized the top postal management during the past five years.

Let me take a moment to share with you some of the fruits of the labors of the decision-makers at the Postal Service.

BULK MAIL SYSTEM

Postmaster General Bailar declared at a recent Senate Post Office and Civil Service Committee hearing that the bulk mail system (21 facilities throughout the Nation designed to handle parcels), would be fully operational in the next 18 months. The Postal Service has expended over \$1 billion on this system which will handle roughly 1% of the total mail volume, a highly questionable investment in terms of projected return.

An interesting sidelight to the bulk mail system that magnifies the rampant favoritism in the Postal Service is the fact that firms with which former Postmaster General Winston Blount is associated received contracts on four of those bulk mail centers, resulting in cost overruns of \$6.6 million. The fact that it was during Postmaster Blount's regime that the concept of the bulk mail system originated is a coincidence too obvious to ignore. A complete investigation is long overdue.

ADVERTISING

In 1973 the Postal Service spent untold sums of money to advertise its air mail service. Late last year, USPS informed us that air mail service will be discontinued. Mail sent with air mail postage, it seems, arrives no sooner than regularly posted mail.

In 1974 the Postal Service instituted a near one million dollar coloring book program to teach children how to address and mail a letter--a task that has been taught to American youth, for generations, free of charge to the taxpayer.

The Postal Service has once again announced plans to embark on a large scale advertising campaign, this time to encourage the American people to use the mails rather than the telephone.

With an estimated deficit of \$1.4 billion last year and in view of its virtual monopoly on the delivery of mail, I do not believe the Postal Service can justify such expenditures for advertising.

MECHANIZATION AND MISSENT MAIL

A 1974 General Accounting Office report on missent mail found that over 7% of outgoing mail tested at three post offices was being missent due to errors made by letter sorting machines (LSM). The report further indicated that the Postal Service has responded to this problem by increasing the number of LSMs in use.

EXECUTIVE RECRUITMENT

Another questionable management activity, in my estimation, is the executive recruitment program carried on by USPS. The House Post Office and Civil Service Subcommittee on Postal Facilities, Mail and Labor Management, in its oversight hearings on postal contracting and procurement policies in

December, 1974, noted that since March, 1972, the Postal Service has engaged in an executive recruitment program. The Subcommittee report stated that since inception of the program the Postal Service has spent about \$660,000 in contractual costs to fill 78 positions--or an average cost of more than \$8,400 per individual hired.

While Americans are urged to use a "zip" code in addressing their letters for delivery, they are getting the "zap" code from a proliferation of highly-paid executives who are destroying what once was a great "service" to the American people.

Rather than choose management from the ranks of postal workers, who I believe know best how to deliver the mail, USPS has chosen instead to look outside the Service for its executives.

NON-COMPETITIVE CONTRACTS

That same Subcommittee report showed that 44% of postal contracts in 1974 were sole-source, or non-competitive, resulting in the awarding of contracts to cronies of postal officials, both past and present. The Subcommittee delved into a number of these awards, but barely scratched the surface.

CONSULTANT FEES

The Subcommittee also expressed its concern in the report over excessive daily consultant fees being disbursed by the

Postal Service. The Subcommittee found that fees ranged from \$500-\$732 per day for consultants. Considering the product we have been receiving from the Postal Service, I believe USPS would do well to seek advice elsewhere.

FIXED COSTS

In defending its sagging financial status, postal management points to fixed energy and labor costs, which USPS contends accounts for up to 90% of its total budget. I fully recognize the need to upgrade the position of the postal worker. I do, however, question the equity of a nationwide compensation scale. The cost of living varies markedly throughout the country and necessitates compensation in line with the economic pattern of an area. I would hope that both postal management and labor take a closer look at a more realistic pay scale.

CONSUMER COMPLAINT DECREASE

The postal establishment also points to a decreasing number of consumer complaints as an endorsement of its policies and its operation. I believe most Americans have simply given up on the Postal Service and have ceased to even make the effort to file a complaint. It has been my observation that the consumer has chosen instead to write to his Congressman.

The alarming aspect of USPS's use of a negative complaint measure as an indication that postal patrons are satisfied is that the postal management has put the burden of proof for change on the very victims of the system.

RATE COMPARISONS WITH OTHER SYSTEMS

In defending rate increases, USPS management compares first class rates in this country with first class mail rates in foreign countries. Statistics show that nine out of ten major foreign postal systems have rates for first class mail higher than those in the United States. I do not believe such a comparison is in order and it certainly does not satisfy the consumer. The American people have come to expect the best. To, in effect, tell the consumer that he is lucky to live in a country that has such moderate postal rates is little solace when his Social Security or Veterans pension check is delayed at a sectional center waiting to be sorted.

MORALE OF POSTAL WORKERS

Time after time I have heard the Postmaster General speak about upgrading the pay scale of the postal worker and the excellent attitude of postal workers now that pay comparability has been achieved. It is my considered opinion that the morale of postal workers across this country is at an all-time low.

I have received letter after letter from postal workers who say that national postal policies and oppressive and arbitrary supervision have taken the sense of accomplishment out of the job. To criticize policies, however, is taboo and likely to prompt punitive measures.

Herein, I believe, lies the fundamental problem of the postal management. It has so effectively insulated itself from criticism that it is totally unaware of the postal needs of the American people. It accepts little advice from its rank and file--career postal employees who were sorting and delivering the mail long before mechanization. The management responds to those who profit from the current system. That, of course, spells doom for any substantive changes in the system.

REMEDIES

A number of prescriptions for curing our postal ills have emerged in the past few months. The President has made his position clear. He opposes any further subsidies for the Postal Service and has requested no funding in his budget. He expects the Service to pull itself up by the bootstraps.

The Council on Wage and Price Stability has proposed possible repeal of the private express statutes and competition as the panacea for the postal system. I cannot, at this point, buy that approach. I fear that mail service to the

nonmetropolitan areas of this country would virtually be halted, since it is simply not profitable to deliver the mail in rural areas.

GAO, in extensive reports on the Postal Service since enactment of the Postal Reorganization Act, has concluded that, though there is much more that the management can do to improve efficiency, much of the Service's financial problems are beyond its control.

Postmaster General Bailar has concluded that five-day delivery, relaxation of delivery standards, elimination of overtime, closing of small post offices, increased first class rates, and larger subsidies provide the solution.

The House of Representatives expressed itself in passage of a postal reform bill last October which includes my amendment to return the postal purse strings to Congress.

Although my amendment was borne out of desperation, I am becoming more firmly convinced that we will never see significant improvement in the handling of our mail until the postal management is once again made accountable to those the Postal Service was created to serve. A clear majority of the House believes likewise.

As one who voted for the Postal Reorganization Act of 1970, I would be the first to admit that we made a mistake. The assumptions we made as to the potential of an independent postal system were erroneous. It is time, I believe, for the Congress to admit its mistake and to reassert itself in postal matters.

On the New York City post office the oft-quoted sign reads:

"Snow, nor rain, nor heat, nor gloom of night
will keep these couriers from the swift completion
of their appointed rounds."

Perhaps the sign should be changed to read:

"Snow, nor rain, nor heat, nor gloom of night
will keep the current management of the U.S. Postal
Service from the swift completion of the destruction
of the entire postal system."

The immediate solution to our postal problems lies in a general housecleaning at the top levels of management and a renewed measure of oversight of postal operations by the appropriate committees in Congress.

Postal deficits are going to remain with us for the near future. We are going to have to subsidize our postal system. We can, however, expect wise management policies and affordable service to the users of the mails. The American people deserve, and are demanding, no less.

ADDITIONAL BACKGROUND INFORMATION ON
CONGRESSMAN BILL ALEXANDER
AND HIS INTEREST IN POSTAL REFORM

Congressman Bill Alexander represents the First Congressional District of Arkansas, roughly the northeast quadrant of the State. He was first elected to the Congress in 1968 and is currently serving in his fourth term.

Alexander is Assistant Majority Whip for Arkansas, Kentucky, and Tennessee. He is a member of the House Appropriations Committee where he sits on three Subcommittees: Transportation; State, Justice, Commerce, and the Judiciary; and the District of Columbia. Alexander served as Chairman of the House Subcommittee on Rural Development during the 93rd Congress. Prior to his election to the House Appropriations Committee at the beginning of the 94th Congress, Alexander served on the Agriculture and Government Operations Committees.

In response to mounting constituent complaints about the Postal Service, Alexander, then Chairman of the Subcommittee on Rural Development, appointed a Citizen's Advisory Committee on the Postal Service in 1974. The membership consisted of one individual from each of the 21 counties that comprise the First District and included businessmen, religious leaders, and formal postal employees. The Subcommittee met during the fall of 1974 and formulated recommendations from which Alexander drafted legislation for consideration by the House Post Office and Civil Service Committee.

In conjunction with this activity, Alexander's Subcommittee held joint field hearings in West Memphis, Arkansas, with the House Postal Subcommittee to examine the impact of national postal policies on nonmetropolitan areas. The Advisory Committee findings were also presented to the full Post Office and Civil Service Committee in Washington hearings.

Alexander also polled his constituency via detailed questionnaire on the status of the mail service in the District.

Congressman Alexander was a sponsor of a controversial amendment to the House postal reform bill, H.R. 8603, which passed the House on October 30, 1975.

Alexander's amendment, the source of continued debate, requires the Postal Service to come to Congress annually for its appropriations and to justify its budget. Under the terms of the amendment, which passed the House on September 29th by a vote of 267-123 and upheld in a 196-207 rejection of the Hanley substitute on October 30th, all postal revenues would revert to the general fund of the Treasury. The amendment also wiped out the subsidy contained in the bill.

Hearings on postal reform legislation are underway in the Senate.

CONGRESSMAN PHILIP M. CRANE'S TESTIMONY

SENATE POST OFFICE & CIVIL SERVICE COMMITTEE—POSTAL SERVICE REFORM,
APRIL 30, 1976

Mr. Chairman, with the growing crisis in confidence in the U.S. Postal Service, these Committee hearings are certainly timely. As one who has long felt that alternatives to the present system were badly needed, I particularly appreciate this opportunity to present this testimony.

Just six years ago, Congress felt that increasing costs, rising subsidies, and declining service justified the creation of a quasi-governmental corporation to take over the delivery of the nation's mails. However, instead of those evils being corrected, there has been a 117% increase in first class postal rates (from 6¢ to 13¢) a six percent increase in the letter sorting error rate, and, rather than self-sufficiency by 1977 as envisioned, a continuing increase in taxpayer subsidization. Now, on top of all that, we hear from Postmaster General Benjamin Bailar that, unless further cutbacks in service are implemented, the Postal Service is facing, in his words, "a potential disaster." Among the cutbacks suggested are three day a week delivery, curbside rather than doorstep delivery, and further reduction in business mail delivery. The latter comes on the heels of a recently announced cutback in business deliveries, from two to one a day, in nine major cities east of the Mississippi River.

The difficulty with this type of a solution is that, rather than solving the problem, cutting service simply exacerbates it. By making the service less accessible, people are discouraged from using the service, the volume of mail declines and, since labor costs cannot easily be reduced even with cutbacks, further rate hikes become necessary. In short, a vicious cycle develops, one that is compounded by the fact that electronic transfers and the like are causing a reduction in mail volume anyway. Last year, for instance, mail volume dropped by nine tenths of a percent and, from all indications, this trend will continue.

What are the alternatives? One frequently suggested is that we go back to the way we did things prior to 1970. However, that method was found wanting once before and, regardless of the merits of the system that replaced it, there is no reason to believe that it will do any better a second time. Why? Because there is no incentive for efficiency.

A second suggestion frequently heard is to forget about making the Postal Service a pay-as-you go operation and simply provide the money needed, through rate increases or taxpayer subsidies or both to maintain service. But, given the estimates that the cost of a first class letter might hit 36¢ by 1984 and that subsidies could rise as high as \$3 billion in the next few years, is it fair to ask the American postal consumer and the American taxpayer—one and the same person by-the-way—to bear the burden of these costs without exploring alternatives which might avoid them. To my way of thinking, the answer should be no, since this type of solution offers no more incentive for increased efficiency than does return to the patronage days of the U.S. Post Office.

A third possibility is cutting back on service so that the Postal Service can keep costs down. However, as previously mentioned, such a solution is self defeating, particularly in view of the fact that Postal Workers have what would be termed in the sports world "a no cut contract" which is likely to remain in force as long as there are no alternatives for postal consumers to turn to. If the number of employees remains nearly static, labor costs, which presently comprise 86% of all Postal costs, will remain practically the same regardless of service cutbacks. About the only result would be that postal workers will have less to do than they do already.

For the very same reason, one must question the logic behind the Postal Service's decision to invest \$1 billion in bulk mail centers. Aside from the fact that these centers have resulted in mail going hundreds of miles and several days out of its way to reach its destination, what point is there in automating in such a fashion if labor contracts forbid the layoff of workers the equipment is designed to replace. The incongruity of such a position helps explain why, at the same time the percentage of mail processed by machine has almost doubled, labor costs have increased from 81% to 86% of the total Postal Service budget. By contrast, United Parcel Service, a package delivery firm which successfully competes with the Postal Service, devotes only 6% of its budget to labor costs.

It is not fair, however, to place all the blame for today's postal problems on the letter carrier. In fact, he takes a lot of abuse from the public for a situation

over which he, as an individual, has little control. Moreover, given the fact that a worker has little alternative to the Postal Service if one wants to remain a first-class letter carrier, it is at least understandable why postal employees want a "no cut" labor contract. Additionally, the existence of a monopoly on the delivery of first-class mail restricts an employee's ability to offer his services elsewhere within the industry. Thus, his opportunities for promotion and/or salary advancement are necessarily, and unfortunately, limited.

Turning the coin over, if private firms were allowed to compete with the Postal Service in the delivery of first-class mail, as well as other types of mail, postal employees would be able to bargain for their services individually as well as collectively. However, by virtue of the fact that there would be a number of firms in the field and alternative means of delivery if any one of them went on strike, labor demands for "no cut" contracts would be far less reasonable and therefore less likely. By the same token, wage settlements would be likely to reflect more accurately the economics of the situation rather than the ability of the union to force a settlement irrespective of the financial position of the Postal Service.

As any good business executive will tell you, a corporation, even if it enjoys efficiencies of scale as the Postal Service does, needs incentive to make it operate at peak efficiency, incentive produced best by competition. However, since the Private Express Statutes provide the Postal Service with a monopoly over the carriage of first-class mail, full fledged competition with the Postal Service is effectively prohibited and that is the problem. Without competition, there is no incentive to improve, to cut costs, to provide better service, to innovate and ultimately to satisfy the postal consumer. Moreover, none of the so called "solutions" I have just discussed do a thing to promote incentive through competition or by any other means.

Just last January, the President's Council of Wage and Price Stability (CWPS) underscored the need for competition in the delivery of first-class mail. In response to a formal notice of inquiry filed by the Postal Rate Commission, the CWPS stated their belief that " * * * permitting competition to the Postal Service's first class [mail] service probably would result in significant benefits to the economy and to the mail user." Elaborating further, the Council of Wage and Price Stability added:

"The Private Express Statutes appear to play a prominent role in the rapid increase in postal rates and have a significant direct and indirect effect on the U.S. consumer. We believe, however, that without the stimulus of competition it is less likely that the resulting rates for postal services would achieve the most efficient allocation of resources and operational efficiencies.

As a result of this statement, interest in my long-standing legislation to repeal the Private Express Statutes and end the government monopoly over the carriage of first class mail has increased dramatically. The bill now has 29 cosponsors in the House and two similar bills have been introduced in the Senate. In addition to the endorsement given it back in October 1974 by the Subcommittee on Environmental Problems Affecting Small Business, this measure now has the editorial support of the *Chicago Tribune*, the *Chicago Daily News*, and the *Wall Street Journal*. Contrary to what some might believe, it is not a radical measure; rather than eliminating the Postal Service altogether, it simply provides the incentive to improve and gives postal consumers alternatives should they wish to use them.

For those who might have doubts about whether private enterprise could effectively compete, let me put their minds at ease. At least 20 firms are presently in the business of delivering second, third and fourth class mail and, despite artificially low Postal Service rates for that mail, a number of these companies have competed successfully for several years. The best known example is United Parcel Service which, in the short span of 18 years, has overtaken the Postal Service as the nation's leading handler of parcels, but others include:

1. American Home Delivery Inc., a confederation of 140 different distributors around the country, which delivers mail to an estimated 22 million homes. In business two years, the company now employs some 30,000 people and handles roughly two to three billion pieces of mail each year.

2. Consumer Communications Services Corp. of Columbus, Ohio, which delivers third class bulk mail, fliers and coupons to several million homes in no less than ten midwestern cities. The company has been providing this service for over seven years now.

3. The American Postal Corporation of Westminster, California, is, likewise, in the business of handling third class mail. In business for six years, it delivers to some 2.5 million homes in Southern California.

4. The Florida Postal System Inc., of Miami Beach has been in business for five years and delivers approximately one million circulars and other pieces of bulk mail in Miami Beach. Its volume of business has quadrupled in recent years due to postal rate increases.

5. The National Postal Service of Saratoga, California delivers mail in the San Francisco area. It has been in business ten years, handles 96 million pieces of mail a year and is considering expanding into second class mail delivery.

The record of United Parcel Service, however, is most illuminating. By offering lower rates, more reliable delivery and five times safer handling, United Parcel has become the leader in the parcel field. Its example has inspired many other firms which, in turn, are proving every day that private carriers can deliver mail as well as, or better than, the Postal Service. Under the circumstances, and given the alternatives, they deserve a chance to see if they can deliver letters as well as they do circulars, ads and packages. There is no overriding reason, other than outdated tradition, for the delivery of first class mail to remain *exclusively* a function of the federal government.

The other argument frequently advanced against competition with private enterprise is that private firms would "skim the cream" and leave the Postal Service "holding the bag." By "the bag" critics of my proposal mean the rural delivery which they feel will be the most expensive thus necessitating either a large rate hike or further taxpayer subsidies. However, I would point out that United Parcel, for instance, delivers to rural areas as well as urban and they charge no more to deliver from city to country than they do to another city an equal distance away. Thus, the rural user is not discriminated against simply because he or she lives in the country.

In addition, recent estimates indicating that it costs the Postal Service only \$600 (before rural revenue is counted in) to deliver *all* rural mail suggest that the cream skimming argument is nowhere near as potent as some critics would have us believe. Only 3% of all letter mail goes to rural areas and the cost of delivery does not nearly explain the \$1.6 billion loss the Postal Service is expected to run in fiscal 1976. Quite obviously, a large part of the problem lies elsewhere, rooted in the fact that there is presently little incentive to reduce that loss.

At this point, I might also mention that the concept of a government run postal monopoly is being questioned not only in this country but also in several others. Just last February, the British House of Commons debated ending their postal monopoly and the measure lost by only eleven votes. Also, I am told there is interest in the Canadian Parliament relative to ending the postal monopoly in that country. In short, more and more people here and elsewhere, frustrated by rising postal costs and declining postal service, are looking for alternative ways of providing the desired service at an affordable price. If the operation set up by the government cannot or will not do the job, then it stands to reason that private enterprise should be given the chance.

I certainly concur with this reasoning and hope that this committee will see fit to follow up on the suggestion of the President's Council on Wage and Price Stability by adopting my bill to permit private firms to compete with the Postal Service in the carriage of first class mail. Such a step would go a long way towards assuring the American postal user that spiraling postal rates and deteriorating postal service can be checked—one way or the other.

STATEMENT OF
Joseph E. Brennan
Attorney General, State of Maine

REGARDING CURRENT PRACTICES FOR
ESTABLISHMENT OF POSTAL RATES

April 28, 1976

Filed with the
United States Senate
Committee on Post Office
and Civil Service

Mr. Chairman and Members of the Committee:

As Attorney General of the State of Maine, I am deeply concerned that the current structure of laws regarding the establishment and imposition of postal rates allows the United States Postal Service virtually unfettered discretion to impose postal rates upon the public with little or no supervision by courts, administrative agencies, Congress, or any other responsible body.

Recently this has cost the State of Maine dearly. The 3 cent increase in postal rates will cost the State of Maine approximately \$450,000 a year. This is money we can ill afford. The unexpected and substantial cost increase came at a time when State revenues were already strained with a combined impact of inflation and recession. The result has been cut backs in some programs, and some changes in State operations resulting in substantial inconvenience to our citizens.

For example, just as we began implementing a program of staggered automobile registration, our Secretary of State's Office was unable, because of increased postal charges, to send out registration reminders to Maine's automobile owners. As a result, many automobile owners, not yet familiar with our new registration system, have been inadvertently allowing their registrations to run out, encountering considerable inconvenience and difficulty with the law as a result. Similarly in other areas, our State has been forced to curtail mailing, thus cutting the information which citizens receive about their government and reducing thereby citizen understanding of government.

I initially became involved with postal rate setting when rumors began to circulate about a projected 3 cent increase in first class postage costs last August. Subsequently, after the United States Postal Service made its request for a 3 cent increase to the Postal Rate Commission, the State of Maine filed for and was granted intervenor status in the current rate proceeding before the Postal Rate Commission. Additionally, on October 29, 1975, Maine, joined by 10 other states, filed suit to block imposition of the temporary increase in first class postal rates scheduled to go into effect on December 28, 1975. Subsequently, 6 other states joined our suit, and currently there are 23 states participating in the effort to oppose the 3 cent increase in the first class rates either through litigation or by appearances before the Postal Rate Commission.

As a result of this participation, I believe that the State of Maine and other states have gained some experience which may be helpful to the Committee in analyzing proposed changes to the Postal Reorganization Act. Those problems are discussed under headings as follows:

1. Temporary rates:

The Postal Reorganization Act, as adopted in 1970, had the admirable goals of getting postal rate setting out of the political arena and putting rate setting in a public utility like structure through the mechanism of the Postal Rate Commission. Unfortunately, the provisions of 39 U.S.C. § 3641 allowing the Postal Service to impose temporary rates have completely corrupted and perverted these original admirable goals.

The most recent permanent rates, established after an extensive and conscientious effort by the Postal Rate Commission lasted only 103 days before being superseded by temporary rates. Before then the nation had been under temporary rates for nearly 2 years and now we have been under temporary rates for 4 months. In fact, since 1971 the nation has been under temporary rates imposed by the Postal Service for a substantially longer period than we have been under permanent rates developed under the public utility like rate-making concept intended by Congress.

The only limits on temporary rates are that they not be more than 33% above permanent rates and that they not be imposed for basically 100 days after permanent rates are first put in effect. Beyond that there are no limits. There is no public participation in development or imposition of the temporary rates. No administrative agency applies its unbiased judgment to the temporary rates. Instead, it is the regulated entity itself, with an economic self-interest in imposition of the highest rates possible, which sets the temporary rate, without public input, without administrative review, and with little apparent regard to the public interest. As to the temporary rate, the U. S. Postal Service is effectively judge, jury and executioner. Congress, as guardian of the public trust, cannot let such a situation continue.

The temporary rates have many effects.

First, they allow the U. S. Postal Service to totally ignore the rate dictates of the Postal Rate Commission. As has occurred in the most recent rate case, the Postal Service can allow the decision of the Postal Rate Commission on permanent rates to last for as little as 100 days before imposing its own, higher temporary rates. Considering that the decision of the Postal Rate Commission is supposed to grant the Postal Service "fair and equitable" rates, 39 U.S.C. §§101, 3621 and 3622(b)(1), the permanent rates are supposed to be in the ball park of what is reasonably needed by the Postal Service. Yet, after just 100 days, the Postal Service can impose rates 33% higher than rates deemed "fair and equitable."

Second, the Postal Service's ability to impose massive rate increases virtually at will removes any incentive for the Postal Service to try to live within its budget, adopt responsible management policies, improve its efficiency, or make an effort to develop responsible and accurate data for presentation to the Postal Rate Commission.

Third, although we believe there has been rather serious failure to comply with the law in imposition of temporary rates, courts have proven extremely reluctant to enjoin their imposition. This appears to occur for two reasons. First, in each court proceeding the Postal Service raises the specter of its alleged deficit and tries to scare the court with concerns about what will happen if the rates are enjoined. Second, the temporary rates are backed by a large volume of statistical data. Although much of this statistical data, when analyzed, appears inadequate or incompetently based, and sometimes is literally picked out of the air, courts are reluctant to undertake the task of examining it considering the many other pressures upon them and the burdensome nature of their dockets. In two of the three court arguments which have occurred in Maine's challenge to the temporary rates, one of the concerns expressed by the court was whether these matters are just simply too complicated for the courts to get into.

With the combined concerns of the necessity of reviewing reams of complicated data and the suggestions made about the alleged disasters which would occur if the rates are enjoined, it would take a court of considerable patience and fortitude to enjoin temporary rates. The problem is increased when the burden is on the party seeking the injunction to prove its case, and there is nothing but vague standards of fairness on which to base a case. I am submitting herewith a copy of the brief which Maine and 16 other states have submitted to the District of Columbia Court of Appeals in our suit to block the temporary rates. Examination of this brief will indicate to the Committee the exact extent to which the temporary rates now in effect violate the standards of law which the Congress intended to apply to rate-setting by the United States Postal Service.

Recommendations:

(a) The authority of the Postal Service to impose temporary rates on its own should be revoked.

(b) Alternatively, the size of the temporary rate which the Postal Service can impose should be drastically reduced (to no more than 10% above permanent rates), clear standards for judicial review of temporary rates should be provided, and authority to impose temporary rates should be denied for a much longer period after a Postal Rate Commission decision.

2. Discriminatory rates

As indicated in our brief submitted to the court, there has been little progress toward the goal the Congress established in eliminating rate discrimination. Massive discriminations still exist with current first class rates sometimes being as much as 70 times higher than rates currently paid to ship items of equal weight by some other classes of mail. Further, there is substantial rate discrimination even when service is the same. Thus, with "red tag" service which is provided at the same rate as second class service, many newspapers and weekly news magazines receive service equal or better than first class service, but if they used first class service, they would pay 17 times more than the second class rates they now pay. These discriminations are discussed in much greater detail in the attached brief, and I will not address them further at this point.

Based on our analysis of postal rates and services, differences in service, pre-sorting, etc. do not justify any rates which differ from first class rates by more than a 3 to 1 ratio for shipping items of equal weight. The current 70 to 1 ratio is totally out of line. (See discussion in brief, pp. 13-23.)

Recommendation:

The law should be amended to specify that first class rates should be no more than three times higher than any other rate for shipping documents of equal weight. Where subsidies for certain classes of mail are desired, they should be appropriated directly by Congress. First class mailers should not be forced to subsidize other mail users through a discriminatory rate structure.

3. Private Express Statutes

Current law gives the Postal Service a monopoly on service to first class mail users, 39 U.S.C. § 601, et seq. Thus, there is no competition for the first class mail users dollar. This restraint of competition should not continue, particularly if first class rates are to be increased any more above the present exorbitant levels or if the current discriminatory rate structure which forces first class mailers to subsidize other users is to persist. If taxpayers and consumers could be saved considerable expense by states and localities, public utilities, and other regular mailers combining to secure cheaper delivery of their mail through private means, they should not be denied the right to do so.

4. The Postal Rate Commission

The Postal Rate Commission has been operating under the severe handicap of knowing that, no matter what it says, the United States Postal Service, through the device of temporary rates, can virtually ignore its directives and the rates it sets after only 100 days. Despite this severe handicap which might discourage many from efforts at a competent and thorough job, the Postal Rate Commission has, in our view, made a far better effort to comply with its statutory mandate than the United States Postal Service. In this connection, we believe that proceedings before the Postal Rate Commission have the following points of merit which may be appropriate to copy by other federal agencies.

1. By federal agency rate-making standards, the proceedings before the Postal Rate Commission are relatively informal. Virtually anyone who desires to gain the status of a participant to present evidence and ask questions at hearings can do so. Further, the procedural rules are sufficiently flexible, and it has been our observation that the chair is sufficiently open-minded, that persons with a sincere interest in participation are not discouraged.

2. The role of the Officer of the Commission before the Postal Rate Commission is a model which well might be copied to the public good in other administrative agencies. In effect the Officer of the Commission appears before the Postal Rate Commission representing the public. This assures that, regardless of what other interests choose to participate, issues that are of concern to the public interest will be raised.

These procedures are a welcome change from some other federal regulatory processes which are basically private proceedings between the regulator and the regulated with the public only finding out about it after great effort and only participating after clearing many procedural hurdles.

The Postal Rate Commission does operate under some handicaps, however.

First, it is essentially reactive in nature. That is, it reacts to proposals made by the United States Postal Service and thus, in effect, becomes a captive of the data presented by the Postal Service. While the Officer of the Commission does a competent job of analyzing and criticizing the data presented by the Postal Service, the fact remains that in terms of basic data, the Postal Service's data is the only data in town. This being the case, it would appear advisable to give

the Postal Rate Commission a larger staff to continually analyze the workings of the United States' Postal Service and be able to develop rate-making data on their own.

If Congress determines that such an expansion of the rate-making bureaucracy is not appropriate, we believe that the alternative is for Congress to take back to itself the responsibility for setting first class mail rates. Other rates often involve complicated schedules and are appropriate for detailed utility rate-making like analysis. However, this type of analysis should continue for first class rates only if the device of temporary rates by which the Postal Service avoids the Postal Rate Commission's first class rate decisions is abolished or greatly changed, and if the Postal Rate Commission is placed in a position where it can competently analyze first class rates.

Second, the Officer of the Commission of the Postal Rate Commission should be put in a position where it can challenge postal rate setting actions, temporary and permanent, in court. Because of the complicated nature of postal rate setting, it would appear that the Officer of the Commission is the only entity with the capability to oversee postal rate setting and to understand all the ramifications of postal rate setting with sufficient currency and sufficient skill to unravel the web of complication which the Postal Service tries to weave in any court proceeding.

5. Small Post Offices

There have been a number of suggestions recently that the way for the United States Postal Service to save money is to cut back on small post offices. The analysis we have done of postal rate setting practices indicates that this suggestion is a red herring and that small post offices are being used as a whipping boy by the Postal Service to hide inefficiencies in other areas. In my view the greatest areas of waste and inefficiency in the United States Postal Service are in providing services, sometimes excessive services, at bargain basement rates to certain special interest mail users. Such services would particularly include the billion dollar bulk mail facility which provides no benefit to first class mailers and which was intended to speed the processing of junk mail, parcels and other major mail order business for mail users who pay rates considerably below first class rates. Another example of wasteful service is the better than first class mail quality service provided to much of second class mail, particularly daily newspapers and weekly news magazines, many of which are shipped by wealthy and powerful publishing houses at rates far below those paid by first class mail users.

Further, as indicated above, I believe much of the Postal Service's deficit and inefficiency results simply from poor management practices which are encouraged by the realization of the Postal Service that under the current structure of laws they have, in the American public, a source of income which they can tap virtually without outside control as a result of the temporary rates. Such is hardly an inducement for efficiency.

Any inefficiencies created by small post offices pale in comparison with the problems and waste of resources in the bulk mail system, super fast second class mail delivery practices for bargain basement rates and general management inefficiency spawned by the lack of incentive to save money. I would hope that the Committee could convince the Postal Service to pursue these areas for savings with the same vigor with which it pursues the idea of closing small post offices.

I appreciate this opportunity which this Committee has given me to present my views regarding the current rate-setting practices of the United States Postal Service.

STATEMENT OF
J. EDWARD DAY, GENERAL COUNSEL
ASSOCIATED THIRD CLASS MAIL USERS
BEFORE THE
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON S. 2844

April 20, 1976

(Advocating passage of the bill, urging an increased public service appropriation for the Postal Service, and rebutting various objections to such increased appropriation)

Mr. Chairman and members of the Committee:

This statement is presented on behalf of Associated Third Class Mail Users, a long-established trade association of about 600 users, large and small, of bulk third-class mail, both regular rate and nonprofit (charitable) rate.

I am a lawyer in general practice in the firm of Cox, Langford & Brown in Washington, D.C., and since 1968 have served as General Counsel of Associated Third Class Mail Users.

Bulk third-class mail is the most profitable class of mail which the Postal Service has.

The basic rate for commercial bulk third-class mail has gone up 690 percent since the early 1950s! During that time, the cost of living as measured by the consumer price index (U.S. City Average, All Items) has gone up approximately 110 percent.

In addition, bulk third-class mail had a mandatory requirement for presorting by ZIP Code forced upon it in the late 1960s with no related reduction in the postage rate. Advertising mailers aren't given a chance to use alternative means of delivery for addressed advertising circulars because of the arbitrary insistence of the Postal Service that we are subject to the Private Express Statutes, which mandate the postal monopoly, and because of the unreasonable delay of the Postal Rate Commission in deciding whether it has jurisdiction over regulations purporting to interpret the Private Express Statutes.

Bulk third-class mail is comparable in many respects to direct dialed long-distance telephone calls made in the evening hours. The bulk mailer, like the person dialing his own long-distance call, does most of the work. Because the bulk mailer must do expensive presorting of his mail in order to get the benefit of the bulk rate. He also must take his presorted mail to the post office - he can't drop it in a collection box. His bulk mail gets deferred service because Postal Service employees delay handling third-class mail until peak load, rush hour processing of priority classes of mail is out of the way. This again is like the long-distance call in the evening because it too utilizes the system when it isn't busy and therefore adds to the efficiency of the operation by making use of it and helping to meet fixed costs when peak load periods are over.

Bulk third-class mail normally does not get free forwarding service as does first-class mail. This represents an enormous saving to the Postal Service since approximately 20 percent of the country's households move every year, and the cost of forwarding a piece of first-class mail is estimated to be approximately 10 cents per item.

Bulk third-class mail is the goose that laid the golden egg, as far as Postal Service finances are concerned. But, nevertheless, the Postal Service is threatening to go into competition with the advertising mailers by a rumored plan to deliver unaddressed advertising circulars at a big rate discount! The circulars would be delivered to every address in specified areas with city delivery service. The areas to be covered would be designated by the organization producing the circulars.

ATCMU supports S. 2844.

There are features of the bill about which we are not enthusiastic. But we urge that the bill be pushed ahead as it is without taking the time for arguing over details. We are willing to swallow the parts of the bill we don't like because of the urgent need for appropriated funds to slow down the disastrous pattern of exorbitant and overly-frequent postal rate increases.

Since 1970, when the Postal Reorganization Act was passed, the first-class rate has gone up from 6 cents to

13 cents, which is an increase of 116 percent. During that time, the cost of living has gone up 44 percent. Also, during that time, the basic rate for commercial bulk third-class mail has gone up from 3.8 cents to 7.9 cents, an increase of 108 percent.

S. 2844 provides for time limits on cases before the Postal Rate Commission. We would much prefer to see the Postal Rate Commission abolished and postal rate increases for each class of mail limited to increases in the consumer price index. However, as I say, we do not advocate this as an amendment or addition to S. 2844. Rather, we urge it as a next step in piece-meal repair of some of the havoc done by adoption of the postal corporation concept with its related break-even obsession in regard to postal finances.

The case for a cost-of-living ceiling on postal rate increases was made effectively two years ago in a speech by then Assistant Postmaster General, now Senior Assistant Postmaster General, J. T. Ellington. In that talk to the Western Postal Customer Conference he said:

"In essence, the Postal Service holds the position that postal prices should not be allowed to run ahead of the economy any longer. Over the long run, it is critical that postal prices stay constant in relation to the costs of other goods and services. We have been going through a 'catch up' period for the past few years, but we are at a point now when we are beginning to be 'caught up.' The level of employee compensation and benefits, the preponderant portion of our total costs, is, generally speaking, quite competitive to the private sector. Our objective,

therefore, is to hold total costs, and thereby our prices, to increases that are no greater than the consumer price index over the long run."

ATCMU does not base its advocacy of a future bill to adopt a cost of living ceiling on postal rates upon a wish as such to get rid of the Postal Rate Commission. We have been critical about the qualifications, both political and professional, of some of the appointees. But I think the members of the Commission are trying to do a good job.

The fact is that the proceedings before the Postal Rate Commission are an exercise in futility. As soon as one rate case is over, the Postal Service stands ready in a mere 100 days to put into effect another round of so-called temporary rates. This means that, regardless of what the Rate Commission may try to do, in one of its cases involving permanent rates, to alter the rate increases proposed by the Postal Service, those alterations will remain in effect for only 100 days.

The Rate Commission is not really the problem. The real problem is the abomination called temporary rates. ATCMU has opposed temporary rates from the first time this unfair concept was proposed. Temporary rates are a blatant example of sentence first and trial later.

No hearings are permitted or available before temporary rates are decided on or imposed. In the event temporary rates are found to be excessive in amount - no matter how large the excess - no refund of such excess can be obtained.

As it is working out under the rate provisions of the Postal Reorganization Act, (a) the temporary rates are the ones people are paying most of the time, (b) permanent rates are in effect for only brief periods, and (c) because a new round of temporary rates is imposed just a few months after the Rate Commission finally issues its recommended decision on permanent rates, the Rate Commission cannot provide effective protection for the public on the level of postal rates.

The cost of living ceiling on postal rates which we advocate for a future bill would get rid of temporary rates. The sooner the better.

As things have developed under the Postal Reorganization Act, one could well get the impression that the only provision in that Act relating to Postal Service finances is the one providing that postal rates shall provide sufficient revenue so that they will equal "as nearly as practicable" total costs of the Postal Service. This is the disastrous "break-even" provision in the law. However, many people seem to have forgotten that, even more importantly, this Act says in a number of places that the rates for postage shall be reasonable and fair and equitable. The provision that the rates shall be reasonable has been tossed aside as part of the program of the supposedly efficient business-type management of the Postal Service in the past six years to pile one enormous postal rate increase on top of the previous one.

Analysis and Rebuttal of Objections to Increased Public Service Appropriation.

There are various reasons given from time to time by those who oppose additional public service appropriations for the postal operation. I will list some of these and comment on them briefly.

One: There is an attitude in some important quarters that the postal service should be denied additional appropriations as a means of "punishing" it for alleged misdeeds such as deficiencies in service and the closing of small post offices. This puts Postal Service management between the rock and the hard place. If the management tries to squeeze some savings out of the postal budget by curtailing service and closing post offices, they make more important people mad, thereby hurt their chances of getting more appropriations, and thus increase their need for curtailing service, closing post offices - and making more people mad!

Postal operations are unavoidably susceptible to human errors. No huge service operation of this type is likely to develop a constituency of admiring fans. I doubt if any of us wakes up in the morning, turns on the water in the faucet and decides to send a letter to the city water department expressing appreciation for the fact that the water is clean and comes out at a satisfactory pressure. But if one time in a year the

water is discolored or the pressure is poor, we can be sure that the howls will be loud and numerous.

The same is true for organizations providing public transportation, electric service, and other public service operations.

It should be recognized that the quality and reliability of postal service will not be improved by depriving the postal operation of the money it needs to try to maintain good service.

The talk about closing post offices is largely a symbol of the desperation of the financial plight of the Postal Service. The fact is that the Postal Service estimates that if it closed 12,000 small-town post offices, it would save annually only about the amount of money the Postal Service spends currently in three days. Even more incredibly, the Postal Service has estimated that if it closed or consolidated 2,000 larger post offices, it would save only about \$30 million a year. That compares with the fact that the Postal Service now spends nearly \$40 million every day including Sundays.

Two: Another group who disapprove of larger public service appropriations say that the Postal Service problem is just the same as the New York City problem.

This is completely inaccurate.

New York City got into its problem because it undertook to provide more services than it could pay for. The

postal department for a great many years has been cutting down service and closing post offices. Inflation has been a big problem for both New York City and the Postal Service. But I do not think a really objective observer could conclude that the Postal Service, even in recent years, has been guilty of wholesale extravagance in operating expenses. It is true that some undertakings, principally the bulk mail centers, have proved to be a disastrously wasteful use of money. But in the case of the bulk mail centers, most of the expenditures were for capital items and did not have a really large effect on the Postal Service operating deficit.

Three: There is a claim that providing a larger public service appropriation would reduce the incentive for the Postal Service to reduce costs. This assumes that there are huge cost savings available if current levels of service are maintained. Unfortunately, this is not true. ATCMU has advocated for years that postal service be limited to five days a week. We feel that Saturday postal service has become as much of an anachronism as Saturday retail banking hours. However, the Postal Service claims that only about \$250 million a year would be saved from discontinuing Saturday delivery.

Four: There is a point of view that says that over the years the federal budget has been skyrocketing and therefore no more money can be made available for the Postal Service. But we should bear in mind that while overall federal spending

has been going up, the proportion of federal money being spent for basic and traditional federal government functions and responsibilities has been going down. The thing that has been going up is money for transfer payments - transferring resources from some citizens to other citizens, such as taxing some to make welfare payments to others. But with federal government purchases of goods and services - not involving transfer payments - the total has actually declined from 11.1 percent of the gross national product in 1955 to 7.9 percent in 1974! Traditional federal government responsibilities are most certainly entitled to some of the money. This is particularly true of the Postal Service. It is one of the few federal responsibilities mentioned in the Constitution. It is the only day-to-day contact with the federal government that the rank and file employed citizen has.

Five: Another fallacious argument against a larger public service appropriation for the Post Office is based on a claim that certain classes of mail are "subsidized." This charge is often directed at advertising mail. The claim that commercial bulk rate third-class mail is subsidized is completely wrong. Postal Service management has repeatedly admitted publicly that this class of mail more than pays its own way, and that the Postal Service wants more of this class of mail. Certainly, if the Postal Service found the handling of bulk third-class mail to be a burden, they would not fight so hard

to use the postal monopoly statutes to prevent private delivery of addressed advertising material.

Six: Another type of objector to increased appropriations are those who say the postal financial squeeze is only temporary and was due to the slowness of the Postal Rate Commission in handling the second rate case. This point of view ignores the fact that a forced speedup in adjudicatory hearings before a regulatory commission greatly increases the chance of denial of due process and reversible error in the decision.

There were a total of 1480 documents filed in the second Rate Commission postal rate case which ended last September. A number of these 1480 documents were 50 and 100 pages long and contained extremely technical material. There were approximately 50 parties in the case, including the statutory ombudsman or "Officer of the Commission." The ombudsman's filings then, as is also true in the third or current rate case, were voluminous, frequent and often highly controversial.

There are many, many legitimate criticisms that can be made of postal operations. There is need for more continuity and experience in postal management.

But there is also the danger that criticism can become so virulent that it tends to hound good men out of office and to be counterproductive in bringing about continuity and experience.

The Postal Service should have received a multi-billion dollar appropriation at the very outset as "start up costs" for the new method of operation. It did not. Moreover, the public service allowance in the Act, which was inadequate from the beginning, has become more and more outdated as postal costs have increased.

We hope the commission to consider what the long-term public service appropriation should be will be authorized. We look forward to presenting our detailed views on the public service aspects of postal operations to that commission.

We urge approval of S. 2844.

STATEMENT OF JOHN EDWARD HURLEY, PRESIDENT
FIRST CLASS MAILERS ASSOCIATION
BEFORE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE

APRIL 20, 1976

Mr. Chairman, and Members of the Committee, I am indeed grateful to you for the opportunity to represent the First Class Mailers Association in your consideration of postal legislation.

I am John Edward Hurley, President of the First Class Mailers Association, the first organization exclusively devoted to the concerns and interests of first class mail users. FCMA was incorporated a year ago and has a broad-based membership representing all variations of first class mail users.

First class mail has been the backbone of our nation's postal system down through the years. It is a monopoly of the U.S. Postal Service, just as it was for its predecessor, the old Post Office Department.

Mr. Chairman, in your Committee hearings to date, you have restricted consideration to your own bill, S. 2844.

Even as a stopgap measure, S. 2844 leaves much to be desired. It is completely inadequate as compared to the House-passed H.R. 8603, also pending before your Committee.

H.R. 8603 hits directly at the core problem of the U.S. Postal Service: The utter failure of postal management under postal reform and the urgent necessity for making management responsible to someone for its operations.

The key void in the Postal Reorganization Act of 1970 is its failure to place responsibility. The inexperienced and part-time board of governors is insensitive to the nation's postal needs and apparently has no concept of nor concern for the fundamental USPS obligation to "public service."

The mailing public, particularly users of first class, has received short shrift from USPS management which operates on the unchallenged theory that it is responsible to no one---including Congress.

Clearly, the only way that the postal service can be made to understand that it is a "public service" first, last and always is for the Congress to resume direct supervision.

We don't mean for Congress to try to run the postal service on a day-to-day basis, any more than it runs the Pentagon or the Department of Agriculture, for example.

But rather we are convinced that USPS must be directly responsible and responsive to Congress in its operations.

That is the clear intent of H.R. 8603 as passed by the House last fall.

This basic corrective action is what is needed here and now if our nation's postal service is to survive. The inept independent corporation has proven to be a catastrophic failure.

There is no need at this time to (1) change the rate-making procedure by the Postal Rate Commission except to amend the provision for temporary rates to make the effective date later rather than sooner, or to (2) change the collective bargaining arrangement for postal employees.

We have no strenuous objection to your proposed "study commission" although such commissions do not have a very impressive track record.

Furthermore, we have good reason to be dubious that USPS can survive even until the commission report is completed unless there is immediate drastic change in postal management and responsibility.

The urgent concern of FCMA and its members is the future of first class mail.

Since postal reform:

1. The basic first class mail rate has increased 117 percent from 6¢ to 13¢....and a 17¢ rate impends later this year.
2. Regularity of mail service has declined steadily, both long haul and short haul. Missents are an epidemic, not the rarity claimed by the blinders-fitted USPS management. (Until the Detroit expose recently by a House Subcommittee, postal operations wasn't even checking missents, by its own testimony.) Even USPS concedes that mis-sorts are excessive.
3. Airmail is a thing of the past and special delivery is going the same way. In effect, it's tourist class service at luxury prices for all letter mail.
4. Accent has been on reducing services...not on maintaining it or improving it. Is it any wonder, then, that major mailers---others, too---are turning to other systems of communications. USPS so far is giving them no choice.

The Postmaster General lectures us on the necessity for accepting trimmed service standards in order to keep the postal service in business. Yet he demands at the same time that we pay progressively higher rates.....for less service.

Is this the "business know-how" we were sold in 1970 as the great answer of postal reform?

The Postal Service already is complaining about the drop in mail volume as a result of increased rates and reduced service. But still it contends that this cutback pattern must be the order of the day.

Curiously, the Postal Service claims it is making service changes, cutting deliveries, closing offices and branches to save money. What it doesn't remember to admit is that the changes save no payroll and payroll represents about 86 percent of the postal budget.

USPS cannot save on payroll because it has agreed to a flat no-layoff clause in its union contracts. So when jobs are eliminated, excessed employees still have to be paid...maybe they could be reassigned to the overworked missent and rewrap sections!

Mr. Chairman, your Committee's attention to the plight of the Postal Service is overdue. But the remedy in your bill upon which you are concentrating is quite inadequate. It's something like fighting a six-alarm fire with a garden hose and is doomed to be about as successful.

The disgust and frustration of the mailing public toward the nation's mail service is well known to Members of the Congress, including Members of your Committee.

We would prefer not to support repeal of the Private Express Statutes at this time. However, we can understand the reasons for the recommendation by the administration. Certainly, repeal of the Private Express Statutes is preferable to the completely inadequate provisions of S. 2844.

We prefer, in every major intent, the provisions of H.R. 8603 and regret that your Committee has not seen fit to take into consideration these views of a majority of the House of Representatives.

When your Committee goes into markup, we hope that it will expand its horizons and get to the core problem that faces the United States Postal Service: It's current lack of responsibility.

The time for effective action is now!

Thank you.

Statement of Allen Y. Zack,
Secretary-Treasurer, International Labor Press Association,
AFL-CIO, CLC
to the Senate Post Office and Civil Service Committee
on S. 2844

April 20, 1976

Mr. Chairman, the International Labor Press Association, AFL-CIO, CLC, represents nearly 450 publications published by the AFL-CIO, its subordinate bodies, affiliated national and international unions and their subordinate bodies. Through regional and industrial labor press associations affiliated with ILPA we represent an additional 250 labor publications, primarily those of local unions. The overwhelming majority of these publications are distributed through the mails under non-profit second class entries.

Frankly, we represent an endangered species. Trade union publications are being cut back due to the inflationary pressures that affect all publications -- newsprint, printing, salaries. But the principal cause of cutbacks has been increased postal rates. If the Congress had not passed S. 411 and if the Budget Committees had not included the subsidy necessary to implement S. 411's extended phasing, the situation would be even more critical than it is today.

We recognize that the labor press -- along with all postal users -- have an obligation to pay our fair share. For too long, postal rates have been a bargain bought with the low pay of postal workers.

At the same time, we recognize the Catch 22 that has caught the Postal Service. Increased postal rates and reduced services have resulted in dropping volume, and the Postal Service seeks even further increased rates to cover the reduced volume.

At the root of the USPS's current ills are mismanagement, inflation and soaring energy costs. Operating costs are going up, services and volume going down.

Today we witness the postal service investing millions of dollars in machines that shred packages; in the closing of post offices that the USPS fully admits is a miniscule savings compared to its \$3 billion debt; and the transferring of personnel which sometimes doubles the costs.

In a race to get the USPS to break even, piecemeal solutions have created a postal monster which threatens the constitutional rights of Freedom of Speech, Press, Expression and Association.

We believe the postal service is an essential government service that must encourage and promote the free expression of views, such as those expressed in labor publications. The freedom of expression with a high cost for postage is not free.

Mr. Chairman, we in the labor press believe in the charge the Congress gave the Postal Service in the Postal Reorganization Act:

"The Postal Service shall have as its basic function the obligation to provide postal service to bind the Nation together through the personal, educational, literacy, and business correspondence of the people."¹/

If continued increases in postal rates force more publications to fold, Freedom of Expression will become a luxury for only those who can afford it.

There is a better way to control the postal deficit and upgrade services that re-emphasizes this country's historic policy of encouraging the dissemination of news that would benefit the public welfare, at reasonable rates.

¹/ (PL 91-375, August 12, 1970. Reference to new Title 39 U.S. Code Sec. 2)

We support S. 2844, introduced by Senator McGee, along with an amendment we propose to Section 3626, Title 39 of the U.S. Code.

We believe that passage of S. 2844 is essential if trade union publications are going to be able to continue to serve union members. Union members need the information contained in their union publications for the following reasons:

1) Trade union publications bring to union members the information they need as "citizens" of a democratic union society.

2) This information is published nowhere else and is not adequately available in any other way.

3) The distribution of some of this information in written form is mandatory under the Landrum-Griffin Act. The Act requires written notification to members of union elections, and the distribution of financial reports at regular intervals. A union periodical is not only the obvious vehicle for carrying this information; it is often the only one available. Surely it makes no sense for the Postal Service to erect obstacles to the fulfillment of public policy.

4) An uninformed and indifferent membership can lead to union malpractices which are contrary to the public interest and to public enunciation by statute.

5) The labor movement -- unions collectively -- are a minority voice in the United States, one of the many that must be heard in the chorus of democracy.

The last point applies to all non-profit second-class mail users (religious, fraternal, charitable, veterans, trade unions). Although none may have the same legal obligations as trade unions, many represent special groups, special opinions, special faiths, all whose periodicals are their only voice. Inevitably, many are also poor.

As we have repeatedly stressed, the United States mail was started in large part to afford such voices a maximum opportunity to be heard. If the Postal Services' proposed rates continue to climb with no ceiling for non-profit second-class mail users, the only minority voices that will be heard will be rich ones. This would be a tragedy for America.

Postal rate increases have impacted heaviest among non-profit publications. Before creation of the Postal Service, the majority of ILPA member publications were paying the minimum rate of two-tenths of one cent per piece.

As of July 6, the rate will increase to nine-tenths of a cent per piece and 3.8 cents per pound. Thus, the cost will have increased from \$2 per thousand just five years ago to more than \$11 per thousand for the standard 8-page tabloid.

When the extended phasing expires on July 6, 1987 -- providing for no further interim increases -- the non-profit second-class rate will be nearly \$40 per thousand for the basic tabloid.

Therefore, the ILPA, for reasons listed above, fully supports S. 2844 which provides for a public service subsidy for the USPS in the amount of approximately \$3 billion over a period of the next three years. In addition to coping with the postal deficit, it further provides for a postal commission to be established to research, study, and report in two years what should be defined as postal service and how much public service appropriations should be meted out to the postal service on an annual basis. To reinforce the above needs, one only has to look at postal management history.

In the last five years a parade of Postmasters General and Senior Assistant Postmasters General have felt the revolving door at their headquarters in prestigious L'Enfant Plaza, not to mention the vacant Deputy Postmaster General job left unfilled from 1972 to 1974.

That alone hints to a major management problem.

As suggested in S. 2844 experts will be appointed representing the Administration, the Congress and the USPS.

S. 2844 also streamlines the postal rate-making process and establishes time limits within which required postal rate increases can be delayed.

S. 2844 looks in more realistic terms, as guided by the Constitution, to answer the needs of the public versus the USPS as solutions to postal reduction.

Further it is our view that Section 3626 of Title 39 of the U.S. Code is in desperate need of modification so that second-class non-profit mail users can be given equitable and fair treatment. This amendment is vital to small concerns, minorities, and similar non-profits choking in a sea of postal abuse.

The Postal Reorganization Act created a vacuum by not providing any definitions of guidelines for defining "attributable costs" pathetically leaving the door open for straight mark-up of postal rate increases.

Prior to enactment of the Act certain qualified non-profit organizations including publications of religious, educational, scientific, philanthropic, agricultural, labor veterans, fraternal and associations of rural electric cooperatives were granted "preferred" rates of postage on second-class publications. Traditionally, this rate did not exceed 50 percent of the rates otherwise applicable to regular second-class rates.

By definition and reality, non-profit organizations do not have the wherewithal or resources to meet postal rate increases far in excess of the increases levied on the for-profit publications.

Thus, we actively support the amendment to Section 3626 establishing a ceiling on postal rates for certain classes of mail or kind of mailer, simply by inserting the words "but in no event to exceed 50 percent of the regular postage rate applicable to said class of kind of mail." The amendment will restore to qualified non-profit organizations the level of postage rates paid by them prior to enactment of the 1970 Postal Reorganization Act.

In so doing, we seek to provide the Postal Service and the Postal Rate Commission with an adequate definition and direction as to the intent of Congress, as well as restoring a healthy traditional factor to the rate structure that is at present adversely affecting the second-class non-profit mail users.

If approved, this amendment will serve to cure "a" postal inequity. It is one step forward to a goal the public seeks "that newspapers and periodical publications be conveyed in public vehicles without expense in order to facilitate the circulation of political intelligence and information."²/

The USPS, while debt ridden, did succeed as a government agency; it has failed as an independent corporation. It cannot and should not be considered a profit-making venture. Yet the full cost of any postal system cannot be borne only by the user and recipient.

S. 2844 with this vital amendment can address itself to our current postal problems.

We urge this committee, for reasons stated above, to incorporate the amendment to Section 3626 and thereafter vote for passage of S. 2844.

²/ Inaugural Address - George Washington, First President of the United States 1789.

STATEMENT OF
THE NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES
AND
THE NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES
BEFORE THE
SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
APRIL 20, 1976

Mr. John C. Goodman, NAPUS National President
Mr. Kenneth H. Jennings, League National President

Mr. Chairman and distinguished Committee Members:

My name is Kenneth H. Jennings, I am President of the National League of Postmasters. This morning, I introduce to you Mr. John C. Goodman, President of the National Association of Postmasters. Following my opening remarks, Mr. Goodman will deliver the testimony which expresses the thinking of both of our organizations. Together, we have the privilege of representing all of the nearly 31,000 Postmasters, the middle management of the United States Postal Service.

Emphasis should be placed on the word together, for never in the histories of our two organizations have we come together---have we striven for the complete unity of purpose and method that we now find ourselves working toward in this time of trouble for our Postal Service. Our hope in coming before you together, and in searching for the solutions to our problems together is that this spirit of unity will spread to all levels of postal service management.

We agree with the Postal Service that the funding proposed by Senator McGee is greatly needed. We do feel, however, that these monies must be applied to proper functions of the Postal Service that demand immediate attention and not to experimentation in theoretical

probability or programs that do little to resolve our currently worsening delivery performance. The prudent assignment of funds and accountability must necessarily accompany additional funding.

The distinguished members of this panel are each accountable to their respective constituents; we, as Postmasters, are accountable to the Postal Service. We pose the question---to whom is the Postal Service accountable?

We admire those who seem consumed with the thought of building a better and more efficient postal system. At the same time, we admonish them for not doing enough to get the system we have touted as the best in the world back on the track.

Mr. Goodman, please continue---

Our appearance here, the first before a Senate Committee since Postal Reorganization, permits us the privilege of amplifying and clarifying our goal---which is the same as yours---to support the shaping of positive and effective legislation, such as that of Senators McGee and Randolph, which will aid our Postal Service in this economic crisis.

We have a very real obligation to our memberships---an obligation spelled out in the law of this land---to recommend constructive programs, proposals and hopefully solutions that will alleviate postal problems which have certain effect on every Postmaster in the field.

Too often we are denied this right to fulfill this obligation within the structure of consultation with top management of the Postal Service.

We offer the thinking of those who serve in the Post Offices across the nation, your Postmasters who deal not in theory, but in practice.

We firmly believe that serious consideration should be given to the recommendation of the Postmaster General that a commission be established to explore and define the public service aspects of the United States Postal Service. We would hope and expect that this commission's findings would better enable a real value to be assigned to this important facet of postal service. Naturally, we are concerned with the choice of members for this study commission. We suggest that this commission be composed of five members: two appointed by the President, one appointed by the Senate, one by the House and the fifth member being the Comptroller General or his designee.

We join in the call for a moratorium on accelerated post office closings, any discontinuance of selected special services, further service cuts and other, certainly debatable economic gestures in response to current financial philosophy. We request that implementation of the new criteria on post office closings, which is in effect no criteria at all, be delayed until the study of public service is completed and a proper evaluation is made of the multi-role of traditional post offices whose receipts do not exceed operating costs.

We are sometimes rebuked when we attempt to explain the real and extensive role that post offices play in the lives of their communities. We have been accused of ignoring the financial plight of the Postal Service in deference to maintaining current levels of membership in our

organizations. If this were a valid argument, our response is certainly tardy. The number of post offices and Postmasters has dwindled from nearly 90,000 to 30,000 over the years. I ask you, Mr. Chairman and distinguished Committee Members, how can one ignore a financial situation that one is faced with every working day of his life? Not in the Postal Headquarters here in Washington, but in the post offices across the nation, is this financial plight a reality. It is here where our memberships attempt to manage, that service hours are cut, clerical hours are cut, operating funds are cut---until we wonder---what will be left to manage?

We do not ignore this financial situation, nor do we shirk our responsibilities in squarely facing it. I certainly will not waste the time of this distinguished group by practicing rhetorical razz-a-ma-tazz, and citing statistical extremes that would favor my personal viewpoint or that of the financial wizards of Postal Headquarters. Enough Drum, Kentucky's have been paraded before you as freaks in a freak show.

Let us meet our problems as men of common sense. We are all in agreement that where justifiable savings can be realized, they should be. Where there are strong and valid arguments for closing post offices, we will no doubt be in agreement. But, we say an emphatic NO to the much accelerated closings and consolidations that are being considered across this nation this very day.

The new criteria for closing post offices is no criteria at all. The previous criteria agreed upon by the Postmasters' organizations and the United States Postal Service at the time of postal reorganization allowed the closing of more than 300 post offices a year. Until only recently, the Postal Service averaged closing a post office each day, every day of the year. And we believe that this is quite enough!

We can envision real benefits to our postal system in having a Postal Rate Commission in which members have acquired and demonstrated knowledge in rate making procedures and a precise understanding of postal affairs. We support the appointment of the five commissioners by the President, with Senate confirmation. Going a step further, we feel advantages would be realized in severing the financial dependency of the Rate Commission upon the Postal Service. Under a new budgeting system, it would be of benefit to all for the Postal Rate Commission to report its budget directly to the Congress and the Administration.

It is imperative that a functioning Board of Governors be composed of individuals who possess an adequate knowledge of postal affairs. A successful business man from a corporate structure in the business world with little or no knowledge of the Postal Service does not bring to the Board an understanding of the workings of the Service. The original intention that the Board of Governors would serve in directing and overseeing the Postmaster General and the operations of the Postal Service has fallen short of all expectations.

The successes and failures of the Postal Service, more than any other agency of the federal government, have an immediate and lasting impact on the economic and social well-being of our nation. While Cabinet status is not necessarily desirable for the position of Postmaster General, it is necessary that the Postal Service, the Administration and the Congress share and contribute to a mutual understanding of budgetary and operational problems.

Following this reasoning, we support efforts to return the power of appointment of the Postmaster General and the Deputy Postmaster General to the President and confirmation authority to the Senate.

We have every hope that this Senate Committee will make the needed effort to secure a suitable level of funding from the Congress for a two year period, while public service aspects are being studied. We would anticipate that these funds would be subject to Congressional oversight. We believe sufficient time has elapsed in the experiment of a break even philosophy for the agency responsible for delivery of the mail. We submit that a more responsive postal system will evolve if the Postal Service is required to submit budget proposals to Congress.

The dismantling of the Postal Service and the Postal Reorganization Act is not in the best interest of an efficient postal system. We are equally convinced that the closing of forty percent of the nation's post offices is most unwise. It is interesting that some of those who support the theory that closing in excess of 12,000 small post offices to capture a promised \$100 million savings readily assign more than \$600,000 dollars to build a "solar post office." Such experiments do little to address immediate problems. While we do not condemn postal progress, we must cry for survival first.

The proposal to accelerate post office closings is a bandaid approach to resolve a condition that demands major surgery. Too few have studied or discussed the potentially devastating effect on a community when the only vestige of government service and contact to its citizens is withdrawn or diminished. It appears that there are those whose zeal to recover dollars to fit self-created budgetary limitations are blinded to the total service provided by post offices in smaller communities. We would do well to heed the advice of Senator Randolph and his proposed legislation to bring the reason of a local public forum into what has developed into an arbitrary "leap before we look" policy concerning closing

discontinuing and consolidating post offices and postal facilities.

We believe quite strongly that Members of Congress should receive proper notification from the Postal Service when post offices within their respective areas are to be considered for discontinuance or consolidation. We recommend prior notification of no less than 90 days would be an acceptable time frame. This time for notification should coincide with the notification received by the Senior Assistant Postmaster General for Operations from the Sectional Center Manager of that area.

In closing, permit me to express a personal viewpoint shared by Postmasters across the nation. Postmasters are not comfortable in the present postal atmosphere. We find no pleasure in being compelled to seek relief in the courts to remedy inequities. We want very much to be a part of a true management team. However, none exists---there is no true consultation when one member can and does arbitrarily decide to discuss or not discuss items of mutual and vital concern.

We have an obligation to the Postal Service, our customers and our members to participate and contribute our knowledge and experience to improve our postal system. There has been a demonstration by some who still have difficulty recognizing that this is our Postal Service.

We sincerely appreciate this opportunity to share our thoughts with you today, and we welcome future occasions. We offer the complete services of our organizations to assist this Committee and any special study committee should one be named. This concludes our prepared statement; we would be happy to respond to any questions that you may have.

Statement Submitted in Support of S. 2844 to
the Senate Committee on Post Office and Civil Service
by Robert D. Partridge, Executive Vice President
National Rural Electric Cooperative Association
2000 Florida Avenue, N.W.
Washington, D. C. 20009
April 20, 1976

My name is Robert D. Partridge and I am Executive Vice President of the National Rural Electric Cooperative Association. NRECA is the national organization of nearly 1,000 REA-financed nonprofit cooperatives which deliver central station electricity to approximately 25-million people throughout 46 states. These rural electric cooperative systems serve in the sparsely populated rural areas of the United States.

These rural electric systems, of course, use the Postal Service in a variety of ways that are indispensable to their operations. In particular, in addition to normal billings, the cooperatives use the mails as a primary tool of communication with their members.

NRECA, for instance, publishes and mails (under the qualified nonprofit second-class rates) the following:

- (1) Rural Electrification Magazine (monthly)
- (2) Rural Electric Newsletter (weekly, except biweekly Oct.-Jan.)
- (3) Management Quarterly

In addition, NRECA has among its members 31 state associations which publish papers or magazines also mailed under the qualified nonprofit second-class rates. These papers or magazines are circulated to the members of rural electric cooperatives within their states. The publications have a combined circulation of more than 4-million. In many cases, these publications are the only ones received by rural residents. Also, many individual rural electric systems mail local newsletters to their members, some second-class and others third-class.

Since the establishment of the Postal Service as an independent government agency, these publications have had to contend with ever-spiraling postal rates--rates that hit the smallest publications the hardest. As a result of already announced increases--and not including future increases the Postal Service is seeking or will seek--rates for some of these publications will go up as much as 800% during the current phasing-in period.

As an example, it now costs about \$6,600 annually to mail our Rural Electric Newsletter to fewer than 25,000 subscribers across the nation. This 4-page 8½x11 inch publication will have its rates raised 50%--to \$9,900 on an annual basis--on July 1, assuming that funds for extending the phasing in period for second-class publications are provided by the Congress. If these funds are not provided, the rate will be \$23,100 annually. The total cost will reach \$38,500 in July, 1987--or sooner if funds for the extended phasing-in period are not appropriated.

Congress, in establishing the second-class category and its special rate, recognized clearly the need for all citizens--urban and rural--to have access to printed information at reasonable costs. It was the deliberate intent of Congress to foster a wide variety of publications and to assure their availability throughout the nation--at a subsidy, if necessary. We believe that the Postal Service, in its zeal to increase revenues, has ignored the intent of Congress and is likewise ignoring the need for economical distribution of information. Today, we find many publications responding to increased postage costs by restricting their circulation to higher-income urban and suburban areas in order to cut printing and delivery expenses.

Under present Postal Service philosophy and in the absence of further Congressional encouragement for wide dissemination of periodicals

through the mail, it is easy to see the logical extension of this kind of a restriction on who can subscribe: Rural people will be unable to obtain many of the publications that are widely circulated within the cities or suburbs. Restricted circulation, coupled with postal rates that penalize smaller, specialized publications will slow to a trickle the already shallow flow of publications to rural areas. (One can imagine, too, that this slowdown of information to rural areas will add "justification" to the Postal Service's desire to curtail or eliminate service in small towns and rural areas.)

Because of our concern for the right of rural residents to have access to a wide variety of publications and for their right to have mail service which they can afford on a par with city residents, we support S. 2844 as a step in this direction.

In particular:

--We support an additional public-service appropriation for Fiscal 1977, 1978 and 1979.

--We support the requirement that the Postal Service outline what it is doing to comply with the policy section of the Postal Reorganization Act.

--We support the provision that would require Senate confirmation of Postal Rate Commissioners.

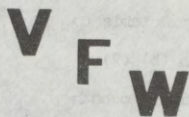
--We support those provisions which are aimed at expediting rate proceedings and which delay "temporary rates" until 10 months after the Postal Service request.

--Above all, we support the establishment of a Commission on Postal Service to identify and study the public-service functions of the Postal Service and to recommend how those functions may be defined and their costs identified and estimated.

We are confident that such a Commission will not allow an important segment of communications--the small periodical--to be forced out of business because of mailing costs.

Additionally, we would like to suggest that the Committee give consideration to simplifying hearing procedures before the Postal Rate Commission by removing the requirement for adjudicatory-type hearings under the Administrative Procedures Act and substituting a requirement for legislative-type public hearings. The present procedures result in highly legalistic and technical interpretations of, for instance, what constitutes costs and which costs can be assigned to what category of mailers. It is our belief that a central issue involved in the development of rate structures is whether or not the proposed rates are in the public interest and whether or not they unduly penalize a particular class of mail or mailers. These are issues we feel should be given consideration in rate determinations.

Mr. Chairman and members of the Committee, I would like to close by pointing out that an informed membership is a most essential ingredient in the success of any consumer cooperative organization. It is even more important to the success of our democracy that all citizens have access to a variety of information. For these reasons, we urge that this legislation be enacted as a means of providing a first step to getting the service back in the Postal Service.



VETERANS OF FOREIGN WARS OF THE UNITED STATES

NATIONAL LEGISLATIVE SERVICE

Office of Director

STATEMENT OF

DONALD H. SCHWAB, DIRECTOR
NATIONAL LEGISLATIVE SERVICE

TO THE

POST OFFICE AND CIVIL SERVICE COMMITTEE
UNITED STATES SENATE

WITH RESPECT TO PENDING LEGISLATION ADDRESSING ORGANIZATIONAL AND FINANCIAL MATTERS OF THE UNITED STATES POSTAL SERVICE AND THE POSTAL RATE COMMISSION

WASHINGTON, D. C.

APRIL 21, 1976

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

Thank you for the privilege of presenting to this distinguished Committee the views of the Veterans of Foreign Wars of the United States regarding the organizational and financial matters of the United States Postal Service and the Postal Rate Commission.

My name is Donald H. Schwab, and my title is Director of the National Legislative Service of the Veterans of Foreign Wars of the United States.

Although the bill now before you, S. 2844, introduced by the Honorable Quentin N. Burdick for the Chairman of this Committee, the Honorable Gale W. McGee, contains a number of worthwhile provisions, we believe amendment thereto is imperative if wholesome, worthwhile non-profit publications are to survive.

As you are aware, Section 3622 of the Postal Reorganization Act enunciates eight criteria to be followed by the Commissioner of the Postal Rate Commission in setting postal rates. Although Subparagraph (b) (3) of Section 3622 stipulates



each class of mail will bear the direct or indirect postal costs attributable to that class, other listed criteria, and most specifically Subparagraph (b) (2), direct the Commission to give due consideration to the value of the mail to both the sender and recipient in setting postal rates. The Postal Rate Commission has failed to abide by all the Congressionally determined criteria for setting rates. Most unfortunately, the Postal Reorganization Act provided neither definition nor guidelines for defining "attributable" costs. In the absence thereof, the Postal Service and the Postal Rate Commission have eroded prior traditional rates for non-profit organizations. The pre-1970 non-profit rate was approximately 46 percent of the full rate, and this has been increased by the Postal Service to approximately 56 percent currently. The Officer of the Commission has proposed a non-profit rate of almost 80 percent of the full rate. Translated into dollars, the mailing costs of our VFW Magazine with a monthly circulation of 1.8 million have risen in the last five years from \$95,000 per annum to \$323,000 this year under the current rate. An increase to 80 percent could well toll the death knell for this periodic magazine which has been published since September, 1924, over half a century.

The primary objectives of the V.F.W., and the keystones of our Magazine, are to insure the national security through maximum military strength; to speed the rehabilitation of the nation's disabled and needy veterans; to assist widows and orphans, and dependents of disabled and needy veterans; and to promote Americanism through education in patriotism and constructive service to the communities in which we live. In addition, the V.F.W. Magazine is one of very few vehicles by which veterans are informed of their benefits and kept abreast of changes in those benefits. To the news media veterans benefits and activities are not normally

considered newsworthy, and therefore there is a paucity of such information in the press, on the radio or television.

In view of the foregoing, we urge in the strongest terms your full support of an amendment to S. 2844 to provide that qualified non-profit organizations shall pay postage rates in an amount not to exceed 50 percent of whatever postage rates are established for non-preferred mail.

It is our opinion the intent of Section 3622 of the Postal Reorganization Act is to recognize some mail is of much greater value to the moral fiber of our nation and should not be confronted with the necessity to pay its own way. In addition, appropriations authorized by Section 2401, Title 39 of the United States Code, constitute recognition by the Congress of the United States the futility of requiring the Postal Service to pay its own way.

The Veterans of Foreign Wars appreciates the deep concern of this Committee with the functioning of the United States Postal Service. We trust you will give full consideration to our concern and take necessary action to ascertain rates will not be imposed which would cause our V.F.W. Magazine to go defunct.

Thank you.

Public Employee Department AFL-CIO

815 SIXTEENTH STREET, N.W., WASHINGTON, D.C. 20006 • (202) 393-2820-21

WILLIAM H. McCLENNAN
President

CLYDE M. WEBBER
Treasurer

STATEMENT BY THE PUBLIC EMPLOYEE DEPARTMENT, AFL-CIO

TO THE

SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON S-2844 (POSTAL SUBSIDY)

April 23, 1976

Mr. Chairman and Members of the Committee:

The Department desires to express its wholehearted support of the bill introduced by the distinguished chairman of the Committee, Senator Gale W. McGee.

Twenty-nine AFL-CIO national and international unions representing employees in the Postal Service, federal agencies and state and local jurisdictions comprise the Department.

The simple fact is that the high hopes for postal operations engendered by enactment of the Postal Reorganization Act of 1970 have not been fulfilled. Instead, the past five years have witnessed a seemingly endless cycle of increased rates, declining business and reduced service to postal customers.

Like so many other functions of government at all levels in our country, postal operations are undergoing severe criticism by mail users. At the moment, the Postal Service appears to be drifting towards disaster. These events are occurring in a period of the nation's history when there has been an explosion in communications through the accelerated development of scientific methods of transmitting information. Unfortunately, the Postal Service has not been able to keep abreast of this surge in the dissemination of letters, publications and packages.

But with all of its current ills, the federal government's postal operation has performed an essential and generally efficient service to its customers here and abroad for almost 200 years. Our Department views the Postal Service as a seriously ill patient, which, with intensive care, can be revitalized and restored to full health. We hope this recovery will occur, particularly since the federal responsibility for a postal system has constitutional origin.

The Executive Board of our Department addressed itself to this serious problem in February, 1976. It announced full endorsement to the measure sponsored by Chairman McGee. Subsequently, the AFL-CIO Executive Council asserted its support of the legislation.

One of the most disconcerting aspects of this entire problem has been the opposition to S-2844 advanced by various members of the Ford Administration, including the President himself. They have adopted a callous stance reminiscent of the attitude expressed during the financial crisis experienced by New York City last year. It amounts to "letting them stew in their own juice."

Historically, the labor movement has strongly supported the free enterprise system prevailing in our country. But it has recognized also that there are certain public services which must be supplied by governments at various levels. Processing mail is a prime example. Without the service provided by the federal government in transmitting mail of all kinds throughout the history of the United States, it would have been impossible for us to progress as we have culturally, socially and commercially.

As a nation, we cannot afford to allow the Postal Service to slide into a catastrophe because of failure to exert heroic efforts to remedy its current problems.

Recently, the Assistant Postmaster General for Finance was quoted as posing this question -

"Is it necessary that we get our mail delivered to us every day?"

He then offered this observation -

"People do not view, and we certainly do not view, the mail service as having the same importance as 30 or 40 years ago."

We do not know the basis for this question and comment. But to the ordinary workers represented by unions associated with our Department and their families it's not only necessary but essential that they receive mail daily and that the Postal Service continues to play a very important part in their ability to communicate with their families, friends and the companies with which they transact business.

In this welter of discouraging developments, it is heartening to learn that a recent study by the General Accounting Office (B-114874 - March 5, 1976) found that a slight extension in the amount of time entailed in delivery of mail by the Service has been more than offset by higher employee productivity and consequent savings in labor costs.

The bill under consideration by the Committee represents a modest outlay of federal funds and a rational method of appraising postal deficiencies within a reasonable period so that Congress can take needed, long-range remedial action.

The authorization in Section 2 of appropriations from general revenue not exceeding 10% of the estimated operating expenses of the Service in fiscal 1977, 1978 and 1979, will supply an essential infusion of funds to avoid the financial disaster Postal Service officials are predicting.

Establishment of an independent Postal Rate Commission of qualified experts with a charter to explore fully all aspects of postal operations and

report its findings and recommendations to Congress and the President within two years of its creation will afford an opportunity to pinpoint the reforms which must be instituted to restore it as a full-service government entity.

Despite the attention Congress has devoted to postal operations, both before and following passage of the Postal Reorganization Act, no satisfactory definition of the public service obligation of the Service has been achieved. The responsibility of the general public to shoulder a fair share of financing compared to the portion to be assessed against groups of mail users requires clarification. The Postal Rate Commission authorized by S-2844 will be able to address itself authoritatively to this complex problem.

There is one amendment that the Public Employee Department recommend for your consideration. We propose addition of this language to Section 3626 of the Postal Reorganization Act -

"...but in no event to exceed 50 percent of the regular postage rate applicable to said class or kind of mail."

The purpose of our proposal is to extend to non-profit organizations, such as trade unions, the "preferred" rate in effect before enactment of the 1970 postal statute for these publications. They are a vital communications link between members and their unions. In the absence of such an amendment, we are most apprehensive that many union papers will simply have to discontinue publication, because rate increases will become prohibitive.

We in the Public Employee Department wish to commend Chairman McGee and the other members of the Committee for your desire to cope with the severe financial straits of the Postal Service with its vast implications for the survival of this historical and essential aspect of the American way of life.

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April 26, 1976

The Honorable Gale W. McGee
Chairman
Post Office and Civil Service
Committee
U.S. Senate
Washington, D.C.

RE: S.2844, The Postal Reor-
ganization Act Amendments
of 1976

Dear Senator McGee:

We are counsel to Commerce Clearing House, Inc. ("CCH"), a publisher of looseleaf publications. CCH's looseleaf publications have regularly been admitted to second-class mailing privileges, in some cases for as long as 30 years or more. Recently, however, the United States Postal Service initiated administrative proceedings to terminate their second-class privileges, claiming that their prior history of admission had been simply a mistake. These proceedings have been commenced against the publications of other looseleaf publishers as well as CCH, including the Bureau of National Affairs, Inc., Prentice-Hall, Inc., and Research Institute of America, Inc.

In response to the Postal Service's action, the House of Representatives included section 10 in H.R. 8603, the Postal Reorganization Act Amendments of 1975, which passed on October 30, 1975. Section 10 confirms the intent of Congress that looseleaf publications be eligible for second-class mailing privileges. CCH and the other publishers referred to above support section 10 and urge that you consider adding an identical provision in S.2844, the Postal Reorganization Act Amendments of 1976.

To further explain the arguments in support of section 10, CCH and the other looseleaf publishers have jointly prepared a brief statement outlining the reasons why the retention of second-class privileges by looseleaf publications is in the public interest. We respectfully urge that this statement be given careful consideration by you and by the other members of the Committee, and that it be made a part of the Committee's record concerning S.2844.

If you have any questions concerning this statement, please contact me or Michael Nemeroff in our Washington office.

Sincerely,

Morris I. Leibman

Morris I. Leibman

MIL:nd

HYDEMAN, MASON & GOODELL

1225 NINETEENTH STREET, N.W.
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CABLE ADDRESS
HASTEN

April 26, 1976

The Honorable Gale W. McGee
Chairman
Post Office and Civil Service
Committee
U.S. Senate
Washington, D.C.

Re: S.2844, The Postal Reorganization
Act Amendments of 1976

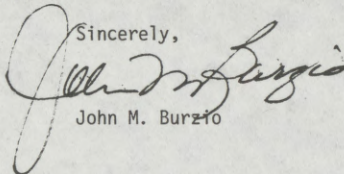
Dear Mr. Chairman:

I am counsel to the Bureau of National Affairs, Inc. (BNA). BNA publishes over 30 looseleaf publications whose second-class mail privileges are under threat of revocation by the Postal Service. These privileges have, in some cases, been held for as long as 30 years.

BNA joins in the joint statement submitted to you on behalf of Commerce Clearing House, Inc., the Bureau of National Affairs, Inc., Prentice-Hall, Inc., and Research Institute of America, Inc., which explains why looseleaf publications are entitled to retain their second-class mail privileges and why the Postal Service's proposed revocation of those privileges is erroneous.

On behalf of BNA, I respectfully request that you consider favorably an amendment to your Bill, S.2844, which would preserve the second-class mail privileges which looseleaf publications have had since their inception.

Sincerely,



John M. Burzio

JMB:db1

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 LEONARD H. MARKS
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April 26, 1976

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

Dear Senator McGee

The undersigned represents Prentice-Hall, Inc. and Research Institute of America, Inc., publishers of Loose Leaf Services and other educational materials.

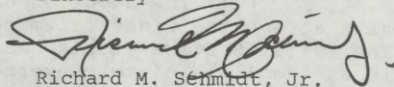
We have joined with other companies active in this field in preparation of the statement to be submitted to your committee in lieu of testimony of S.2844, the Postal Reorganization Acts Amendment of 1976.

We support Section 10 of H.R. 8603 which passed the House of Representatives on October 30, 1975 and confirms the intent of Congress that Loose Leaf Publications should be allowed to continue to have second class mailing privileges. We respectfully urge your support of Section 10 and that this provision be incorporated in S.2844.

We ask that the statement attached hereto be made a part of the Committee's record in S.2844.

If you or your staff have any further questions concerning this we shall be delighted to meet with you at any time.

Sincerely


 Richard M. Schmidt, Jr.

Enc.

SUMMARY

Statement Of
Commerce Clearing House, Inc.
Bureau of National Affairs, Inc.
Prentice-Hall, Inc.
Research Institute of America, Inc.
Supporting The Retention Of Second-Class Mailing
Privileges By Looseleaf Publications

More than 100 looseleaf publications have been admitted to second-class mailing privileges, in some cases for as long as thirty years or more. Recently, however, the United States Postal Service initiated administrative proceedings to terminate their second-class mailing privileges. The publications of Commerce Clearing House, Inc., Bureau of National Affairs, Inc., Prentice-Hall, Inc., and Research Institute of America, Inc. are among those affected.

In response to the Postal Service's action, the House of Representatives included section 10 in H.R. 8603, the Postal Reorganization Act Amendments of 1975, which passed on October 30, 1975. Section 10 confirms the intent of Congress that looseleaf publications be eligible for second-class class mailing privileges.

There are four main arguments that support the inclusion of section 10 in S.2844, the Postal Reorganization Act Amendments of 1976:

(1) Section 10 confirms the traditional interpretation of Postal law; it would not provide a new privilege to the affected publications. Looseleaf publications have regularly been admitted to second-class mailing privileges for many years. Action by the Congress is necessary to avoid disruption in the distribution of these publications which will occur if second-class mailing privileges are terminated.

(2) The adoption of section 10 will not materially affect the financial condition of the Postal Service. The Postal Service itself has described the cost of section 10 as "negligible" in conversations with the staff of the House Postal Service Subcommittee.

(3) The termination of the second-class mailing privileges of looseleaf publications will severely affect colleges, universities, public libraries and other publicly supported institutions. Typically, these institutions subscribe to large numbers of publications and are the least able to afford the additional costs that will result if second-class mailing privileges are terminated.

(4) Looseleaf publications perform the important public service of informing a wide range of persons and institutions concerning current government activities. Congress recognized that the government relies on looseleaf publications to provide this service when it passed the Freedom of Information Act Amendments of 1974. Performance of this public service will be impaired if second-class mailing privileges are terminated.

Statement Of
Commerce Clearing House, Inc.
Bureau of National Affairs, Inc.
Prentice-Hall, Inc.
Research Institute of America, Inc.
Supporting The Retention Of Second-Class Mailing
Privileges By Looseleaf Publications

Background

Looseleaf publications provide current news concerning developments in the law and public policy to specialists in government, the academic community, and private industry who must be informed on the latest developments in many areas of government regulation. To provide this information, a broad variety of publications have developed over the years, and issues of many looseleaf publications are published on a weekly basis, while special additional bulletins are not infrequent. Looseleaf publications were first admitted to second class in the 1940's. Since their initial admission, the United States Postal Service ("Postal Service") has determined that more than one hundred looseleaf publications are entitled to be mailed at second-class rates.

Recently, however, the Postal Service reversed its policy toward these publications and initiated administrative proceedings to terminate their second-class privileges; these proceedings are now pending. At almost

the same time, the Postal Service also commenced administrative proceedings to terminate the second-class privileges of college catalogs and bulletins. These publications were first admitted to second class in 1904, and until the Postal Service's recent policy reversal, they had always been viewed as entitled to second-class privileges.'

In response, the House of Representatives passed a provision to prevent the Postal Service from carrying out its new policy. Section 10 of H.R. 8603, the Postal Reorganization Act Amendments of 1975, which passed on October 30, 1975, confirms the entitlement of college catalogs and bulletins and looseleaf publications to second-class privileges. Section 10 states in relevant part that:

"[T]he term 'periodical publications' as used in former section 4351 of this title includes (A) any catalog or other course listing, including mail announcements of legal texts which are part of post-bar admission education issued by any institution of higher education or by a nonprofit organization engaged in continuing legal education; and (B) any looseleaf page or report (including any index, instruction for filing, table, or sectional identifier which is an integral part of such report) which is designed as part of a looseleaf reporting service concerning developments in the law or public policy.

"(2) Any material described in paragraph (1) of this subsection shall qualify to be entered and mailed as

second class mail in accordance with the applicable provisions of former section 4352 through former section 4357 of this title."

The purpose of second-class rates has always been to foster the broad dissemination of information, ideas and opinions. Under Postal law that dates back to 1879, second-class privileges are available to "newspapers and other periodical publications" that meet certain other technical requirements.^{*/} The Postal Service acknowledges that looseleaf publications meet these technical requirements, but it claims that these publications are not "newspapers and other periodical publications."

The term "newspapers and other periodical publications" is not defined by Postal law. It has been construed, however, by a line of Supreme Court cases decided in the period 1904-1912, the most important of which is Houghton v. Payne, 194 U.S. 88 (1904). Houghton held that books were not entitled to second-class privileges. The Postal Service has consistently relied on Houghton and its progeny to determine whether publications are "newspapers or other periodical publications."

^{*/} For example, under these technical requirements a second-class publication must be issued regularly (at least four times each year) from a known office of publication, on printed sheets, "for the purpose of disseminating information of a public character" In addition, second-class publications must have a legitimate list of subscribers, and not be designed primarily for advertising purposes nor for free or nominal rate distribution. Postal Service Manual §132.22.

Since Houghton was well established precedent many years before the admission of looseleaf publications to second class, it is evident that the Postal Service long considered these publications as meeting all of the requirements for entry to second class as intepreted by the Supreme Court. Because the character of these publications has not changed since they were first admitted, the Postal Service's test must have been changed in the interim. The Postal Service claims that it mistakenly admitted these publications, and it argues that it has the right to correct its errors. The large number of publications involved, however, demonstrates a broad reversal in policy rather than the correction of isolated errors as the Postal Service claims.

In order to confirm the entitlement of looseleaf publications to second-class mail, we believe that the Senate Post Office and Civil Service Committee should add a provision like section 10 of H.R. 8603 to S.2844, the Postal Reorganization Act Amendments of 1976. Set out below are the arguments in support of this proposal.

Arguments Supporting The Addition
Of A Provision Like Section 10
Of H.R. 8603 In The Senate Bill

1. Section 10 is intended to confirm the traditional interpretation of the Postal law concerning the entitlement of looseleaf publications to second-class mail.

Looseleaf publications provide current news concerning developments in the law and public policy to specialists in government, the academic community, and private industry who must be informed on the latest events in many areas of regulation. Frequently, looseleaf publications are the first and often they are the only source of reliable information about changes in the law, regulations, and policies of federal, state, or local governments. As the House Report to H.R. 8603 stated: "These services are a most important element in the circulation to the public of information about our laws and government policies." H. Rep. No. 94-391, 94th Cong. 1st Sess., at 10 (1975) (hereinafter "House Report").

The second-class mail category was established by Congress to foster the broad dissemination of ideas, information, and opinion. As Representative Cannon said of second class in 1879, "this is a means for information and education of the people." 8 Cong. Rec. 692 (January 23, 1879). Congress

has always intended that publications performing this function should be admitted to second class. As stated in a Congressionally authorized study of second class in 1907,

"[T]he class of objects intended to be given the second class privilege are instrumentalities for the dissemination of the current knowledge of the world, whether related to public affairs, literature, art, or science." H.R. Doc. No. 608, 59th Cong., 2d Sess., XXXVIII (1907) .

Thus, it is not by accident that looseleaf publications were admitted to second class. They perform, and have always performed, the precise function that Congress intended as the fundamental test for entitlement to second class.

The House included section 10 in H.R. 8603 in order to confirm the traditional entitlement of looseleaf publications to second-class mail, as well as college catalogs and bulletins. The passage of a provision like section 10 of H.R. 8603 would not provide a new privilege to the affected publications. It would merely confirm Congressional intent and the previous, well-accepted

policy of the Postal Service that these publications are "newspapers and other periodical publications."^{*/}

Action by the Congress is necessary because looseleaf publications are not likely to prevail in the Postal Service's administrative proceedings. While the publishers' position may eventually be vindicated by the courts, such a decision is years away. In the interim, publishers would have to find alternative ways of delivering these publications. Because of the long-term reliance of looseleaf publications on second-class privileges, substantial disruption is likely to result. To avoid disruption in delivery and the probable termination of some publications because of the loss of the second-class entitlement, Congress should step in and confirm the traditional interpretation of second-class privileges.

^{*/} It is important to note that the House bill will not broaden the rights of these publications to second class. Should any of these publications fail to meet any of the technical requirements of second class, the House bill would not prevent the Postal Service from terminating their second-class privileges.

2. The adoption of section 10 will not affect materially the financial condition of the Postal Service.

Because the Postal Service has not terminated the second-class privileges of any looseleaf publications, the adoption of section 10 would, with respect to these publications, deprive the Postal Service of no additional revenue. Although the second-class privileges of some college catalogs and bulletins have recently been terminated, the lost revenue to the Postal Service resulting from passage of this provision is extremely small. The Postal Service has informally stated to the staff of the House Postal Service Subcommittee that the revenues produced by the revocation of second-class privileges for college catalogs and bulletins and looseleaf publications will be "negligible." Thus, it may reasonably be concluded that the adoption of section 10 will have no material affect on the Postal Service's financial condition.

3. The revocation of second-class privileges will most severely affect colleges, universities, public libraries, and other publicly supported institutions because these institutions are the least able to afford additional postal costs.

Colleges, universities, public libraries, and many other publicly supported institutions are among the major subscribers to looseleaf publications. For some

publications, these institutions comprise as much as 60 percent of all subscribers. Typically, these institutions subscribe to large numbers of publications. For example, George Washington University Law School subscribes to approximately 26 publications mailed at second-class rates from a single looseleaf publisher and to additional publications from other publishers. One law school at the University of Missouri maintains approximately 32 publications of the same publisher mailed at second-class rates and also subscribes to additional publications of other publishers.

The revocation of the second-class mailing privileges of looseleaf publications would have a severe impact upon the dissemination of information concerning governmental activities and affairs at these institutions. The very reason for the existence of these periodicals is the delivery of the most current information available. If second-class privileges are revoked, these publications will have to be mailed at first-class rates. Third-class or fourth-class service is not a practical alternative because the slower and less reliable delivery provided would destroy the value of looseleaf publications as a source of

current information. ^{*}/ Mailing looseleaf publications at first-class rates, however, will multiply postal costs as much as 30 times for some publications. With respect to the challenged periodicals of one publisher (40 in number), the increase in postal costs for all 40 challenged publications would exceed 64 percent of the entire 1975 profit before taxes on these publications. Thus, publishers will be forced to pass these costs through to subscribers.

^{*}/ One publisher tested the speed and reliability of third-class mail by mailing two of its publications as third-class mail instead of as second-class mail. The first mailing occurred on August 5, 1975, to 2750 subscribers, who were asked to inform the publisher when they received the publication. Through September 24, 1975, 480 responses were received--a return rate of 17.5 percent. A similar test was commenced on September 24, and a return rate of 22.9 percent was achieved. As a basis of comparison another publication was mailed at first-class rates on August 19, 1975.

The survey showed that publications mailed at the third-class rate took far longer to deliver than the publication mailed at first-class rates. Almost all of the third-class mail took more than one week to deliver, and nearly half took approximately two weeks to deliver. By contrast, most of the first-class mail was delivered in less than three days.

Many looseleaf publications are prepared and mailed on a weekly basis, and extra editions on important events are not infrequent. Delivery at third-class rates would deprive these publications of their topical impact. Thus, publishers would have no alternative but to deliver them as first-class mail, if second-class privileges are revoked.

Colleges, universities, public libraries, and other publicly supported institutions, those least able to afford the additional cost, and often subscribers to the largest number of publications, will be severely affected. Either these institutions will absorb the additional costs, or they will reduce the number of publications to which they subscribe, thereby reducing the dissemination of information concerning governmental activities to the academic community. Neither alternative is a desirable result of public policy.

4. Looseleaf publications perform the important public service of informing a wide range of persons and institutions concerning current governmental activities. The Congress has recognized that the government relies on looseleaf publications to provide this service.

The importance of looseleaf publications in providing current news to the public concerning developments in the law and government policy was recognized by the Congress in 1974 during its consideration of the Freedom of Information Act Amendments, P.L. 93-502. That Act requires Federal agencies to publish indexes of policy statements, opinions, and orders made in agency adjudications. The Department of Justice, in commenting on the bill that eventually became P.L. 93-502, noted that looseleaf publications provide the required indexes and to require the government to do so as well, "would be an inefficient and expensive duplication of function."

H. Rep. No. 93-876, 3 U.S. Code, Cong. and Admin. News 6278 (1974). The Congress accepted the Department's comments, specifically recognized the role of looseleaf publications in carrying out the aims of the Freedom of Information Act, and concluded that: "Where agency indexes are now published by commercial firms . . . such publications would satisfy the requirements of this amendment" S. Conf. Rep. No. 93-1200, 3 U.S. Code, Cong. and Admin. News 6286 (1974).

Second-class privileges are intended to foster the dissemination of information, ideas and opinions. This is precisely the function performed by looseleaf periodicals and recognized by Congress in connection with the Freedom of Information Act. The termination of second-class privileges would disrupt the delivery of these publications and hamper their ability to perform this vital public service.

Conclusion

The Senate should add a provision to S.2844 which confirms the entitlement of college catalogs and bulletins and looseleaf publications to second-class privileges. These publications have been mailed at second-class rates for many years, and revocation proceedings initiated by the Postal Service are an un-

justified reversal of the long-accepted construction of Postal law and Congressional intent. The passage of a provision like section 10 will not materially affect the financial condition of the Postal Service. On the other hand, the policy that the Postal Service is pursuing will have serious financial consequences to colleges, universities and other publicly supported institutions, and will seriously disrupt a publishing industry that has gradually developed in reliance upon second-class privileges. The passage of a provision like section 10 will permit looseleaf publications to continue to disseminate current news concerning law and government policy to broad segments of the public as Congress intended when it enacted the Freedom of Information Act Amendments of 1974.

Statement of the
American Library Association
for the

Senate Committee on Post Office and Civil Service
on S. 2844

April 28, 1976

The American Library Association is a nonprofit educational organization founded in 1876 and currently comprises over 35,000 librarians, trustees, educators and other citizens dedicated to the development of libraries as essential factors in the continued educational, economic, scientific and cultural advancement of the American people. The Association's concern spans all types of libraries: state, public, school and academic libraries, research and law libraries, special libraries serving persons in government, commerce and industry, the arts, the armed services, hospitals and other institutions.

The American Library Association has been consistently concerned over the years with postal matters, and with all classes of mail. It is encouraging to see that S. 2844 recognizes that the Postal Service is a public service first and foremost, and that it authorizes an increase in the public-service allowance to the Postal Service. We fully support this approach. The purpose of this statement is to suggest that S. 2844 would be strengthened by including three provisions which are in the House-passed bill (HR 8603).

The first provision would amend Section 3622(b) of title 39 U.S.C. by adding "the educational, cultural, scientific and informational value to the recipient of mail matter" to the criteria the Postal Rate Commission must consider in setting rates. The legislative history of the postal laws over many years indicates Congress' intent that postal rates reflect the educational and cultural value of books and

related materials. However, since the Post Office Department and the new Postal Service and Rate Commission have not always taken this intent seriously, it is necessary to spell it out. We therefore strongly endorse this amendment.

The second amendment would provide in Section 3626 of title 39 U.S.C. for continuation of second-class mailing privileges to college catalogs and bulletins and looseleaf publications. Although these materials have been mailed second class for many years, the Postal Service is currently revoking second-class permits for bulletins of colleges and universities on the grounds that they are technically not periodicals, and doing the same for certain looseleaf services.

College catalogs are considered periodicals by all libraries which receive them; they are a public service and provide current information on educational opportunities which must be current and widely distributed to be useful. To deny second-class mailing privileges to these publications would slow the speed and raise the cost of mailing to such an extent that their availability to prospective students would be seriously curtailed, as would the capability of libraries to maintain collections of them for the public. It has been estimated that switching from second-class mail to third or fourth class would cost a college approximately a tenfold increase in postage for its catalogs. Switching from second-class to first-class, in an effort to maintain timely delivery, would increase postal costs about 30 times. This is a financial burden that neither the educational institution nor the library ordering the catalog can afford to bear.

Looseleaf publications are among the most important reference tools in many libraries. They provide up-to-date news concerning developments in the law, public policy and government regulations by publishing the latest changes once a week or more often in looseleaf form and distributing them quickly. If looseleaf publications were to be sent as slower third or fourth-class mail their value would be

considerably reduced, and public access to prompt information about governmental activities would be curtailed. Therefore we believe the term "periodical publications" as defined for purposes of second-class mail should specifically include college catalogs and looseleaf publications.

The third amendment concerns Section 2683 of title 39 U.S.C. and would permit books and related materials to be sent to as well as from libraries, schools, colleges and universities at the library rate. Libraries pay the postage on book shipments received by mail from publishers. This amendment would help to keep the postal cost down, thereby allowing libraries to concentrate their dwindling funds on library resources and services.

The mails are used on the average for more than half of the incoming volume of books which libraries buy for their collections. In some cases, especially for public and school libraries in sparsely settled parts of the country, upwards of 90 percent of library receipts of books are through the mails. In these times of budget stringency libraries are not able to increase their budgets to allow for increased postage costs but must instead cut back on purchase of books. A survey of the 50 State Library Agencies showed that many of them are spending over twice as much for postage as they did five years ago. A sampling of 93 academic libraries of various sizes and types showed that on the average they are spending 104 percent more on postage than they did five years ago, with increases ranging up to 1,775 percent.

The special fourth-class library rate has made feasible services which might not otherwise exist, such as extensive interlibrary loan and books-by-mail service to reach residents in remote areas or those who are handicapped, homebound or institutionalized. Since the postage charges on book shipments from publishers (whatever the rate) are passed on to libraries, we feel the library rate should be extended to include books mailed to as well as from libraries. We feel also that the

library rate should not be allowed to rise rapidly, because every additional dollar libraries are required to spend on postage means a dollar less spent on books and other publications for the use of the public.

We urge the Committee's prompt and favorable action on S. 2844, including the amendments listed above, so that the measure can be enacted into law without delay. We appreciate the opportunity to state the views of the American Library Association. It is our hope that with the Committee's leadership the 94th Congress will take substantial action to provide support for the public service activities of the U.S. Postal Service.

ANPA AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION
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STATEMENT OF JERRY W. FRIEDHEIM, GENERAL MANAGER
 AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION BEFORE
 SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
 ON S. 2844 - April 28, 1976

The American Newspaper Publishers Association is an association of more than 1160 newspapers having more than 90 percent of the total daily newspaper circulation in the United States.

ANPA wishes to go on record as supporting the Public Service Appropriation in S. 2844 for FY 1977, 1978 and 1979 not to exceed 10 percent of the total operating expenses of the Postal Service for the fiscal year for which such appropriations are requested. We understand this is an additional public service appropriation, over and above the existing \$920 million already authorized under existing law through FY 1979.

ANPA has always maintained that there has been more than a little wishful thinking associated with the obsession to develop a totally self-supporting postal service. From the beginnings of the Republic, the concept of the postal service has been that it is a national communication system with an obligation to serve every citizen, regardless of whether he lives in a metropolitan area or on a rural route. The original words Rural Free Delivery embody the concept of a national obligation to serve the citizen in rural areas.

In some respects this concept is incompatible with the idea of postal revenue paying all the costs of such a national communications

system. One reason is that an enterprise totally dedicated to balancing its expenses and revenues could never afford to maintain such costly daily service in sparsely populated rural areas, nor could it maintain more than 30,000 branches, as the USPS does to serve many purposes for all citizens everywhere.

Only a realistic view of the necessity of maintaining the Postal Service as a national public service can solve this problem. The costs of preserving it should be fairly apportioned, partly to mail users and partly to taxpayers generally. We believe legislation in S. 2844 offers the only real hope of restoring reasonable concepts to postal operation. It has always been agreed that there are substantial costs which cannot be fairly apportioned to the four classes of the mails, but instead should be paid by the Treasury to recognize the public service aspects of the total system.

STATEMENT OF STEPHEN E. KELLY
PRESIDENT, MAGAZINE PUBLISHERS ASSOCIATION
Submitted to
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

April 29, 1976

The Magazine Publishers Association is pleased to submit this statement reflecting its views on S-2844, introduced on January 19, 1976.

As brief background, our Association numbers 125 companies in its membership, who in turn publish 450 separate consumer magazines. MPA's magazine members account for about 60% of all magazine circulation reported by the Audit Bureau of Circulation.

Most of our members depend on the Postal Service for the delivery of their products. They also sell their magazines to readers via mail solicitation, and process billing and collections by mail as well. Subscribers notify our publishers of service complaints through the mail; they use the mail to tell our publishers when their addresses change; and they use it as their transmission channel to praise or chastise editors for published articles of broad or specialized interest. The Postal Service does indeed, for this citizenry of magazine readers, "bind the nation together through the personal, educational, literary and business correspondence of the people" as stated in the policy section of the Postal Reorganization Act of 1970.

It is of no insignificant interest, therefore, to MPA's members, that efforts to ameliorate the present fiscal crisis of the Postal Service as contained in the provisions of S-2844 be favorably acted upon by the Congress and the Administration. Without such action, the very existence of the Institution is threatened. While many of our members could undoubtedly develop alternate delivery sources to the Postal Service in the larger metropolitan areas, (and some are being tested today), such systems would not necessarily be efficient in serving all metropolitan addresses or in the more rural areas. As a result, many citizens could effectively be deprived of important information sources except at a prohibitive cost, which goes against the tradition of a public service oriented postal system established by the Founding Fathers and which tradition has been reaffirmed by the Congress on countless occasions since Ben Franklin's time.

Soon after S-2844 was introduced, a statement summarizing the precarious fiscal situation of the Postal Service was inserted into the Congressional Record by Chairman McGee. The statement noted that three avenues were open to augment postal revenues: more frequent rate increases, drastic cuts in service, or increased appropriations to cover those Public Service functions of the postal establishment which can never be self-sustaining.

In examining each of these avenues from the position of a major user of the mails, we can only concur in the conclusions the Chairman reached. In regard to more frequent rate increases, he states that "increases cannot, in themselves, resolve the problem of today's postal deficit." It is common knowledge that mail volume is on the decline; it is also common knowledge that rate increases for all classes of mailers have been severe since Reorganization -- larger than any increase in the Consumer Price Index or any other recognized economic measure. First class rates are up 63% since 1971; second class rates - for magazines and newspapers - are up over 100% and will be up by 300% three years from now over the rates in force when Reorganization took hold, assuming that the necessary revenue foregone is appropriated annually. Without such appropriation, second class rates could reach the 300% plateau as early as October 1976. Other rates for other classes of mail have also increased by very substantial amounts in the interim and are already scheduled to go higher in the years immediately ahead.

While reasonable increases must be expected in all costs of doing business, too frequent postal boosts will serve only to drive more of the important, large volume mail to non-postal sources, sources that do not perform all the services required of USPS or with the same frequency. The cost to those without alternative sources will in turn escalate, as the Postal Service's fixed costs and no-cut labor agreements will remain.

The avenue that could be provided by drastic cuts in service does not seem, of itself, sufficient to stem the current deficit. For instance, closing 12,000 small post offices, according to GAO, will only save \$100 million. Yet the Postal Service's accumulated deficit, by its own estimates, will be \$3.6 billion by September 30, 1976, and one billion more by September 30, 1977. Surely improved productivity is a desirable goal; nonetheless, the realities represented by the size of the deficit indicate that service cuts by themselves will not significantly reduce the deficit figure.

Thus the avenue suggested in S-2844 seems far and away the best solution to the fiscal problems confronting USPS. It provides, through a three year authorization, funds of sufficient enough size to help the Postal Service reduce the current deficit to a more manageable level, and it should serve to keep any future rate increases to more modest steps. It also, and most importantly, requires a comprehensive accounting by USPS to appropriate Congressional Committees each year before the funds called for are released, as well as calling for a detailed statement of plans, policies and procedures relating thereto.

By establishing a Study Commission to report back within two years on the public service aspects of the Postal Service, a second major problem area will come under scrutiny -- that of the ultimate break-even concept enumerated in the Reorganization Act of 1970. The Commission "shall identify and study the public service function of the United States Postal Service and shall recommend to what extent and by what means such function may be defined and costs thereof reasonably estimated." In addition, the Study Commission "shall determine the extent to which the public service functions of the Postal Service shall be supported by appropriations."

The Commission has a most significant role to play in identifying those functions of a public service nature that shall be supported on a permanent basis by appropriations. Such identification, followed by fiscal authorization, would serve to supercede the existing public service authorization which could be phased out entirely by 1984 under the "break-even" concept promulgated at the time of Reorganization.

In testimony given before Congressman Hanley's House Postal Service Subcommittee in 1974, a member of MPA, Kent Rhodes, President of the Reader's Digest Association, addressed himself to the break-even concept as follows:

"This concept was founded upon two fallacious assumptions about the Postal Service. The first fallacious assumption was that the Post Office could really function as an independent corporation rather than a 'service-first' institution which it had always been. The second fallacious assumption was the the Service exclusively benefited those customers who used it and paid postage; and, therefore, that those sole beneficiaries of this service should be those who paid the total cost of that service. In fact, postal service is a principal government function performed for and benefiting everyone. Of course, it need not be

that way; one could design a Postal Service, or several Postal Services, tailored to meet the business requirements of the customers who could afford to pay for the services they need. Such a Postal Service would, of course, be an abandonment of a governmental function which all Americans need and want, and which the Constitution itself directed be undertaken by government, one of the few such functions mandated by the Constitution.

"There is an enormous cost to operating a Postal Service such as ours, which extends service to all Americans wherever they live, at a price which is truly nominal for the ordinary citizen. It is hard to overstate the value to the citizenry of having an agent of the Postal Service visit his home six days of every week just so that on one of those days that citizen may receive or send a letter that is important to him -- a social security check once a month, a letter to or from a loved one maybe twice a month, but no one knows on just what day. I doubt that any private mail service could break-even if it charged the same price for delivering a letter to the Aleutian Islands as it did to deliver a letter across the street. To apply a 'break-even' concept to such a system is to deny the governmental character of the service, and to relegate it to the status of a mere business which would supply to those who can afford it a service that they want."

It remains MPA's position today that the Postal Service cannot and should not operate as a break-even business such as described above. It is rather a public service institution benefiting all the people. Thus MPA supports the provisions of S-2844 calling for increased funding for the next three fiscal years enumerated in the legislation. MPA also supports the establishment of the Study Commission that would lead to a fair determination of what public service costs should permanently be borne by appropriation and which in turn, would remove the break-even pressures that have so damaged the existing structure.

Statement of
THE NATIONAL ASSOCIATION OF MANUFACTURERS
before the
Senate Committee on Post Office & Civil Service
on S. 2844, the Postal Reorganization
Act Amendments of 1976

April 30, 1976

The National Association of Manufacturers welcomes this opportunity to present its views on S. 2844, the Postal Reorganization Act Amendments of 1976. The NAM is a voluntary organization of over 13,000 business firms of all sizes with members from every state in the nation. The NAM member companies provide 75 percent of all industrial output and employment in the United States.

THE NAM POSITION

The Postal Reorganization Act of 1970 was designed, inter alia, to make the Postal Service financially self-sufficient. However, it has become evident that the great expectations of Congress may never be realized. The generally deteriorating quality of mail service coupled with ever-increasing Postal deficits indicate that substantial changes will have to be made in the Postal Service if our mail system is not going to become a never-ending drain on the public fisc, and if it is going to continue to provide the level of service necessary to meet the needs of the American people.

The NAM takes no position on the specific provisions of S. 2844 except to note that (1) increasing postal subsidies will not lead to fiscal solvency or improved service to the public; and (2) while the study commission that would be created by the legislation might be useful in determining what share of the Postal Service's costs should be borne by the general public, the commission will apparently not get into those areas of postal operations that are of primary concern to the business community -- e.g., the need for rapid and dependable transmission of mail.

The NAM's primary concern with Postal Service operations centers around the operation of the Private Express Statutes, the laws that govern the "postal monopoly" over letters. Recent Postal Service actions have expanded the scope of such laws to the point where they cover items that we believe should not be considered "letters" -- e.g., data processing materials and correspondence between companies with a subsidiary or affiliate relationship. These regulations have had an adverse effect on U.S. businesses both in terms of increased mailing costs and a reduction in the efficiency of business operations.

The NAM proposes that the Committee consider including in its legislation a provision that would

specify the items that should not be considered to be "letters" for purposes of the Private Express Statutes. The NAM proposed revision to section 601 of Title 39, United States Code, is set forth in Appendix A.

It is our belief that enactment of such provision will remove an artificial impediment to efficient business mail operations without unduly affecting the level of Postal Service revenues. Moreover, to the extent that businesses reduce mailing costs and increase productivity, such provision will be fully consistent with the widespread sentiment in Congress to eliminate governmental policies that are inflationary or unduly burdensome to American businesses or the public.

BACKGROUND

The Private Express Statutes are set forth at 39 U.S.C. §§601-606 (1970) and 18 U.S.C. §§1693-99 and §1724 (1970). Generally, these laws give the Postal Service a monopoly over "letters".

The concept of a government monopoly over the mails is of ancient origin and some analysts have traced its origin to the time of Elizabeth I. The concept became a part of our law as a result of our English heritage. The Constitution, Article I, section 8, gives Congress the right "to establish Post Offices and post Roads". In 1792,

Congress passed the first comprehensive postal statute which, inter alia, prohibited the private carriage of letters subject to a limited exception. Over the years, various changes have been made in the Private Express Statutes for the purpose of modification or for the purpose of making additional exceptions from their coverage.

During the period that the Private Express Statutes have been in effect, interpretation and enforcement of the provisions have been the responsibility of the Post Office Department and, more recently, the Postal Service. The Private Express Statutes do not specifically state what items are "letters". Thus, the determination of what items should be considered "letters" for purposes of the "postal monopoly" has been made by postal officials. The courts have occasionally supported postal authorities' interpretations as to what constitutes "letter" for purposes of the Private Express Statutes. Nevertheless, we believe that there exists a substantial legal question as to whether the Postal Service has the power to make substantive regulations concerning the Private Express Statutes.

In 1970, when Congress passed the Postal Reorganization Act, it ordered a complete study and thorough re-evaluation of the Private Express Statutes. Section 7 of the Postal Reorganization Act, 84 Stat. 719 (1970), reads in part as follows:

The Congress finds that advances in communications technology, data processing, and needs of mail users require a complete study and thorough reevaluation of the restrictions on the private carriage of letters and packets contained in chapter 6 of title 39, United States Code (as enacted by section 2 of this Act), and sections 1694-1696 of title 18, United States Code, and the regulations established and administered under these laws.

The review was undertaken by the Board of Governors of the U.S. Postal Service who concluded in its report to Congress that the Private Express Statutes should be retained unchanged -- i.e., they should be neither expanded nor reduced in coverage. See A Report by the Board of Governors to the President and the Congress pursuant to Section 7 of the Postal Reorganization Act, 93rd Cong., 1st Sess. (Committee Print No. 93-5, 1973). The Board of Governors apparently viewed Postal Service interpretations of the Private Express Statutes as establishing the scope of the "postal monopoly". In its report, the Board of Governors also recommended that the Postal Service by regulation clarify the meaning of "letter" for purposes of the Private Express Statutes.

The Postal Service's regulations which became effective in October, 1974, were adopted in response to the Board of Governors' report. See 39 C.F.R. Parts 310 and 320. These new Postal Service regulations included

within the definition of "letter" items which were not previously considered to be covered by the "postal monopoly" such as data processing materials. Moreover, they purported to bring a number of items within the monopoly such as intracorporate communications, the status of which was unclear as a result of prior case law. The Postal Service at one time proposed to include a number of items within the definition of "letter" including checks, newspapers, and periodicals. However, the Postal Service backed off from its position in its final regulations. The regulations contain a "suspension" for certain time-sensitive data processing materials, which suspension enables persons or firms to contract with private couriers to carry data processing materials that can be delivered to a processing center within 12 hours or by 12:00 noon of the next business day and on which processing at the center begins within 36 hours. A similar suspension for "interoffice communications" was proposed in an earlier version of the regulations but was deleted from the final version.

IMPACT OF POSTAL SERVICE REGULATIONS UNDER THE PRIVATE EXPRESS STATUTES

One effect of the Postal Service regulations on the Private Express Statutes has been to make it unlawful for businesses to contract with private courier services

to deliver mail to their affiliates, subsidiaries, plants or divisions, or to deliver their data processing materials to or from a processing center except pursuant to the terms of the time-sensitive data processing suspension (unless, of course, such businesses are willing to pay the postage on such deliveries -- in effect a penalty charge). The rapid and dependable transmission of data processing materials and intracorporate communications are essential for the efficient functioning of U.S. businesses. Experience has shown that the Postal Service's regulations have increased the cost of business mail operations, and have disrupted the efficient transmission of data processing materials and intracorporate communications.

The increased costs that business has incurred as a result of the Postal Service's regulations stem from a number of factors. First, if businesses contract with a private courier service to carry intracorporate mail or data processing materials, the business must pay postage in addition to the costs of the courier or else be in violation of the law. Second, many businesses have had to adjust mail delivery schedules to come within the terms of the data processing suspension. Courier services charge more for expedited delivery. Third, businesses have incurred increased costs as a result of switching to alternative means of communications such as telephone, facsimile machines, etc. Fourth, some businesses have started costly

in-house mail operations under the "letters of the carrier" exception to the Postal Service's regulations. Finally, businesses that have switched from dependable couriers to the Postal Service now face the intangible expense of lost productivity due to delays in mail deliveries. Of course, it is the consumer who ultimately must bear these unnecessary increased costs of doing business.

The effective functioning of modern businesses depends to a large degree on the rapid transmission of information. The increased costs that businesses must bear as a result of the Postal Service's regulations are particularly objectionable because the Postal Service cannot provide the rapid and dependable service that businesses require. Moreover, the Postal Service's regulations even prohibit businesses from contracting with private couriers for services that the Postal Service cannot provide such as same-day delivery or overnight delivery.

The Postal Service's Express Mail Program is apparently designed to meet business' need for rapid transmission of communications. However, besides being limited in scope to mainly the larger cities, there is a substantial question as to whether the service can be cost justified -- i.e., whether revenues exceed costs.

The Postal Service's actions under the Private Express Statutes have generated ill will towards the Postal Service among a wide cross-section of businesses. This feeling has been further exacerbated by recent Postal Service announcements concerning wide-spread reductions in the frequency of business mail deliveries. We are sure the Committee agrees such attitudes are not conducive to voluntary cooperation with postal officials who have the responsibility of enforcing postal regulations.

Set forth in Appendix B are a number of actual "case histories" of more specific problems that the Postal Service's Private Express Statute regulations have created for businesses.

THE NAM PROPOSAL

The proposal, which is set forth in Appendix A, is basically designed to enumerate those items that are not to be considered "letters" for purposes of the Private Express Statutes. In addition, the proposal would incorporate into the law the "letters of the carrier" exception presently found in the Postal Service's regulations [39 U.S.C. §310.3(b)]. This exception generally permits a company to use its own employees to deliver mail between the company and any person. Finally, another subsection of the proposal would clarify the authority of the Postal Service to permit the carriage of "letters" outside the mails otherwise

than as provided under the law upon an administrative determination that such carriage is consistent with the public interest.

With the exception of data processing materials and intracorporate correspondence which would specifically be excluded from the definition of letter, the items listed in subsections 601(a)(1)-(9) are generally excluded from the Postal Service's own definition of letter at 39 C.F.R. §310.1(a). To the extent that any of the items set forth in subsections 601(a)(1)-(7) are now included under the "postal monopoly", we believe that such inclusion is inconsistent with current understanding of what constitutes a letter.

Subsection (a)(7) makes clear that "written or printed matter enclosed with cargo or merchandise" is not a "letter". Under the present Postal Service regulations such matter is considered to be a letter when it does not relate to some part of the cargo thus requiring separate postage. This provision permits companies to enclose printed matter with cargo or merchandise when such matter is incidental to the shipment or transaction giving rise to the shipment. It does not permit "letters" to be included with the cargo or merchandise.

Subsections (a)(8) and (9) make clear that data processing materials and the output of data processing,

and intracorporate communications between corporations which are members of an affiliated group of corporations are not letters. Enactment of these subsections will eliminate the problems discussed above.

Subsection (a)(10) would prevent the Postal Service from arbitrarily expanding the "postal monopoly" to include new means of communication or a present means of communication not generally considered to be a letter. It will be up to Congress to determine whether such means of communication should be included within the statutory "monopoly". Specific authorizing legislation would be required.

ADVANTAGES OF THE NAM PROPOSAL

Enactment of our proposal will have a number of advantages for business, the Postal Service and the general public.

First and foremost, it will make clear once and for all what items are not included under the "postal monopoly". Second, the Postal Service would be prevented from arbitrarily determining the extent of its own "monopoly" over letters. Third, elimination of the restrictions on private carriage of data processing materials and intracorporate communications will enable businesses to reduce costs and increase productivity. Fourth, the enforcement burdens on the Postal Service, both operational and financial,

will be reduced because of greater certainty as to what the law requires. Business attitudes towards postal authorities should improve. Fifth, the elimination of mail that requires special handling because of its bulk or need for rapid delivery will enable the Postal Service to streamline its operations. Finally, the general public could benefit from business cost savings and from a more efficient Postal Service.

IMPACT OF THE NAM PROPOSAL ON POSTAL REVENUES

The NAM stresses that its proposal will not repeal the Private Express Statutes, but would merely clarify their coverage. Our proposal would make clear that data processing materials and intracorporate correspondence are not to be included in the "postal monopoly". While such exclusion is likely to have an impact on postal revenues, we believe that any such impact will be de minimus. In any event, there is no practical justification for including such items within the coverage of the Private Express Statutes.

The Postal Service is reluctant to limit the scope of its "monopoly" because it fears the resultant loss of revenues. Indeed this was one of the reasons that it declined to include a suspension for "interoffice communications" in its current regulation. The loss of revenues that is likely to result from enactment of the NAM proposal should not be substantial. As noted above, most of the

items that are excluded from the "postal monopoly" are already excluded under the Postal Service's own regulations; therefore, no revenue loss will result with respect to those items. Likewise, time-sensitive data processing materials can now be carried out of the mails under a suspension of the Postal Service's regulations. Since such materials constitute the great bulk of data processing materials, our proposal should have only a minimal revenue impact with respect to such materials. Also, any diversion of revenues as a result of the intracorporate communications exclusion should not be great since such correspondence accounts for only a small percentage of postal volume. Moreover, businesses which now receive adequate postal service are not likely to switch to private couriers, or other alternative means of delivery.

In any event, we believe that there is a substantial question as to whether the revenue losses that might occur as a result of enactment of our proposal will in fact be a detriment to the Postal Service. Several recent studies have challenged the Postal Service's contention that there exist economies of scale in its operations -- i.e., decreasing unit costs with increasing volume. It is far from clear that increased mail volume will result in decreased costs. In this connection, see Chief Administrative Law Judge's Initial Decision on Postal Rate and Fee Increases,

Docket No. R74-1, Postal Rate Commission, May 28, 1975, pp. 78-90; "A Study of the Nature of Scale Economies in the United States Postal Service", Rodney E. Stevenson, in Discussion Papers Prepared for Seminar on Economies of Scale, Postal Rate Commission, September 18, 1973; and Comments of the Council on Wage and Price Stability Concerning the Private Express Statutes, Postal Rate Commission Docket No. R76-4, January 16, 1976, p. 38.

Finally, any diversion of postal revenues must be weighed against the unnecessary costs the regulations have imposed on American businesses and the public. In the long run, we believe that any Postal Service revenue losses will be off-set by cost savings to U.S. businesses and the consumer, and increased efficiencies in Postal Service operations.

CONCLUSION

In view of the foregoing, we urge the Committee to incorporate the NAM's proposed revision to the Private Express Statutes into S. 2844, or to take such other action as may be required to provide relief from the Postal Service's arbitrary and unwarranted expansion of its "monopoly".

Section 601 of title 39, United States Code, is amended to read as follows:

Sec. 601. Items not letters; letters carried out of the mail

(a) As used in this chapter and in sections 1693 through 1699 of title 18, United States Code, the term letter shall not include the following:

- (1) telegrams;
- (2) newspapers, periodicals, books, catalogs, directories, circulars, advertising, microfilms and other microforms, magnetic tapes and other material reproduced in quantity;
- (3) checks, drafts, promissory notes, stock certificates, bonds, securities, other negotiable and non-negotiable financial instruments, insurance policies and title policies;
- (4) abstracts of title, mortgages, deeds, leases, articles of incorporation, papers filed in lawsuits or formal quasi-judicial proceedings, and orders of court;
- (5) letters being sent in bulk to or from storage or to destruction;
- (6) letters being sent in bulk from a printer or other supplier to his customer;
- (7) written or printed matter enclosed with cargo or merchandise, including invoices, circulars, advertising, labels, instructions, and messages printed on the merchandise or container;
- (8) data processing materials, including electromechanical or electronic processing materials and all other types of materials that are ready for data processing or for conversion into a form ready for data processing, and the output of data processing when sent back from the processing center to the location originating the data processing materials;
- (9) any intracorporate communications, including communications between corporations which are members of an affiliated group of corporations; and,
- (10) any means of communication not now in existence or not now generally considered to be a "letter".

(b) A letter may be carried out of the mails when--

- (1) it is enclosed in an envelope;
- (2) the amount of postage which would have been charged on the letter if it had been sent by mail is paid by stamps, or postage meter stamps, on the envelope;
- (3) the envelope is properly addressed;
- (4) the envelope is so sealed that the letter cannot be taken from it

without defacing the envelope;

- (5) any stamps on the envelope are canceled in ink by the sender; and
 - (6) the date of the letter, of its transmission or receipt by the carrier is endorsed on the envelope in ink.
- (c) Notwithstanding the provisions of subsection (b), the sending or carrying of letters outside the mails is permissible if they are sent by or addressed to the individual carrying them or if they are sent by or addressed to an officer or employee of a carrier, including an officer or employee of an affiliate or subsidiary of a carrier, on the current business of such carrier.
- (d) The Postal Service may permit the carriage of letters, other than letters falling within the exceptions provided in subsections (b) and (c) above, outside the mails upon a determination that such carriage is consistent with the public interest.

4/28/76

Here follow some actual case histories of problems created by the Postal Service's regulations on the Private Express Statutes:

Case A: A corporation estimates mail cost increases of between \$100,000 - \$150,000 annually due to: 1) the increased costs of mailing due to the higher costs of postal service, including the use of the Postal Service's Express Mail Program; 2) increased costs by virtue of having to affix postage to privately carried mail although use of a private courier is the only reasonable way efficient and dependable mail service can be assured; 3) increased costs resulting from alternative means of transmission such as company aircraft or company messenger (pursuant to the "letters of the carrier" exception); and 4) increased costs by virtue of having to rearrange the schedules of private carriers to come within the terms of the data processing suspension of the regulations.

Case B: A chain of supermarkets in the southeastern U.S. had need to send certain documents from its branch stores to its main headquarters on a daily basis. Some of the items which the supermarket wished transported were a daily listing of all long distance telephone calls, daily grocery inventory, daily cash register tapes, trading stamp inventory, bank deposit slips, lists of price changes of various items, and employee time cards bearing entries produced by time clocks. Delivery by the Postal Service proved undependable. However, the Postal Service issued an Advisory Opinion on this matter indicating that the items to be transported were "letters," and therefore could not be transported by a private courier. In short, this chain of stores was in need of an overnight delivery service which the Postal Service could not provide, but Postal Service regulations prohibited the use of a courier unless postage was also paid on the items.

Case C: A federally chartered mortgage lending institution with over 200 branches in a three-state area wished to move documents between these various branches and was advised it would have to use the Postal Service because of current regulations. Many of these documents were those that accompany loan materials. The bank's only alternative was to pre-sort its mail and to segregate certain documents because some were allowed to be moved outside the mails and some were not. The result was employee time inefficiently utilized and a certain loss of productivity.

Case D: Business firms are allowed to use their own employees ("letters of the carrier" exception), but regulations ignore the realities of modern corporate organization. For example, Company X may use one of its full time employees to deliver mail between its corporate headquarters in New Jersey and its New York offices where its numerous subsidiaries are located in the same building. Under the "letters of the carrier" exception, Company X could not use a single employee to deliver mail between its subsidiaries in New Jersey and its subsidiaries in New York, although he could between Company X-New Jersey and Company X-New York. Company X would have to use several messengers and pay duplicative costs even though one messenger could readily serve all the companies located in both buildings.

Case E: A large midwestern university desired transportation of numerous correspondence, payroll forms, student forms relating to adding or dropping of courses, registration, interdepartmental memoranda, payroll checks, and a whole gamut of items that might move between offices in a large university. The university wanted to use a private courier to carry such items between offices within the campus. In essence, the

university wished to avoid a situation where it had to use the United States mail to send something across the street. The university was advised that a good portion of the documents it wished transported would be considered letters under the present regulations, and therefore it would have to either enter into the private carriage business, which it found an unacceptable alternative, or it would have to send its documents through the mail.

Case F: Another company, in response to a recent Postal Rate Commission inquiry into the authority of the Postal Service to suspend its Private Express Statutes, stated (Docket No. R76-4):

"The Postal Service, already burdened by the substantial business mailings which it must handle, would also suffer from the imposition of the massive data processing materials of this firm and the many other businesses. The reinstatement of the rule on intra-company mail would burden the Postal Service with hundreds of additional pieces of business mail, each month, for this firm alone. This must be multiplied by all the other many organizations that would be adding a mass of additional mail to the Postal Service's already burdensome deliveries."

Case G: One major user of electronic data processing materials, a large utility company, stated in its testimony before the Postal Rate Commission's inquiry, in reference to the potential impact upon data processing:

"The economies of scale within the field of data processing favor a single, central large data processing site. Where the volumes of material and economies of data links are such that telecommunications and data transmissions facilities are not warranted, couriers are used. As a result of the present Postal Service regulations and the economic burdens of record keeping and uneconomical processing of small lots of data processing materials, processors will be compelled to install additional microwave and data transmission services, for points in the system that currently cannot economically justify them."

Case H: A vice president of a small western bank, in a statement to the same Postal Rate Commission's inquiry on Postal Service authority, explains the financial impact that would be caused by further adverse changes in data processing regulations:

"Our annual shipping charges would increase from approximately \$6,125 to \$16,500. This is just the tip of the iceberg in increased expenses. Our deposits to other banks would be delayed at least one day resulting in a loss of interest on funds at a minimal rate of 5 1/2 percent which amounts to more than \$82,500 annually."

Case I: A firm wished to send blank charge forms upon which credit cards are imprinted when a sale is made. Packages of 100 or 200 blank cards were sent to individual store owners who subscribed to the credit plan to replenish their stock, and included with each set of cards was one letter with perhaps a paragraph of instructions. The envelope addressed to each individual store in summary would contain about 100 blank charge cards and one letter of instruction. The postal inspector advised that this package constituted a letter and would require postage. The question then became one of trying to determine whether they were cargo and a simple letter of instruction would be a letter incidental to cargo and therefore exempt from regulation, or whether these items constituted letters because of the insertion of the single page containing instructions as to the use of these blank charge forms.

STATEMENT BY
JOHN W. SCOTT
MASTER OF THE NATIONAL GRANGE
TO THE
SUBCOMMITTEE ON POSTAL OPERATIONS
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
APRIL 30, 1975

Subject: Proposal to close
some rural post offices

Honorable Chairmen and Members of the Subcommittees:

I am John W. Scott, Master of the National Grange, with offices at 1616 H Street, N.W., Washington, D. C.

The Grange is more than a farm organization. Its purpose is to serve the total interest of the rural community and the Nation. Thus, policies and programs of the Grange pertain to a broad array of circumstances affecting the lives of rural Americans; they result from member action generated by total community and national interest--not by agricultural interest alone.

The National Grange has always been interested in improving the delivery of mail to the rural areas of the nation and active in efforts to bring about such improvement. For years before Rural Free Delivery was started in 1893, the Grange urged its establishment and on various occasions thereafter supported extension and betterment of such service--and, in general, improved facilities and services to rural America and the nation. Seldom, if ever, did the delegate body of the National Grange meet in annual session without reaching some policy decisions regarding the postal service. Thus, at the last session in November, 1974, the following pertinent resolutions were passed:

"Postal Service"

"WHEREAS, under semi-private operation the postal service has steadily deteriorated; and

"WHEREAS, many letters are delayed, lost and misplaced and have not been located even though tracers have been sent out on missing mail, and some mail is received in a torn or otherwise damaged condition; and

"WHEREAS, the cancelled postal stamp no longer shows the place of origin, and mail which has a destination of only a few miles from the point of origin is transported in a circuitous route from sectional

center to sectional center, causing undue delay in delivery; and

"WHEREAS, a primary cause for lack of improvement in delivery speed and accuracy is due to consolidation of routes and jobs resulting in overburdening the work load of personnel; and

"WHEREAS, due to the reduction in personnel or added duties mail is not distributed on the day of arrival to the post office; and

"WHEREAS, movement and delivery of the mail should be a service of the government to the American people; therefore, be it

"RESOLVED, that the National Grange go on record as being dissatisfied with the present performance of the United States Postal Service; and be it further

"RESOLVED, that the National Grange contact the Postal Service headquarters and urge it to take steps to improve the handling and dispatching of mail; and be it further

"RESOLVED, that Congress institute an investigation to determine what must be done to improve service."

"Congressional Control Over Postal Service"

"RESOLVED, that the National Grange work to get increased Congressional supervision and control over the Postal Service."

In view of this background we feel it is particularly important that the National Grange express its views respecting the possible closing of thousands of third and fourth class post offices. The National Grange has tried to remain objective in its views regarding changes in the operation of the Postal Service, as is indicated by the following report to our members on August 15, 1975 regarding possible post office closings:

POST OFFICE CLOSINGS

The financial situation of the U. S. Postal Service has steadily worsened in recent years, labor and fuel costs rising even faster than postage rates. In fiscal year 1974, expenditures exceeded revenues by about \$2.3 billion. A government subsidy of \$1.75 billion left it necessary for the Service to borrow \$500 million to keep going. Spurred by these facts, the General Accounting Office, headed up by the Comptroller General of the United States, undertook an investigation and study to reassess the pros and cons of closing generally unprofitable small post offices -- 6,100 fourth-class and 12,190 third-class offices at the end of fiscal 1974.

In 1964 and again in 1967 GAO recommended closing certain small post offices and continuing mail service with the more economical alternatives of extensions of rural delivery routes or establishment of community post offices operated by private individuals under contract. The Post Office Department at those times responded that it was reluctant to do so because such changes had frequently resulted in vigorous public and Congressional protests that mail service would suffer.

GAO's current review brought similar results. In the Comptroller General's June 4, 1975 report to Congress, he found that about 12,000 third- and fourth-class offices, serving an estimated one million families in rural America, could be closed and alternative service substituted with annual savings of \$100 million and without affecting the quality of service. It was also found that the Postal Service has been closing a limited number of these offices and believes it has legal authority to accelerate such closings but that, because of expected Congressional concern, it is not likely to do so without clarifying legislation. GAO therefore offered specific language for an amendment of the Postal Reorganization Act of 1970 for this purpose.

GAO interviewed citizens of 32 rural communities in 28 states where the Postal Service had recently closed small post offices and provided alternative service. Ninety percent said that mail service was at least as good as and in a number of instances better than before the changes. Elderly customers who began to receive home delivery as a result of a change were especially pleased. Complaints generally involved either shortcomings in service provided by rural route carriers, usually responsive to remedial action, or inadequate information from the Postal Service regarding what service was available from such carriers. GAO in specific terms recommended that the Postmaster General bring about improvement in these areas.

Some of our members have responded by expressing objections to the closing of existing post offices (and even to the tone of our article). Thus a business proprietor in a small town in Wisconsin wrote in part as follows:

"A rural mail carrier could under no arrangement provide the same level of service to a rural businessman as myself. Even though our post office provides service to about seventy-five box-holders, we are given attention to such matters as money orders, certified mail, and others -- at any time regular hours are concerned. At best, a rural carrier could spend five minutes per day doing the same. This would be one of many ways to dry up further the rural business community. I am very much opposed to the Grange supporting such a move."

From this and statements of other members, it would appear that the chief objection is to the substitution of rural delivery routes for

existing third and fourth class post offices. Whether they would also have objections to the substitution of community post offices operated by private individuals under contract is not clear. While their views regarding service by rural mail carriers appear to have merit, it does not appear that they would have any substantial objections to the establishment of contract post offices. We are aware that satisfactory contractual arrangements can often be made at considerable savings to the government over the cost of present third and fourth class post offices. On the other hand we are told that local postmasters, as government officials, often fulfill a role in explaining government programs and rendering incidental services which could not reasonably or normally be expected of contract operators. How should such a role be evaluated?

The National Grange is concerned over the worsening financial situation and lessened service capabilities of the U. S. Postal Service. We are likewise concerned over the projected increases in postal rates. If money can be saved, and presumably or hopefully service improved as a result, through substitution of alternative services for unprofitable small post offices, we do not oppose the change. It must be emphasized, however, that a necessary condition would be that the quality of service not be appreciably lessened.

As you are aware, the Postal Reorganization Act (Section 101(b)) provides in part: "No small post offices shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal service be insured to residents of both urban and rural communities." If this was the intent of Congress, then Congress should provide the necessary funds to keep small post offices open or assure rural residents, in particular, that services will be

equal to or better than that provided by the post offices, even if this means increased federal funding.

As indicated previously, contract post offices might well be a partial answer to the problem. It would also seem evident that increasing the responsibilities and work of rural carriers by imposing on them the additional operations now performed by third and fourth class post offices might well require an increase in the number of rural mail carriers. There would be little or no gain in saving money by closing post offices if additional carriers had to be hired--even if the quality of over-all service were maintained. We are convinced that each case will have to be decided on its own particular circumstances and that no general policy of establishing substitute service for existing post offices should be adopted.

There is one more area of concern to the National Grange regarding the Postal Service. That is the consideration by the Postal Service of discontinuing Saturday deliveries in rural areas.

The Grange opposes any such action by the Postal Service to reduce mail service to rural residents, especially in light of their proposals to close small post offices and replace them with rural carriers.

The impact of such action would be greatest on rural residents and those who serve them because:

1. Farming and most other rural businesses are six-day-a-week operations -- farming seven.
2. Most rural dwellers depend on mail to get newspapers. Many receive Friday's paper Saturday. With no Saturday delivery, they would have no newspaper from Friday until Monday.
3. Rural people don't have easy access to lockboxes for Saturday mail pickup, as do urban businesses.

4. Outgoing mail pickup from rural mail boxes would be delayed from Saturday until Monday.

5. As Monday holidays proliferate, mail and newspaper isolation periods will be longer and more frequent.

The National Grange appreciates this opportunity to be heard. Please make this statement a part of the record of your hearings on this matter.

STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION

BEFORE THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

UNITED STATES SENATE

ON S.2844

THE HONORABLE GALE W. MCGEE, CHAIRMAN

APRIL 30, 1976

The National Newspaper Association fully and enthusiastically supports S.2844, and urges its prompt approval by the Committee and by the Senate.

NNA is an organization of some 5,500 weekly and 900 small city daily newspapers having a total circulation of approximately 40 million. NNA members are found in each of the 50 states, the District of Columbia, Guam, and the Virgin Islands.

As we understand it, S.2844 would authorize an additional public service subsidy to the Postal Service for fiscal years 1977, 1978, and 1979, with the subsidy for each year not to exceed 10% of the Postal Service's total operating expenses for that year. The bill also would establish a five-member nonpartisan commission to conduct a two-year study of the Postal Service's public service function and determine the extent to which the federal government should continue funding of this function.

Comment on the present condition of America's postal system would be superfluous here. The problems are apparent to even the most casual observer. Complaints are many, but, to this point, concrete proposals for resolution have been few.

NNA believes, after five years of working with and observing the operation of this system, that a fundamental cause of the existing situation is the inherently contradictory mission assigned the Postal Service by the Postal Reorganization Act. On the one hand, the Postal Service is to be "operated as a basic and fundamental service" to the American people (36 U.S.C. 101(a)). On

the other, it is required to be an efficient, self-supporting business on the model of a private sector corporation.

Five years of experience have clearly demonstrated that the Postal Service cannot successfully carry out this mandate. It cannot be both a public service and a self-supporting corporation. Plainly, it is not an efficient business practice to deliver mail to the North Slope of Alaska or to the Indian living at the bottom of the Grand Canyon. Such practices are a public service. They are an essential part of, in the words of 36 U.S.C. 101(a), "binding the nation together."

An illustrative result of this statutory conflict is the ongoing Postal Service program of systematically closing post offices in small towns and rural communities. It is considered "inefficient" to maintain these post offices, which traditionally have served as the tangible symbol of our nation in those areas, aside from providing the local residents with valued and necessary services. For many towns, to close their post offices is to destroy their identity.

Strictly speaking, the maintenance of small rural post offices may not be "good business". But it is good government. It is, in the truest sense of the term, a public service. The decision to close rural post offices is but one of an increasing number of such "economy" measures being taken by a Postal Service which has determined that it has no choice but to sacrifice its public service mandate upon the alter of "efficient business practice".

A like point can be made about the threatened elimination of Saturday deliveries.

Realistically, the Postal Service cannot be expected to shoulder alone the burden of providing its historically broad range of public services. The only alternative to some form of public subsidy is continued curtailment of services and drastically rising rates. We believe this to be unacceptable to the American people.

It is the NNA position that two steps must be taken if a viable postal system is to be established in this country: first, to brake the increasingly

rapid slide of the Postal Service toward oblivion, there must be an immediate infusion of public funds, so as to assure at least the short-term continuation of essential public services while longrange solutions are formulated; second, there must be statutory recognition of the fact that the Postal Service is primarily and essentially a public service.

We believe passage of S.2844 will lead to the attainment of these two fundamental objectives. We strongly recommend that the Commission which is established be empowered to go beyond determination of the public service function, and examine the structure and operation of the entire postal system; in other words, whether the goals of the Postal Reorganization Act and the procedures it established are realistic, and whether there should be a complete redrafting of that law.

We are approaching the fifth anniversary of the birth of the U. S. Postal Service. These five years should be looked upon as a worthy experiment. It is now time for review, analysis, and comprehensive proposals for change.

NNA urges the expeditious approval of S.2844.

Washington, D. C.
April 30, 1976

STATEMENT BY MYLIO S. KRAJA, DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
AND
JAMES F. O'NEIL, PUBLISHER
THE AMERICAN LEGION MAGAZINE
BEFORE
THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
APRIL 30, 1976

The American Legion appreciates the opportunity to present testimony on S. 2844 that seeks 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. Our statement today will address itself to two key provisions contained in this postal reform measure and briefly cover an amendment that would ease the financial burden for certain second-class nonprofit and preferred mail users.

Mr. Chairman, the Legion supports the proposal that would authorize an increase in the present \$920 million annual public service payment to the Postal Service for Fiscal years 1977 through 1979 pending a two-year study to identify and assess those functions of the postal institution which should be paid by taxpayers. However, we suggest that Sec. 2, (b), Section 2401 (d) be amended to read ... an amount no less than 10 percent of the total estimated operating expenses of the Postal Service for the fiscal year for which such appropriations are requested.

Secondly, we support the provision in S. 2844 that would require the Postal Rate Commission to issue a recommended decision 10 months after the submission of a rate increase by the

Postal Service.

Mr. Chairman, The American Legion urges that S. 2844 be further amended to establish a ceiling on postal rates for certain classes of mail. We suggest that Section 3626, United States Code, be amended by the insertion of the words, "but in no event to exceed 50% of the regular postage rate applicable to said class or kind of mail" prior to the semicolon following the paragraph (1) thereof.

Adoption of this amendment will restore to qualified non-profit mail users the level of postage rates traditionally paid by them prior to the enactment of the Postal Reorganization Act of 1970. Prior to the 1970 Act, qualified nonprofit publications, like The American Legion Magazine, paid postage at a rate approximately one-half that of mail users not entitled to nonprofit status.

In spite of the obvious traditional preferential second-class mail treatment for authorized nonprofit organizations by the Congress of the United States and its apparent mandate to the Postal Rate Commission in the above-cited Sections of the Act, an examination of the current Postal Service rates applicable to second-class qualified nonprofit mailers reveals that it has assigned to this class of mailers the second highest rate increase of all classes of mail; more particularly, at full proposed rates, the increase now approximates 271.8 percent. The increase applicable to profit-oriented magazines amounts to 173.8 percent, thereby narrowing the gap between the profit and non-profit groups relative to preferential treatment.

Since the passage of the Postal Reorganization Act of 1970, postage costs for second-class mailing privileges have risen 158 percent. The 1976 cost is estimated at \$615,000, up 31 percent over last year. In 1970 it was \$237,000; in 1971, \$264,000; in 1972, \$313,000; in 1973, \$337,000; in 1974, \$411,000; and in 1975, \$467,000.

Several years ago the basic pattern of The American Legion Magazine was a 72-page book. Because of the increased cost impact today we function on 48-page issues. Every conceivable economy has been introduced in our efforts to survive and still try to maintain a semblance of quality for our readers.

We are proud of The American Legion Magazine. It has a circulation of 2,700,000 and a readership, established by independent studies, of nearly twice that number. Its founding fathers, wisely we believe, created a policy that has been carried on of producing a general editorial content publication with American Legion news, per se, being confined to eight pages. Non-Legionnaires, as well as members, have been liberal in their praise of the product. We have been especially happy over the splendid student reaction to our historical articles that have featured its pages.

Members of The Congress are familiar with the "Pro and Con" spread in each issue, which affords members of The House and Senate to express themselves in their own words, without any interruptions or any intrusions by an editor, moderator or commentator and without regard to the policies of The American Legion.

Our magazine has been in the forefront of publishing in-depth

material of a public service nature. In other words, it is a magazine devoted to general editorial content - and not a house organ. A Braille edition is distributed each month to blinded veterans at no cost to them.

The language appearing in Sections 3622 (b)(1)(4)(7) and (8) of the Postal Reorganization Act, and Section 101 of the Act, in our judgment, clearly supports the proposition that The Congress of the United States had no intention of abandoning the traditional treatment accorded second-class authorized nonprofit mailers. Indeed, the language contained in the aforesaid section of the Act appeared to mandate the Postal Rate Commission to accord preferential rate treatment to second-class authorized nonprofit mailers just as the Congress of the United States had done over the past 54 years. As a matter of fact, the House of Representatives at one point in its consideration of H.R. 17070 was of the firm opinion that any change in rates or categories for free or reduced rate mail entailed questions of policy that were " less appropriate to the expertise of a rate-making commission than to a Congressional determination of the public interest."

Section 3622 further provides consideration of the effect of the rate increases upon the users of the mail in preparing same for delivery. The American Legion Magazine is bag-tagged at the printing plant for the Postal Service at what must be a substantial saving to the Postal Service, yet we do not observe any consideration as to its effect upon reducing costs.

The American Legion Magazine simply cannot pass along to its subscribers postal rate increases of the magnitude confronting them and projected future increases. We urge this Committee to give careful consideration to the subject amendment and vote for its adoption.

STATEMENT ON S. 2844
ON BEHALF OF
THE CLASSROOM PERIODICAL PUBLISHERS ASSOCIATION

BEFORE THE
SENATE COMMITTEE ON POST OFFICE
AND CIVIL SERVICE

APRIL 30, 1976

This testimony is presented on behalf of the Classroom Periodical Publishers Association (CPPA) in support of the legislation introduced by Senator McGee, S. 2844.

CPPA members publish classroom and Sunday School publications each week that are sent to school children all across the United States. These publications aid in the learning process and deal with a wide variety of subjects in social studies, art, language, science, current affairs, citizenship, etc. These publications are important motivating factors and are a necessary and integral part of our country's communication structure in the elementary and secondary school system.

As we all know by now, the Postal Reorganization Act of 1970 has not been a success. It does not now appear feasible for the U. S. Postal Service to reach a breakeven point with regard to its revenues and costs.

To raise postal rates and fees to a point where all costs would be covered would be counter-productive; because at that point mail volume would drop to an alarmingly low point and the Service would no longer be viable.

It is now recognized that the Postal Service is the only basic government service that is provided for all citizens of the country. When the subsidies for rail passenger service and airline service are examined relative to what subsidies are paid USPS, it is hard to understand why there is so much opposition to a reasonable general subsidy for the USPS.

Language in Section 2 of S. 2844 sensibly recognizes the need for a general postal subsidy and would authorize the appropriation of 10% of the USPS operating budget as a general subsidy over the next three fiscal years. The USPS is presently in very poor financial condition and badly in need of these funds. We support the efforts of Senator McGee and other members of the Committee in their efforts in this area.

The USPS does perform an extremely important function in binding our nation together; the rural areas as well as the urban areas, the rich and the poor, etc.

We also support Section 7 of S. 2844 establishing a commission of five members to identify and study the public service functions of the USPS, and to determine the extent to which the public service functions of USPS should be supported by appropriations.

We certainly feel that there is an enormous public service component in the mail service, and particularly with reference to classroom and Sunday School publications. A long-standing policy of the Congress has favored the movement of informational and educational materials such as we publish through mail channels at low postal rates so as to encourage and stimulate the dissemination of ideas, opinions and knowledge.

In conclusion, we would like to express our appreciation for the sincere efforts of the Committee and express our support for S. 2844.

STATEMENT OF CHARLES W. L. FOREMAN, VICE PRESIDENT
OF UNITED PARCEL SERVICE

BEFORE THE
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON S. 2844
APRIL 30, 1976

INTRODUCTION

I am Charles W. L. Foreman, vice president and a director of United Parcel Service. I have served the company in many capacities for 35 years and am a member of the general management group responsible for the overall activities of our business.

POSTAL SUBSIDIES SHOULD BE APPROACHED DIFFERENTLY
FOR MAIL SERVICE AND PARCEL DELIVERY

United Parcel Service appears before this Committee to address issues related to postal subsidies, which have arisen in several pending bills, particularly S. 2844 and H.R. 8603.

We respectfully call the Committee's attention to the fact that the Postal Service is engaged in two basically different businesses. It (1) transmits messages and information and (2) it transports personal property. The first is mail. The second is not.

Our basic position on subsidy is that subsidizing the delivery of mail is quite a different matter from subsidizing parcel post, which is utterly wrong. Parcel post is a competitor of

private industry, which is satisfactorily serving the public in the delivery of property. The Postal Service's delivery of parcels should not be subsidized.

However, in the House-passed bill, H.R. 8603, we supported the provision which allowed parcel post subsidy but limited it to a maximum 10 percent of properly arrived at rates, and we now support similar wording which is in the Chairman's bill. Historically, subsidy has been in this general magnitude, and though we believe it to be counterproductive and wrong in principle, we do not oppose it.

Clearly the alternatives for transmitting letters are limited in the private sector by the Private Express Statutes. The Postal Service is the only organization that handles letters.

By contrast, the alternatives for the transportation of merchandise are many. United Parcel Service and other services are successfully transporting packages into the most remote areas of America. Today there is no address in the 48 contiguous States where United Parcel Service does not deliver and pick up packages. And beginning last January, our company opened the same service between the island of Oahu in the state of Hawaii and the 48 Mainland states.

It is clear that the government responsibility to provide mail service rests squarely on first class where a statutory monopoly precludes competition. There is no such need for government responsibility or financial support for the transportation of

merchandise by the Postal Service where the private sector provides a more complete and publicly accepted service than does parcel post. The congressional approval of subsidies should differ accordingly.

UNITED PARCEL SERVICE
SERVES THE PUBLIC EVERYWHERE

I would like to take a moment to comment on assertions made before the Committee by Postmaster General Benjamin Bailar, in which he again inaccurately alleged that United Parcel Service in various ways picks and chooses those whom it will serve, and thereby burdens the parcel post system with the less profitable package delivery business. These statements by the Postmaster General prompted us to respond, and I have attached a copy of our letter to him (Exhibit A).

I reiterate that United Parcel Service with only minor exceptions will make a delivery to any address; it will pick up a package at any address, whether it is urban, suburban or rural, and we will serve with equal diligence any customer whether he gives us one package or one thousand. To do otherwise would violate the integrity of our service, violate our authority from the Interstate Commerce Commission and state authorities, and thereby put our business in jeopardy. We sought permission to offer this kind of service. It was not imposed upon us. This is the kind of complete service we seek to provide.

By contrast, the Postal Service does not make parcel pickups, except to a favored group of large shippers who receive this preferential treatment in a postal effort to enhance the competitive posture of parcel post. As for deliveries, people in thousands of towns primarily where there are second, third and fourth class post offices do not get package deliveries from the Postal Service. Instead, residents of these communities must go to the post office to pick up their packages. Ranchers and others, who live where density standards do not qualify them for rural routes, also get no package delivery.

Such gaps in both pickup and delivery do not exist in service provided by United Parcel Service, for we pick up packages everywhere, deliver to the door and get a signature for each package.

Since we and many others in the private sector have developed package delivery services which improve upon those offered by the parcel post system, the Congress should consider this desirable service in any decisions about the extent of subsidies that may be applied to the government transportation of merchandise.

POSTAL REFORM WAS SOUND

United Parcel Service supported postal reform in 1970, and we have repeatedly testified that we favor a viable, healthy, competitive parcel post system. But this parcel post system must be required to meet its competition by an efficient operation, with rates

based on the true costs of operation, not rates supported by taxpayer subsidy. Improper parcel post subsidy at present amounts to 20 percent over and above subsidies already cranked into rates under the 1970 law. Increasing parcel post subsidy will destroy private sector competition.

The Postal Reorganization Act of 1970 provided a framework for a viable Postal Service. It required good costing, it specified that each class of mail service must pay its own way, and it provided subsidies to maintain services in those rural areas where mail volume was insufficient to generate break-even revenue. The Act was legislated with great expectations. The fact that they have not been realized is not the fault of the law.

PARCEL POST SUBSIDY
MUST BE DEFINED CLEARLY

If the Congress determines that subsidy should be granted to parcel post, it must very carefully define the extent of such subsidies. Except for the postal monopoly in letters Congress has properly encouraged private sector competition with postal services through the 1970 Act. To sustain this encouragement Congress must limit to the greatest degree possible the uncertain business climate induced by frequent infusions of subsidy. Such infusions alarm businessmen and increase their reluctance to risk capital in a venture that could suddenly be wiped out by government-subsidized competition.

Before the Committee is a House-passed bill, and also a bill offered by Chairman McGee, both of which limit the subsidy to parcel post. Under these bills the subsidy cannot be used to cut parcel post rates by more than 10 percent, such rates being computed under Section 3622 of the Postal Reorganization Act. While we do not believe that parcel post should receive any subsidy, this 10 percent reduction in rates should be the absolute maximum permitted, and we support the language as it now stands. It would represent a continuation of the present subsidy enjoyed by parcel post as part of the \$920 million public service allocation specified in the 1970 law. We vigorously oppose an enlargement of subsidy beyond that proposed in the Chairman's bill and H.R. 8603.

Private competitors already are disadvantaged in that they must compete while paying open-market rates for capital, real estate taxes, taxes on vehicles, taxes on fuel, sales taxes for supplies, state corporate taxes, federal corporate income taxes that take almost half of profits and many other expenses which the government competitor does not endure. Private enterprise also must earn a profit for investors.

Any attempt to subsidize a government business that competes with private enterprise is fraught with peril. Such subsidies, if applied at all, must be imposed very judiciously.

PROPOSALS TO DEFINE PUBLIC SERVICE
SUBSIDIES ARE PREMATURE

It has been proposed in the pending legislation that a study be set up to establish to what extent the Postal Service should be subsidized for the provision of "public service."

Such a determination must ultimately be expressed in actual dollars of cost, or must be expressed as a percentage of the cost of supplying a particular "public service." The present state of costing at the Postal Service does not provide a firm base from which such a judgment could be made. Because today we do not have the true costs of a particular class of mail service, any responsible proposals for "public service" subsidies are rendered moot.

It is our recommendation that at the appropriate time and under congressional guidance, this assignment be given to the Postal Rate Commission, which already has a considerable expertise in the cost and service aspects of the Postal Service. The Rate Commission knows how to find postal costs, what those costs are, and what revenue is required to meet those costs.

THE PRIVATE EXPRESS STATUTES
REQUIRE DEFINITION

The President's Council on Wage and Price Stability recently issued a report in which it recommended that the postal monopoly be eliminated and that this service be exposed to the rigors of competition.

Such considerations go beyond the realm of our experience, but there is one aspect of the Private Express Statutes that we believe requires modification. It is the questionable right, which the Postal Service asserts it has, to define, redefine, extend and otherwise interpret what its monopoly shall be. The Postal Service has claimed that it is empowered to define a "letter" administratively, and it has done so to an extreme degree.

The Postal Service is attempting to wear both the hats of the regulator and the regulated. It is our firm view that a clear definition of the monopoly should emanate from Congress, and that all further changes in the monopoly should be through legislation. We have appended language governing definition of the Private Express Statutes taken from a House bill, H.R. 2445, which was a predecessor of the House bill currently before the committee (Exhibit B).

THE POSTAL RATE COMMISSION
SHOULD BE STRENGTHENED

We are in full accord with recommendations that will further define the authority and independence of the Postal Rate Commission. The financial independence of the Commission, the Senate confirmation of commissioners and the definition of matters over which the Commission has authority all contribute to making that body more effective in its role of postal oversight.

We applaud the recent court decision that requires filing with the Postal Rate Commission all changes in fees for special postal services.

We also endorse the idea of giving the Postal Rate Commission full authority over the imposition of temporary rates. While the current 90-day waiting period for automatic rate adjustments can be retained, we believe it is in the national interest that the Commission be given authority to modify temporary rates and to impose such rates at an earlier time to provide needed revenue to the Postal Service.

We recognize that there has been considerable frustration in Congress over the lengthy proceedings before the Postal Rate Commission. There is no such delay in the current proceeding before the Commission, and delays in previous rate cases did not in our view stem from Commission procedures, but rather were the product of reluctance by the Postal Service to produce relevant and necessary data.

The recommendation that the Administrative Procedure Act be abandoned so that Commission proceedings can be accelerated will ill serve the fulfillment of obligations Congress has bestowed on the Commission. It was only through the safeguard provided by the Administrative Procedure Act that Postal Service costing has progressed as far as it has. Without this safeguard, the parties to the proceeding could not protect their legitimate interests.

Strengthening of the Postal Rate Commission is one of the key elements of any program to develop a cost effective Postal Service in the future. The Rate Commission, by virtue of the tasks assigned to it under the Postal Reorganization Act, has acquired substantial expertise in postal matters. It can serve the Congress and the American public well in future efforts to develop a more effective postal system.

The current pressure on Congress to subsidize the mails to avert insolvency need not interfere with the Rate Commission's continuing efforts to prod the Postal Service to greater identification of postal costs for particular classes of service, and must not interfere with the proper costing and pricing of parcel post.

Postal costing is still not sufficiently advanced to permit subsidies without formal safeguards to prevent parcel post from competing unfairly with private delivery services. Parcel post currently gets substantial competition from the private sector. If parcel post is to receive any subsidy under the blanket proposals now before the Committee, then the protection of the private sector requires that such subsidies be clearly limited as presently provided for in the Chairman's bill.

I thank you, Mr. Chairman and members of the Committee, for this opportunity to present our views.

EXHIBIT A



United Parcel Service 51 Weaver St., Greenwich Office Park 5
 Greenwich, CT 06830
 (203) 622-6000

April 16, 1976

Benjamin F. Bailar
 Postmaster General
 United States Postal Service
 475 L'Enfant Plaza West, S. W.
 Washington, D.C. 20260

Dear General Bailar:

It has been suggested that I write to you with respect to reports we have received concerning recent statements made by you about UPS service. These statements are so totally misleading or erroneous, that I thought you would like to be advised of this and may wish to check your information sources.

Among other things, I refer specifically to information provided by you to Congressman Hanley's Subcommittee on Postal Service last December, to Senator Montoya's Subcommittee on Postal Appropriations and to Senator McGee's Committee on Post Office and Civil Service in March of this year.

Of particular concern to us are inaccurate statements made by you to the effect that:

- UPS takes only the most desirable business, is only a commercial service, and makes its service attractive particularly to volume shippers.
- UPS delivery service is limited to one, two or three delivery days per week in certain areas.
- UPS uses the USPS for delivery of parcels from outlying areas that are uneconomical to serve, and
- UPS does not serve some sparse areas at all.

I hope you can understand our concern since the points you raise go to the heart of the integrity of our service, our commitment to the public and our obligation to the regulatory agencies.

Benjamin F. Bailar

Every day large numbers of householders use our pickup service and bring parcels to our customer counters. By these methods all householders in the entire country have our service available. The rate a householder pays is exactly the same as that offered to large shippers. UPS has no volume rates. More and more individuals are using our service each year.

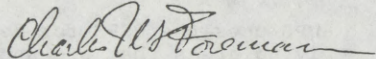
In spite of what you may have been informed, UPS serves all areas of the contiguous United States on a daily basis. All parcels arriving in our operating centers during the night for delivery from them are delivered on the following day, regardless of their destination. In no instance do we limit the deliveries to less than daily service.

Regarding use of the Postal Service for delivery to outlying areas, nothing could be further from the intent of our policy and practices. In fact, we are on record before regulatory commissions and the Congress, and in materials we distribute, that we are responsible from pickup to delivery for the packages given to us. I have discussed with you before the small number of occasions where customers might mistakenly give UPS packages to the Postal Service and when they might give parcel post packages mistakenly to UPS. These few cases reflect human error and not a deliberate attempt on your part or ours.

In any event, I want to assure you that, except for very infrequent errors, we do not burden the Postal Service with any parcels given us for delivery to any address we are authorized to serve. If you or your staff have any information to the contrary, which I doubt, we would greatly appreciate your letting us know about it.

Because of our great concern that the record be clear on these matters, I am sending a copy of this letter to Congressman Hanley and Senators Montoya and McGee and the members of their committees.

Sincerely,



Charles W. L. Foreman
Vice President

CWLF:lmj

EXHIBIT B

Excerpt from H.R. 2445,
94th Congress, First Session:

14 REVISION OF LAWS RELATING TO PRIVATE CARRIAGE OF
15 LETTERS

16 SEC. 11. (a) Chapter 6 of title 39, United States Code,
17 is amended by adding at the end thereof the following new
18 section:

19 "§ 607. Definitions

20 "(a) As used in this chapter and in sections 1693
21 through 1699 of title 18, the term 'letter' means a message
22 directed to a specific person or address and recorded in or
23 on a tangible object and any carbon or other limited copy
24 of any such message directed to a specific person or address,
25 except—

1 “(1) telegrams;

2 “(2) newspapers, periodicals, books, catalogs, mi-
3 crofilms, magnetic tapes, and other material reproduced
4 in quantity, such as—

5 “(A) checks, stock certificates, promissory
6 notes, bonds, and securities when shipped to or from
7 financial institutions;

8 “(B) letters being sent in bulk for storage or
9 destruction; and

10 “(C) letters being sent in bulk from a printer
11 or other supplier to his customer; and

12 “(3) written or printed matter enclosed with
13 cargo, including invoices, circulars, advertising, labels,
14 instructions, and messages printed on the merchandise
15 or container.

16 “(b) As used in subsection (a) of this section, the term
17 ‘writing’ includes handwriting, typewriting, printing on pa-
18 per or film, the punching of holes, magnetic symbols on tape,
19 and any other process by which characters or symbols hav-
20 ing a predetermined significance are physically represented
21 in a form readable by human beings or machines.

22 “(c) As used in subsection (a) (2) (A) of this sec-
23 tion, the term ‘checks’ includes documents intrinsically re-
24 lated to and regularly accompanying the movement of
25 checks within the banking system, return items (whether or

1 not bearing notations), and instruments that call for the
2 crediting or debiting of accounts maintained at financial in-
3 stitutions which must be acted upon promptly by reason of
4 the rules under which the financial institutions operate or the
5 nature of the transaction.

6 “(d) As used in subsections (a) (2) (A) and (c) of
7 this section, the term ‘financial institutions’ includes—

8 “(1) as to checks, banks, their offices, affiliates, and
9 facilities; and

10 “(2) as to other financial instruments, institutions
11 performing functions involving the bulk generation,
12 clearance, and transfer of such instruments.

13 “(e) Any change at any time in any rule or regulation
14 of the Postal Service governing administration of this chap-
15 ter by reason of the enactment of this section shall not become
16 effective until after the opportunity for a hearing is accorded
17 interested parties, reasonable public notice is given with
18 respect to such hearing, and a reasonable opportunity is
19 afforded interested parties to be present, to present evidence,
20 and to be heard at any such hearing.”.

21 (b) The table of sections for chapter 6 of title 39,
22 United States Code, is amended by adding at the end there-
23 of the following new item:

“607. Definitions.”.

SUPPLEMENT TO
STATEMENT OF CHARLES W. L. FOREMAN, VICE PRESIDENT
OF UNITED PARCEL SERVICE

BEFORE THE
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON S. 2844
APRIL 30, 1976

INCREASE IN PARCEL POST SIZE AND WEIGHT

We understand that a new feature has been added to S. 2844, which would raise the upper size and weight limit of all parcel post packages to 108 inches in length and girth and 70 pounds. This feature was inserted in the proposed legislation subsequent to the April 30 filing we made before the Committee. We would therefore like to supplement that statement.

Since size and weight limitations on packages do not play a large role in the fairness of competition between the Postal Service and UPS, we do not oppose the proposal. However, our entire experience in regards to this move indicate that it would be a serious and costly mistake.

At the present time the Postal Service will accept 70-pound packages in second, third and fourth class post offices. However, total package volume handled through these post offices is only a few percent of total Parcel Post volume and of this small amount very little of it weighs 70 pounds.

Thus the penalty in efficiency the Postal Service currently pays for the handling of 70-pound packages is inconsequential. However, if the entire system should begin to accept 70-pound packages, the amount of "incompatible" packages would increase dramatically.

Our views were stated before the Senate Committee on Post Office and Civil Service back in July, 1966 as follows:

"Our own experience in the parcel delivery business confirms the view that a uniform weight limit is preferable from the standpoint of the public.

"In our common carrier parcel delivery service, we have a uniform size and weight limit...We believe that this uniformity has proved to be a convenience to our users and has contributed to the efficiency of our operations."

On the other hand after years of experimenting with higher and lower uniform weights we found that we best served our customers by limiting ourselves strictly to the small parcel field--at 50 pounds. Higher limits forced greater costs of internal equipment, vehicle capacities, deliveryman fatigue, etc.

A uniform 50 pounds we believe properly describes the upper limit of the parcel field. For the USPS to adopt a uniform 70 pound limit would take it even further from its proper role--the delivery of mail, and put it in competition with the entire light freight industry.



Chamber of Commerce of the United States

LEGISLATIVE ACTION GENERAL MANAGER
HILTON DAVIS

202-659-6140

1615 H STREET, N.W.
WASHINGTON, D.C. 20062

May 3, 1976

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

Dear Mr. Chairman:

The National Chamber strongly supports a key provision of S. 2844, which in Section VII calls for the establishment of a Commission on Postal Service to study the public service functions of the United States Postal Service and identify the justifiable level of public service subsidies. However, we urge that the mandate of the Study Commission be expanded to require it to study the scope of the Private Mail Statutes.

The Postal Service should be operated as a basic and fundamental service for all of the people of the United States. To the fullest extent possible, the Service should become self supporting with mail customers sharing equitably in the cost of such service.

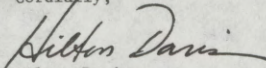
With regard to the proposed public service appropriation, the question is: How large should the subsidy be to cover the non-compensatory cost of service to the public at large? We recognize that some level of public subsidy has been necessary under the Postal Reorganization Act. But that amount should not be increased unless there is the fullest examination of the need for it by the Congress. Only then can Congress be sure that an increased subsidy is required for the Postal Service to continue to operate as a fundamental service for all of the people of the United States.

The U. S. Postal Service should have a monopoly only over the carriage of letter mail. But, Congress should clearly establish the extent of this monopoly by revising the statutory definition of "letter." If this recommendation were to be supported by the Commission on Postal Service, its studies could then estimate the specific revenue potentials of the Postal Service without including mailable materials not previously considered to be letter mail.

Depriving the Postal Service of its discretion to determine the extent of its monopoly would enhance the Commission's ability to identify and study the public service functions of the Postal Service and to recommend to what extent and by what means the public service functions may be defined and costs reasonably estimated. The objectives of S. 2844 would thereby be achieved.

We will appreciate your consideration of these views and request that this statement be made a part of the hearing record.

Cordially,

A handwritten signature in dark ink, appearing to read "Hilton Davis", written in a cursive style.

Hilton Davis
General Manager
Legislative Action

cc: all committee members
Mr. Rod Crowlie
Mr. Craig Potter
Mr. Larry Nakatsuka



NATIONAL ASSOCIATION OF HOME BUILDERS

National Housing Center

15TH AND M STREETS, N.W., WASHINGTON, D.C. 20005

TELEX 89-2600

TELEPHONE (202) 452-0200

NATHANIEL H. ROGGE
EXECUTIVE VICE PRESIDENT

May 3, 1976

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

Dear Mr. Chairman:

On behalf of the National Association of Home Builders, we should like to submit this letter for the record of the hearings on S. 2844, the Postal Reorganization Act Amendments of 1976. NAHB is the trade association of this Nation's home building industry with a membership of over 74,000 in 614 state and local associations.

We endorse Section 2 of S. 2844, Postal Reorganization Act Amendments of 1976, which would mandate the U. S. Postal Service to provide door delivery or curbside delivery to all permanent residential addresses, specifically require door delivery if local zoning ordinances prohibit mailboxes along the curb and only permit cluster-boxes to be used at permanent residential addresses when approved by the local jurisdiction. These provisions are similar to those in Section 2 of H.R. 8603 which passed the House on October 30, 1975 with NAHB's strong support.

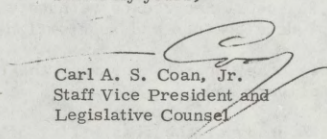
The proposed amendment comes at a time when the U. S. Postal Service is reducing mail delivery service to the American public. This is a problem of great concern to home builders. NAHB's Board of Directors has adopted as policy the recommendation that Congress direct the Postal Service to institute door-to-door delivery services to all individual residential dwelling units including

single family subdivisions, townhouses developments, and planned unit developments. A copy of this resolution is attached (See Exhibit "A").

On May 22, 1975, the Postal Service published the proposed new postal delivery rules which would in effect terminate door-to-door mail service for most types of newly-constructed residential dwellings. These regulations have not been implemented in final form due to strong adverse public reaction. In lieu of door-to-door service, the Postal Service is proposing the use of curb delivery and clusterboxes. In addition to being an inconvenience to homeowners, the Postal Service's proposed regulations contravene the laws of those localities which prohibit either curb delivery or clusterboxes for reasons of public safety or planning considerations.

We, therefore, support Section 2 of S. 2844, which would generally require the Postal Service to provide door delivery or curblane delivery to all permanent residential addresses except in those cases where the appropriate general local government has otherwise provided.

Sincerely yours,



Carl A. S. Coan, Jr.
Staff Vice President and
Legislative Counsel

NAHB RESOLUTION

September 22, 1974
✓ San Francisco, California

COMMITTEE ON LAND DEVELOPMENTU.S. POSTAL SERVICE

WHEREAS, the U.S. Postal Service has adopted a policy of central mail delivery instead of door to door services to individual residences in new subdivisions, of single family, town house, and planned unit developments, and:

WHEREAS, any type postal service other than the regular door to door service for such type development tends to discriminate against those persons who purchase new homes in newly developed areas,

NOW THEREFORE BE IT RESOLVED, that the National Association of Homebuilders request the U.S. Postal Service to reinstate door to door delivery service in all types of developments and subdivisions and, if denied,

- (a) seek to have the Congress instruct the Postal Service to reinstate door to door delivery and,
- (b) undertake a study of the feasibility of a legal action to eliminate current discrimination against new home buyers.

APPROVED BY THE BOARD OF DIRECTORS

STATEMENT OF
DAVID A. BUNN
EXECUTIVE VICE PRESIDENT
PARCEL POST ASSOCIATION OF AMERICA
BEFORE THE
SENATE POST OFFICE & CIVIL SERVICE COMMITTEE
ON S.2844

May 3, 1976

Mr. Chairman and Members of the Committee I am submitting this statement today on behalf of the more than 200 primarily small businesses who are the members of the Parcel Post Association and depend upon the United States Postal Service to deliver small packages to their customers. And, while they are not our members, we speak on behalf, as well, of the ordinary citizen who is totally dependent upon the United States Postal Service for the delivery of a single small parcel.

The members of our Association do, often, have an alternative to use of the Postal Service. There is at least one other private parcel delivery system which can and will provide service to businesses which ship in volume. The ordinary citizen, however, who has only one parcel that he wishes to ship, has no meaningful alternative to the Postal Service. We are concerned for ourselves as businesses, and we are concerned for these individuals, because the parcel post system is in danger of pricing itself out of existence. If the demise of the parcel delivery system of the Postal Service continues, our business members will be left with

no alternative; they will become the captive of the one remaining parcel delivery system; and the individual citizen will be left with no delivery system whatsoever, since there is no one other than the United States Postal Service who wants the business of that single parcel shipper.

Members of our Association are also large users of third-class and first-class mail as well as parcel post. They have also experienced such large price increases in these classes of mail that their economic viability is jeopardized. Our members primarily solicit their business by use of the United States mails; they must deliver the goods sold either through the Postal Service or an alternate delivery system; they send their bills by first-class mail. They cannot survive economically if the Postal Service does not survive economically. Consequently, our Association feels a great sense of gratitude to this Committee and its Chairman in producing S.2844, a bill containing absolutely essential amendments to the Postal Reorganization Act.

No objective student of the Postal Service can avoid the conclusion that it is in the most serious financial crisis of its long history. The Postal Service has consumed its entire beginning equity, an equity which was created in the first instance by mail users. It has for several years borrowed to the maximum statutory permissible amount for operating purposes; this is a mortgage on the future of the Postal Service that cannot

be deferred forever. These monies must be paid back. The position of the Bureau of the Budget, that self appointed guardian of fiscal integrity, is very hard to understand. Evidently, their prescription for the Postal Service's ailments is very simple: just keep on borrowing, as though these monies never had to be repaid. The Budget Bureau also piously asserts that management techniques could be improved. Well, we all agree with that; we agree with that prescription for almost any enterprise in this country, since there is always room for improvement. However, we fail to understand how an enterprise which is so highly labor intensive that some 86% of its total costs are consumed by its labor force can make any meaningful dent in its deficits through the adoption of some management innovations. We do believe that management has made some serious errors at times since the enactment of postal reform. It may very well turn out that the decision to build a bulk mail system was the greatest folly - a one billion dollar folly at that. However, we should note that the costs of this system are capital costs and are not therefore a significant factor in the deterioration of the Postal Service's revenue posture.

For those who have questioned whether postal reform has been a complete failure, some facts are in order.

1. The postal labor force was underpaid; disadvantages in their working conditions; and deprived of a meaningful voice in the determination of their own affairs before postal reform;

today, the postal labor force has wages and working conditions that are the envy of the U.S. labor force; and these benefits were secured through their own free participation in a true collective bargaining process.

2. Today, all Postmasters are appointed on merit, and at least the current Postmaster General is exclusively recruiting from within the career ranks to fill the top management positions on a merit basis.

3. Mechanization of postal processing has advanced to the point where the Postmaster General has stated that few additional efficiencies can be realized from more mechanization.

4. The Postal Service today processes 10% more mail with 8% fewer employees, thus indicating a substantial improvement in worker productivity.

5. Since World War II up to the time of postal reform, the United States Treasury had to absorb on the average of 17% of the total cost of running the Postal Service. Today, the Treasury finances only 10% of the total cost of operating the Postal Service with that percentage figure declining every year.

The achievement of this growing financial independence of the Postal Service has been purchased, however, at a terrible price to the users of the system, both in the costs and in the

reliability of their service. The cost of postal service for mail users has become the most critical factor in their ability to continue to do business. No other costs have increased for them as much as their essential postal services, in most cases substantially in excess of 100% increases over the last five years. For the first time in anyone's memory, the Postal Service is experiencing a decline in volume; and for the first time in its entire history, the long term projection for volume on the decrease. This is most ominous; the enormous fixity of cost in a postal system which strives to serve an entire nation on an equal basis requires a steadily increasing volume in order to minimize its costs. And this phenomena of declining volume is the sole result of price increases that have been beyond the ability of the users to pay.

The fundamental flaw in the Postal Reorganization Act was the obsession of the administration architects of that legislation with the idea that this most essential of all governmental services should be able to pay for itself. It is this mandate which has forced the Postal Service to request, and has forced the Postal Rate Commission to grant, a constant spiral of price increases for postal services. The provision of S.2844 which increases the public service funding to the Postal Service on a temporary basis over the next three years is absolutely essential to maintain the Postal Service at its present level. There is no other realistic source for the

funds the Service needs. The legislation also provides, we think with considerable wisdom, an adequate time for a new Commission to reexamine the nature of the Postal Service, and, most importantly, the rationale for public service funding and the proper amounts of that funding.

The Postmaster General has recently suffered a number of serious criticisms for his attempts to deal with the financial crisis he is helpless to overcome. We believe that the Postmaster General is merely acting in the manner which the Postal Reorganization Act itself commands. The inexorable dictates of the break even requirement of the Act leave the Postmaster General with no choice but to reduce and eliminate services if he cannot pay for them. It makes no difference whether this will harm the American people or American business; all must fall before the demand that the service break even. We do not believe that the Postmaster General wants to close vast numbers of small post offices which are so critical to the lives of small communities; we do not believe that the Postmaster General wants to eliminate all deliveries of mail to homes on Saturday; we do not believe that the Postmaster General wants to deprive businesses in major eastern cities of an extra mail delivery; we do not believe that he wants to abolish special delivery services; and we do not believe that he wants to stop training, research and the necessary new capital development that the future requires. But, the present Act leaves him no choice.

It says he must break even.

For our part, we have no doubt what the wishes of the American people are. We have no doubt that the American people would much prefer to see some of their tax monies used to maintain the Postal Service at the full level of services that the citizenry has come to expect from its government. S.2844 would permit the Postmaster General to maintain these present services; to keep faith with the needs of the American people; while a new effort is made to determine the long term future of the Postal Service and the proper level of public funding for this government service.

While we wholeheartedly endorse and support S.2844, we would hope that the legislation could be amended to deal with another gravely serious problem affecting parcel shippers. For reasons which historically had some validity, the Postal Service has been limited in the size and weight of parcels it has been allowed to carry between first-class post offices. But those reasons no longer exist. This limit of 40 lbs. and 84" required that companies establish separate shipping lines in each shipping facility in order to conform to these limits. When the Railway Express Agency was in business all such oversize or overweight items would be routed via that carrier, and because that carrier had very wide distribution patterns, the difficulty of maintaining separate shipping lines was substantially mitigated. However, as this Committee knows, the Railway Express Agency no

longer exists, having gone into bankruptcy. It is thus now necessary for our members to attempt to find other common carriers who can haul this overweight and oversize freight. This has caused substantial problems, since no one common carrier has a very extensive distribution pattern. This requires the use of a variety of common carriers which entails considerable expense in the routing of orders, and the scheduling of carriers. Moreover, many of these carriers do not service at the point directly which in turn necessitates interline transfers; and in most cases the carrier will not deliver directly to the consignee; and in the few instances where residence delivery is provided it is done so at an exorbitant additional cost, a cost we might point out which the customer must end up paying for.

In short there is no longer any need for the protections that were built into the size and weight limitations for the benefit of the Railway Express Agency. Therefore, we would urge that S.2844 include an amendment to the provisions of Section 3682 of Title 39, to provide a uniform size and weight limit irrespective of the class of the office at which the parcel is mailed or to which the parcel is delivered. We would propose that the maximum weight be 70 lbs. and that the maximum size be 108" in girth and length combined, for all classes of mail, wherever shipped and to whatever point shipped. This change will not only be an extremely helpful change to businesses which now are excluded from the use of the Postal Service; it will, needless

to say, be of considerable benefit to the Postal Service to be able to handle this additional traffic at a time when its volumes are steadily declining.

We believe that S.2844 will go a long way toward eradicating the fundamental errors contained in the Postal Reorganization Act and will once again return the Postal Service to its function of an essential government service which serves all the American people, regardless of their ability to pay, rather than a business which sells a luxury to those who can afford it.

STATEMENT OF HUGH CHRONISTER, PRESIDENT
 AGRICULTURAL PUBLISHERS ASSOCIATION
 BEFORE THE SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
 IN SUPPORT OF S. 2844, THE "POSTAL REORGANIZATION ACT OF 1976,"

Mr. Chairman, I am Hugh Chronister, President of the Agricultural Publishers Association, Inc., (APA) a nonprofit corporation created under the Laws of Illinois. Its membership comprises 13 companies who publish 27 State and Regional Agricultural Magazines, many of which have been providing farming "know how" to rural families for over 100 years.

I am also President of the Harvest Publishing Company of Cleveland, Ohio, which publishes the following Agricultural Magazines:

Ohio Farmer
 Kansas Farmer
 Missouri Ruralist
 Michigan Farmer
 Pennsylvania Farmer

Their average ^{total} circulation is 465,000 copies per issue.

The APA is pleased to support S. 2844 because we believe continued steep hikes in United States Postal Rates is not justified until the Public Service functions of our United States Postal System are fully determined, so that these costs may be charged to the general tax revenues and not assessed to business mail users. S. 2844 provides an additional 10% set-aside for, and a detailed study of, Postal Public Services which is greatly required.

Without this kind of determination, current Postal Operations are in conflict with the basic Postal Reorganization Act itself (P.L. 91-375). For example, the Postal Service is charged with providing an "effective postal service" to rural areas in (§ 101(b)) of the aforementioned Act. Yet, increased subscription rates caused by a threatened 500% increase in Second Class Mail Rates since 1971 have reduced Agricultural Magazine circulation volume by more than 5% in recent years. Despite an increase of one million families served by Rural Delivery from 1972 to 1975, total subscriptions have declined by

186,000 subscriptions per issue.

Mr. Chairman, the Post Office and Civil Service Committees of both Houses of Congress have reviewed the plight of agricultural publishing for the past several years, and, based on this evidence, have taken what we consider to be appropriate action. However, the newly formed Postal Rate Commission has placed an entirely different interpretation on the legislative intent of the Congress, much to our dismay and perhaps much to our chagrin at not presenting a more formidable case.

A dark cloud of the possible demise of some vital farm magazines hangs over us. We need not await the final decision of the Commission or the institution of their exorbitant rates to speak of our plight.

Mr. Chairman, in recent years The American Beef Producer went out of business. After 53 years of service to the Livestock industry this publication was suspended "because of sky-rocketing postal rates, printing costs, and budget cuts on the part of agri-business advertisers . . ." Farm Quarterly, a highly respected publication, ceased publishing around 1973, citing the same basic reason for its demise. Now we are advised that, after 50 years, the American Farmer, the Official voice of the Farm Bureau, with a circulation of 2½ million copies per issue, will suspend publication with its April/May issue. Facing postal hikes of an additional \$100,000 this year, this important Farm Publications was forced to fold. Gentlemen, unless we can put the brakes on mounting costs, there will be even more farm magazines making this same announcement in the not-too-distant future.

I don't propose to elaborate upon the vast amount of testimony presented to the Postal Rate Commission over the past years. Permit me, however, to summarize the plight of our Industry. These are facts taken from the Hearings Record. Paid Circulation, Agricultural publishing comprises less than 2% of all second-class mail. According to the United States Department of Commerce,

there are currently about 36 publications (now reduced to 33) engaged in this business. Since 1960 the number of such farm publications has declined from 49 to 33. Total circulation has also declined by 7,000,000 copies in that same period of time. Advertising revenues in farm publications on an annual basis had declined from \$55 million per year in 1960 to \$47 million in 1971. This decline has continued since 1972 and is continuing.

For these reasons, APA urges the enactment of S. 2844 in order to assure the continued flow of necessary scientific information from the laboratory to the land which we believe is in the national interest. Our Nation and Agriculture have relied on vital Farm Publications and their loss, or further reductions in circulation due to readership hardship is contrary to the "effective postal service" mandate of the Postal Reorganization Act.

Only when we separate the Public Service Costs of maintaining the United States Postal Service can the Service develop realistic costs for providing a significant communications network to the entire Nation, including Rural America.

With the national and international demand on American Farmers, the United States can ill afford to deny them this most important tool of Agriculture, The Agricultural Magazine.

Finally, the nonprofit and preferred-rate publishers have proposed an amendment to S. 2844, which APA supports. This amendment would establish again the traditional rates given such mailers by Congress before the establishment of the Postal Rate Commission. Prior to 1970, nonprofit and preferred-rate publishers were required to pay a rate of approximately 50% or less than the rate required to be paid by second-class, profit-oriented publications. The Postal Rate Commission has already pushed this percentage to a near 60% and there are proposals to push it up to 80% or nearly the level of profit-oriented publications. We believe this amendment is fully justified. (See attached copy of the proposed amendment.)

Thank you.

A B I L L

To establish a ceiling on postal rates for certain classes of mail or kind of mailer.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. Section 3626 of the United States Code is hereby amended by the insertion of the words "but in no event to exceed 50% of the regular postage rate applicable to said class or kind of mail" prior to the semicolon following the paragraph (1) thereof.

PURPOSE OF A BILL TO ESTABLISH A CEILING ON POSTAL RATES
FOR CERTAIN CLASSES OF MAIL OR KIND OF MAILER.

The purpose of this bill is to restore to qualified non-profit organizations the level of postage rates traditionally paid by them prior to the enactment of the Postal Reorganization Act of 1970.

Prior to said enactment, qualified non-profit associations paid postage at a rate approximately one-half that of organizations not qualified for non-profit status. The instant amendment provides that qualified non-profit organizations shall pay postage rates in an amount not to exceed 50% of whatever postage rates are established for non-preferred mail.

EXPLANATION OF A BILL TO ESTABLISH A CEILING ON POSTAL
RATES FOR CERTAIN CLASSES OF MAIL OR KIND OF MAILER.

Prior to the enactment of the Postal Reorganization Act of 1970, certain qualified non-profit organizations -- including publications of religious, educational, scientific, philanthropic, agricultural, labor, Veterans', fraternal, and associations of rural electric cooperatives -- were granted "preferred" rates of postage on publications admitted as second-class mail. Traditionally, said preferred rates did not exceed one-half of the rate otherwise applicable to regular rate second-class mailers.

Section 3622, Title 39, United States Code (a section of the Postal Reorganization Act) provides in sub-part (b) (3) that each class of mail pay the direct and indirect postal costs "attributable" to that class of mail plus a portion of all other costs of the Postal Service reasonably assignable to such class (generally referred to as "institutional" costs). Section 3626 provides that qualified non-profit organizations pay only the direct and indirect "attributable" costs and frees them from paying "institutional" costs.

Regretfully, the Postal Reorganization Act provided no definition or guidelines for defining "attributable" costs. In this vacuum, the Postal Service and the Postal Rate Commission have gradually defined "attributable" costs so as to erode the theretofore traditional postage rate for qualified non-profit organizations. From a pre-1970 non-profit rate approximating 46% of the full rate, the Postal Service has increased the non-profit rate to approximately 56% and the Officer of the Commission has proposed a non-profit rate of almost 80% of the full rate.

By definition and reality, non-profit organizations do not have the wherewithal or sources to meet postal rate increases amounting to over 1,000% in just the last four years -- far in excess of the increases levied on for-profit publications. Veterans, labor, agricultural and religious publishers, among the qualified non-profit organizations, simply cannot pass along to their subscribers postal rate increases of the magnitude confronting them and projected for the future. The provisions for said mailers of a postal rate in an amount not to exceed 50% of regular rates will be no more than an effectuation by Congress of its policy enunciated in Section 3622 of the Postal Reorganization Act that the Postal Rate Commission shall make recommended decisions on requested rate changes only after consideration of the following factors:

- (1) the establishment and maintenance of a fair and equitable schedule;

- (2) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;

- (3) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;

(4) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;

(5) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;

(6) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

(7) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services; and,

(8) such other factors as the Commission deems appropriate.



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Telephone 202 293-2585

STATEMENT OF
ASSOCIATION OF AMERICAN PUBLISHERS
ON S. 2844
THE POSTAL REORGANIZATION ACT OF 1975

Presented by Leo Albert,
Chairman of the Postal Committee

The Association of American Publishers has some 280 firms and publishing organizations in its membership. The members include not only commercial book publishing firms, large and small, but also University Presses, book clubs and the publishing departments of religious denominations. It is estimated that our members produce about 80% of the books published annually in the United States.

Book publishers and their customers rely heavily upon the United States Postal Service to transport books. Postage costs are not borne by the publishers, but by the customer, whether that customer be an individual, a book store, a school, or a library.

Effective dissemination of educational, cultural, scientific, and informational materials is certainly basic to a free democratic society. It seems eminently reasonable to us to recognize the legitimacy of this obvious public service aspect of the Postal Service in concrete financial terms so that the cost of distributing these materials not shrink the audience to a degree which impairs the public awareness necessary to effect functioning of a free political and economic system.

We believe an efficient and low cost postal service must be viewed as a basic necessity of our society - just as much so as police and fire protection. That being true, we cannot reasonably treat the operation of the Postal Service in the same straight profit and loss terms appropriate to a private sector commercial operation.

We most heartily endorse that concept of S. 2844 which would increase the public service payment for the operations of the United States Postal Service.

As stated earlier the customer pays the postage for books sent through the mails and thus the more that schools, libraries and individuals have to spend for postage the less they have to spend for educational materials. The matter is particularly urgent in this present period of budgetary stringency for schools and libraries who operate on fixed budgets and can only compensate for increased postal costs by acquiring fewer educational materials for the utilization of their readers and users. We call to your attention certain provisions that appear in H.R. 8603, passed by the House of Representatives, which are not

presently included in S. 2844 and urge the committee's favorable consideration of these measures. The first is Section 9 of H.R. 8603 which amends Section 3622 of Title 30 United States Code to cause the Postal Rate Commission to include as a factor in recommending rates "(8) the educational, cultural, scientific, and informational value to the recipient of mail matter." The importance of this language was illustrated by the colloquy on the floor of the United States Senate during the adoption of the Postal Reorganization Act of 1970 when Senators Mansfield and Scott proposed a uniform national rate for educational materials which proposal was unanimously adopted by the United States Senate. Senator Mansfield stated, "We are dealing here with the Postal Service not as a mere transportation device, but as a vital link in the distribution of educational and cultural materials."

As stated by Senator Scott, "The importance of library materials specifically was recognized when Congress, in the 1920's established, by law, the so-called library rate covering the exchange of library materials between libraries and between libraries and their patrons. A second special factor for educational materials, started in 1938, applied nation-wide a flat rate for books at the same level as that for the editorial content of magazines and newspapers." He went on to state that while the amendment preserved the essential element of national uniformity of rates for the educational materials, "It is, of course, our hope that members of the Postal Rate Commission will take carefully into account the historical recognition of the importance of educational materials when they are faced ultimately with this rate decision."

The adoption of the language of Section 9 strengthens and makes unmistakably clear Congressional intent on a matter of national policy that applies to the operations of the Postal Rate Commission.

We also urge your careful consideration of Section 10 of H.R. 8603 and particularly that section which would insure continuation of second-class mailing privileges to college catalogs and bulletins and loose leaf publications.

As stated in the House report "College bulletins and catalogs and loose leaf publications have been routinely admitted to second-class for many years. In a reversal of long accepted policy, however, the Postal Service has begun administrative proceedings to revoke these privileges..."

As the House report states "College bulletins and catalogs are a public service. They provide current information to faculty, students, and prospective students concerning the programs offered by colleges and universities. The revocation of these privileges would deny the speed, reliability and economy of second-class mail to institutions that must widely distribute information concerning their programs but cannot afford the higher costs of first-class distributions."

The House report further states, "Loose leaf publications provide current news concerning development in the law and public policy to specialists who must be currently informed in the latest developments in areas of developing regulation. Foremost in this category are educators. These services are a most important element in the circulation to the public of information about our laws and governmental policies. Colleges, universities, public libraries, and many other publicly supported institutions are among the major subscribers to these publications. As one expert in library sciences put it, loose leaf publications

are 'a must' for any respectable law library. Another major classification of subscriber to these services are federal, state and local governmental organizations and agencies."

We also urge your favorable consideration of inclusion of Section 13 of H.R. 8603. This section amends Section 3683 of Title 30 United States Code to permit books, when mailed by a publisher or distributor to a school, college, university or library to be entitled to the library rate.

Under the existing law such items as 16 millimeter film strips, sound recordings and other educational materials may be shipped to libraries and schools at the library rate but it does not include books.

Again, as the House report states, "The current library rate does not apply to books mailed from publishers and distributors to libraries, schools, colleges and universities, however, it does apply to books mailed between libraries. The postal charges are paid by the schools and libraries either as part of the basic price or as a surcharge for postage."

The House report further states, "Libraries and schools currently receive at least half their books by mail. As a result, every dollar paid for book postage further erodes library and school budgets. The situation is worse for small rural libraries and schools which receive an estimated 90% of their books by mail. Under this amendment, these libraries would benefit from the lower rate."

Based upon information given to the House Committee by the United States Postal Service, they reached the conclusion that "The potential cost of applying the library rate to this situation is considered a minor item in postal finances."

The measures that we propose for inclusion in S. 2844 and which now appear in H.R. 8603 are items that experience with the Postal Reorganization Act of 1970 has shown to be necessary and vital to the continued free flow of educational, cultural, scientific and informational materials to the American public. We urge your favorable consideration.

Respectfully submitted

Leo N. Albert, Chairman
Association of American Publishers
Postal Committee

STATEMENT IN BEHALF OF
ASSOCIATION OF SECOND CLASS MAIL PUBLICATIONS, INC.
BEFORE THE
SENATE COMMITTEE ON POST OFFICE AND CIVIL SERVICE
ON S. 2844

My name is Richard D. Green and I am President of the Association of Second Class Mail Publications, Inc., an association of publishers of magazines and newspapers which are mailed at Second Class Mail rates.

This testimony is in support of legislation introduced into the Senate by Senator Gale McGee, Chairman of the Senate Post Office and Civil Service Committee - namely S. 2844.

The Postal Reorganization Act has proven to be a failure. It is impossible to support and sustain a Postal Service out of postage rates and fees collected from direct users of the mail system. A break-even financial policy seems to assume that those who put material into the mail system are users while recipients of mail are not. Every man, woman and child in the United States expects and assumes that the total mail apparatus will be available and functioning whenever he wants it, either to mail something or to receive something through the mail that has been requested.

The United States Postal Service is the only basic government service that is provided for all citizens of the United States. It is probably the only government service which taxpayers would be willing to see their tax dollars underwrite. For many years, it was necessary to underwrite postal deficits from the U. S. Treasury. These so-called deficits represented the difference between what was collected in postal rates and fees and what it cost to operate the postal system. For some reason the payment out of the Treasury to meet this difference is called a "subsidy." How can the Federal Government subsidize itself? Is the tremendous amount of money that is expended for tanks and aircraft carriers called a subsidy for the Defense Department?

A favorite argument of those who oppose a postal establishment partially underwritten by government funds is that this is not fair to the taxpayers. Why should this be? The U. S. Postal Service operates the most important and most vital communications system in the country. The existence and stability of our economy, the free enterprise system and the morale of the citizenry is dependent on a reliable, consistent, speedy and reasonably-priced Postal System. Why should the taxpayers of the nation be opposed or assumed to be opposed to such important and worthy objectives?

The Association of Second Class Mail Publications, Inc., favors the passage of S. 2844, legislation introduced by Committee Chairman McGee which would authorize the appropriation of large sums of money over the next three fiscal years to alleviate financial problems of the Postal Service while a Commission is established to study the public service aspects of such a Postal Service and the extent to which these public service aspects should be underwritten by the United States Treasury.

We feel that it is essential that the United States Congress eventually determine the place of a Postal Service in American life. Is it to be a vital public service and is it to be a public utility? Or is it to be a poor relation of government?

Should not the important contribution of a postal distribution system be recognized and supported with adequate financing from postal rates, fees and taxpayers dollars so as to provide the reliable service everyone has come to expect? In the overall, the amount of money involved is peanuts. If American citizens were given an opportunity to rank services of the Federal Government on a scale of 1 to 10, what other service of government would they list ahead of the postal service, an activity of government which under the proposed 1977 Budget would receive about 1/400th of all moneys appropriated for government programs, activities and services in that year.

A long-standing policy of government has favored the movement of informational and educational materials such as magazines and newspapers through mail channels at low postal rates so as to encourage and stimulate the dissemination of ideas, opinions and knowledge. The apparatus of the mail establishment was utilized for this purpose because it had been set up and operated under the Private Express statutes for the movement of First Class letters and documents. Now, these periodicals are being told they must "pay their own way" on the same basis as First Class mail. This discourages and threatens to eliminate the publishing and distribution of a large number of newspapers and magazines. Steps toward lower rates for magazines and newspapers always bring out the cry that such successful mass distribution publications as Time, Readers Digest and the Wall Street Journal would enjoy windfall profits. One would get the impression that these three are the only publications mailed at Second Class Mail rates. Over 35,000 magazines and newspapers have qualified for Second Class mail rates, which means approximately 34,997 other magazines and publications are involved. Neither of the three publications mentioned are members of this organization but we consider the financial success of three important and successful publications as being irrelevant to the overall problem.

There are business papers, such as Footwear News which is vital to a struggling footwear industry, Public Utilities Fortnightly, a publication with a small circulation that is important to a beleaguered utility industry; agricultural papers such as the Kansas Farmer and Pest Control which help a struggling agricultural economy; specialized publications like Psychology Today and the National Geographic Magazine which are very informative; hobbies magazines such as Antiques and Model Railroading that are important to citizen morale; to say nothing of medical journals, scientific journals, many with limited circulations; Atlantic Monthly which has pioneered many of our finest writers; New Republic that has pioneered new ideas; Parents which is a vital source of information and data for mothers and fathers; Jack and Jill or Boys Life, publications of high quality for young people; newspapers like the Christian Science Monitor, Grit or The Sporting News; religious publications like the Christian Century and the Catholic Standard which enrich the lives of our citizens; small town weekly newspapers that are a part of rural and small town life; the Evergreen Review, Apartment Life, National Humane Review, Ebony Magazine, Holiday, Today's Health, American Heritage, Yankee, Leatherneck, Current History, Arizona Highways, Boating, Football Digest, Baby Care, Modern Living, Farm Journal, Publishers Weekly, Editor and Publisher, Advertising Age, Oil and Gas Journal and over 34,000 more. The United States is unique in the extent of its published word. The preservation of its democratic government is dependent on an informed citizenry.

The American citizen is probably better acquainted with its postal system and its employees than with any other agency of government. Recent surveys and polls indicate an increasing loss of confidence in government institutions and officials. The deterioration of the Postal Service, highly visible to the citizen, has probably contributed to this loss in confidence. No longer in the public mind does the Postal Service personify the majesty and power and security of the Federal Government.

The original Postal Reorganization Act is not working. Congress must take a look at what is happening. Congress should provide financial aid to the Postal Service while the Commission provided for in the bill makes it study.

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

April 1976

The Catholic Press Association is pleased to respond to your committee's invitation to submit testimony concerning S. 2844. In so testifying, we speak for the Associated Church Press and the Evangelical Press Association as well as the American Jewish Press Association.

Together, the Associated Church Press, the Catholic Press Association, the Evangelical Press Association and the American Jewish Press Association represent some 700 non-profit religious publications or publishers. The total annual circulation of our member publications is approximately 70 million, of which about 20 million is attributable to newspapers and about 50 million attributable to magazines.

Our member publications are primarily users of second-class postal services, but they also make use of first, third and fourth class postal services in the normal operation of their publishing businesses.

As you know, we have testified before this committee several times in the recent past on the plight of church-related publishers. In our earlier testimony, we furnished you with chapter and verse examples of the staggering increases in postal rates for our church publishers. Let me give you a few others:

The Baptist Record of Jackson, Mississippi, in 1971, had a postage bill of slightly more than \$16,000.00 per annum. Its 1987 postage bill (or earlier if S. 411 appropriations are not forthcoming) is calculated to be \$164,000.00 per annum -- without any further postal increases.

Another example comes to us from The Lutheran of Philadelphia, Pennsylvania: in 5 years its postal bill has run from \$40,000.00 to \$140,000.00

for the year 1976. And Christianity Today, published in Washington, D. C., has a 1976 postal budget \$50,000.00 greater than 1975.

Accordingly, these publisher associations are vitally interested in any proposed legislative measure affecting the organizational and financial matters of the United States Postal Service and the Postal Rate Commission.

We endorse wholeheartedly the provisions of S. 2844 which provide for a more orderly and expeditious development of requests for postal rate increases and for a fiscal public service appropriation to the Postal Service out of the general funds of the Treasury Department.

It is clear that the Postal Service does indeed render numerous services for which it cannot be adequately or "profit center" compensated and Congress is well advised to take up the revenue slack for such services.

Further, we endorse the creation of the proposed Commission on Postal Service to study the costs of the public service functions of the Postal Service and the level of supporting appropriations which should be forthcoming in the Congress.

The recognition by this committee of the futility of requiring the Postal Service to pay its own way is nothing more than a reiteration of the position taken by Congress in the enactment of the Postal Reorganization Act. This committee well knows that Section 3622 of the Act was intended to give recognition to the fact that some mail is of more value to the moral fibre of this country and should not be confronted with the need to pay its own way at the Postal Service.

Specifically, Section 3622 set forth eight criteria to be followed by the Commissioner of the Postal Rate Commission in setting postal rates. While it is true that one such criterion stipulated that each class of mail pay its own way, the other seven criteria

directed the Commission to give weight to the social value of the mail in setting Postal Rates. We have consistently taken the position that Congress did not intend that the Postal Rate Commission be guided only by the need for each class to break even. It was Congress' intent, we contend, that the Postal Rate Commission set postage at a level not to exceed -- that is, a ceiling -- the cost of each class of mail and that the Commission could thereafter lower the rate if its evaluation of the seven so-called social factors justified such lower rate.

Of course, neither the Postal Rate Commission or the courts have seen fit to give any emphasis to the social criteria of Section 3622 and so they have laid on the statutory shelf gathering dust from misuse.

In view of the Postal Rate Commission's refusal to abide by all of the congressionally-determined criteria for setting rates, the non-profit and preferred-rate publishers have proposed an amendment

to S. 2844. This amendment would establish again the traditional rate niche given such mailers by Congress before the establishment of the Postal Rate Commission. Prior to 1970, non-profit and preferred-rate publishers were required to pay a rate of approximately 50% or less than the rate required to be paid by second-class, profit-oriented publications. The Postal Rate Commission has already pushed this percentage to a near 60% and there are proposals to push it up to 80% or nearly the level of profit-oriented publications.

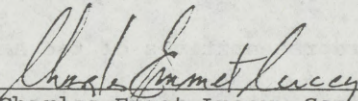
Representatives of the Catholic, Protestant and Jewish press, the labor press, agricultural press and other representatives of the American Legion, Disabled American Veterans, Veterans of Foreign Wars of the U. S. and American Veterans of World War II, Korea and Vietnam signed a communication to every member of this committee, dated January 8, 1976, with copies to committee staff urging this committee to enact legislation providing that postage rates for those certain publishers qualifying for non-profit or preferred-rate

status be set at a level not to exceed 50% of the regular postage rate applicable to said class or kind of mail. A copy of this communication, together with the proposed bill language and an explanation thereof, is attached to this statement and incorporated herein by reference.

We urge this honorable committee to amend S. 2844 to incorporate the attached proposed amendment and thereafter to vote for passage of said bill.

Respectfully submitted,

THE CATHOLIC PRESS ASSOCIATION
ASSOCIATED CHURCH PRESS
EVANGELICAL PRESS ASSOCIATION
AMERICAN JEWISH PRESS ASSOCIATION

By 
Charles Emmet Lucey, Counsel

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CABLE "MEHLAW"

MARION EDWYN HARRISON
CHARLES EMMET LUCEY
ROBERT F. SAGLE

January 8, 1976

HAND DELIVER

The Honorable Gale W. McGee
Chairman, Committee on Post
Office and Civil Service
United States Senate
Room 6206, DSOB
Washington, D. C. 20515

Attention: Mr. Richard Fuller

Dear Senator McGee:

Re Enclosed Proposed Amendment to Title
39, United States Code, Establishing
Preferred Classification for Certain
Non-Profit, Second-Class Mailers

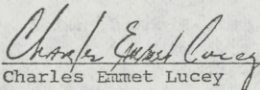
The undersigned second-class mail user associations and groups have been deeply disturbed and adversely affected by the steep and seemingly unending increase in postage rates and attendant fees with which we have been confronted since the passage of the Postal Reorganization Act of 1970. Representatives of all or most of these entities have testified before your committee from time to time in documentation and elaboration of the financial problems which such postal cost increases have created for them.

Stating it simply -- postal rate increases for second-class, non-profit mail users have far outstripped those for-profit-making publisher/users of second-class mail. Even worse, these precipitous cost jumps have

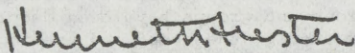
impacted on users least able to absorb or pass along such costs -- with the result that many publications have already and will cease to exist if relief is not forthcoming. The second-class, non-profit mail users are in desperate straits and we must look to you and your colleagues for relief.

Accordingly, we urge that you and your committee give sympathetic consideration to the enclosed proposed amendment establishing a ceiling for non-profit, second-class mailers in an amount not to exceed 50% of the rates paid by profit-making publications of the same class. Not only was this ratio (or better) traditional before the enactment of the Postal Reorganization Act, it will give voice to Section 3622 thereof and will enable non-profit publishers to continue to serve their recognized readership.

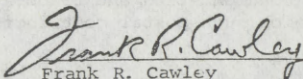
Respectfully submitted,



Charles Emmet Lucey
Counsel for
The Catholic Press Association
Associated Church Press
Evangelical Press Association
American Jewish Press Association



Kenneth Fiester, Consultant
International Labor Press Association
AFL-CIO



Frank R. Cawley
Washington Representative
Agricultural Publishers Association,
Inc.

Mylis S. Kraja

Mylis S. Kraja, Director
National Legislative Commission
The American Legion

Charles L. Huber

Charles L. Huber
National Director of Legislation
Disabled American Veterans

Donald H. Schwab

Donald H. Schwab, Legislative
Director
Veterans of Foreign Wars of the U. S.

Leon Sanchez

Leon Sanchez, National Executive
Director
American Veterans of World War II-
Korea & Vietnam

A B I L L

To establish a ceiling on postal rates for certain classes of mail or kind of mailer.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. Section 3626 of the United States Code is hereby amended by the insertion of the words "but in no event to exceed 50% of the regular postage rate applicable to said class or kind of mail" prior to the semicolon following the paragraph (1) thereof.

PURPOSE OF A BILL TO ESTABLISH A CEILING ON POSTAL RATES
FOR CERTAIN CLASSES OF MAIL OR KIND OF MAILER.

The purpose of this bill is to restore to qualified non-profit organizations the level of postage rates traditionally paid by them prior to the enactment of the Postal Reorganization Act of 1970.

Prior to said enactment, qualified non-profit associations paid postage at a rate approximately one-half that of organizations not qualified for non-profit status. The instant amendment provides that qualified non-profit organizations shall pay postage rates in an amount not to exceed 50% of whatever postage rates are established for non-preferred mail.

EXPLANATION OF A BILL TO ESTABLISH A CEILING ON POSTAL
RATES FOR CERTAIN CLASSES OF MAIL OR KIND OF MAILER.

Prior to the enactment of the Postal Reorganization Act of 1970, certain qualified non-profit organizations -- including publications of religious, educational, scientific, philanthropic, agricultural, labor, Veterans', fraternal, and associations of rural electric cooperatives -- were granted "preferred" rates of postage on publications admitted as second-class mail. Traditionally, said preferred rates did not exceed one-half of the rate otherwise applicable to regular rate second-class mailers.

Section 3622, Title 39, United States Code (a section of the Postal Reorganization Act) provides in sub-part (b) (3) that each class of mail pay the direct and indirect postal costs "attributable" to that class of mail plus a portion of all other costs of the Postal Service reasonably assignable to such class (generally referred to as "institutional" costs). Section 3626 provides that qualified non-profit organizations pay only the direct and indirect "attributable" costs and frees them from paying "institutional" costs.

Regretfully, the Postal Reorganization Act provided no definition or guidelines for defining "attributable" costs. In this vacuum, the Postal Service and the Postal Rate Commission have gradually defined "attributable" costs so as to erode the theretofore traditional postage rate for qualified non-profit organizations. From a pre-1970 non-profit rate approximating 46% of the full rate, the Postal Service has increased the non-profit rate to approximately 56% and the Officer of the Commission has proposed a non-profit rate of almost 80% of the full rate.

By definition and reality, non-profit organizations do not have the wherewithal or sources to meet postal rate increases amounting to over 1,000% in just the last four years -- far in excess of the increases levied on for-profit publications. Veterans, labor, agricultural and religious publishers, among the qualified non-profit organizations, simply cannot pass along to their subscribers postal rate increases of the magnitude confronting them and projected for the future. The provisions for said mailers of a postal rate in an amount not to exceed 50% of regular rates will be no more than an effectuation by Congress of its policy enunciated in Section 3622 of the Postal Reorganization Act that the Postal Rate Commission shall make recommended decisions on requested rate changes only after consideration of the following factors:

- (1) the establishment and maintenance of a fair and equitable schedule;
- (2) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;
- (3) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;

- (4) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;
- (5) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;
- (6) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;
- (7) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services; and,
- (8) such other factors as the Commission deems appropriate.

STATEMENT OF
DONALD N. LEDBETTER
APPEARING ON BEHALF OF
THE NATIONAL ASSOCIATION OF
POSTAL SUPERVISORS
BEFORE THE
SENATE POST OFFICE AND CIVIL
SERVICE COMMITTEE

We are pleased to have this opportunity to comment on the provisions of S.2844 introduced by the Chairman of this Committee. This legislation could not be considered at a more critical time in the life of the Postal Service. As the record of the hearings before this Committee has amply demonstrated, and as has become apparent to every student of postal affairs, and even to the ordinary citizen, the Postal Service is in crisis. Unlike many critics of the system, however, we do not indict postal management as the principal cause of this crisis. At the same time, in all candor, we must say that the new managers of the Postal System have been of uneven quality. In passing, we must also say that we are very gratified that the current Postmaster General, Benjamin Bailar, has recognized that the best source for top managers of a modern Postal System is right from within its own ranks.

It is a matter of record that we did not support the Postal Reorganization Act when it was originally considered by the Congress. It was not that Supervisors were opposed to reform; we long advocated it. It was not that Supervisors did not want to eliminate partisan politics from the Post Office; we long advocated that, and applaud the apparent absence of partisan politics from the current management of the postal system. As this Committee knows, Supervisors did not believe that the Postal Reorganization Act gave to the Supervisors

and to management adequate tools with which to resolve disputes between the middle level managerial forces and top postal management. And after three successive lawsuits filed against the Postal Service, we think the proof is conclusive that the Postal Reorganization Act was defective in not providing a means of compulsory arbitration for disputes on pay and working conditions.

However, the fundamental reason that the Supervisors opposed the Postal Reorganization Act was that the Administration architects of that Act were obsessed with the belief that they could convert what was essentially a public service into a business which was self sustaining. It struck us as foolish then, as it must strike everyone now, to believe that this most essential and continuously enduring service rendered by the government to its people could be made into a business where the primary criteria for major financial decisions was whether or not these services could pay for themselves and not whether they were needed by the American people.

We applaud the vision demonstrated in this Bill in its provision for substantially increased public subsidies that will help, at least for the time being, to maintain the postal system as a governmental service which supplies services equally to all American citizens on the basis of need and not on the basis of their ability to pay for those services.

The provision of additional public subsidies for the next three years should have the desired effect of maintaining an essential level of postal services while averting fiscal insolvency. The creation of an independent study commission to reexamine the nature and future

of the Postal Service and the proper level of public services to be performed by the Postal Service we think is laudatory. However, we must say right now that we for one do not have to await the findings of this Commission to know that the answer to the problems confronting the Postal Service is not the further curtailment of services, such as the wholesale closing of small post offices which have a value to local communities which far transcends their cost; or the elimination of Saturday delivery service, to mention but a few. We believe that the American people are quite prepared to have a part of their tax monies devoted to the maintenance of quality postal service.

We pretend to no particular expertise about the best methods for determining the proper level of rates by a regulatory agency, but we do believe that the provisions in S.2844 are in accordance with sound public policy. It seems eminently sensible to us that if the President is to select the members of the Postal Rate Commission, that should be done only with the concurrence of the United States Senate. The Commissioners of the Postal Rate Commission hold enormous powers and every reason which commands that the Senate advise and consent on other important presidential appointees applies equally in the case of Commissioners of the Postal Rate Commission.

The provision that requires that the Postal Rate Commission produce a recommended decision within ten months after the request is filed by the Postal Service should be helpful in avoiding situations that have in the past produced financial crisis for the Postal Service. Under the current arrangement, the Postal Rate Commission may delay the implementation of permanent rates, and thereby postpone successive rate increases, to the financial detriment

of the Postal Service. We would, of course, be opposed to a procedure which would be so expedited as to constitute a denial of due process to user participants in the proceedings. However, experience indicates that ten months can be an adequate time in which to fully present a case. We are constrained to note, however, that while this ten month requirement will tend to produce a rate commission decision in a reasonable period of time, the legislation also provides that the Postal Service may not implement temporary rate increases until after the passage of this ten months, in contrast to a ninety day waiting period under the current law. This will mean that for a period of some seven months during the pendency of a rate proceeding, the Postal Service will be denied the additional revenues which are presently available from the implementation of temporary rates. We hope that this will not produce further financial difficulties for the Postal Service; but, at the same time, we do recognize that sound public policy dictates that the rate schedule should be established through a regulatory process where all parties have had an opportunity to be heard, rather than the situation which has often obtained in the past where the rates that have been in effect for the majority of the time have been temporary rates, not subject to review, implemented on the order of the Postmaster General.

There have been some positive results that have flowed from the Postal Reorganization Act. And the changes provided by S.2844 will go a long way in correcting some of its deficiencies. But the fundamental fallacy of the Postal Reorganization Act, the correction of which is imperative if the Postal Service is to survive, is the precept that the Postal Service should, unlike every other governmental

service, break even. Until the Congress has once and for all eradicated every vestige of the break even concept, the Postal Service will continue in peril. We are encouraged that S.2844, through the provision of additional public funding for the next three years, forestalls the financial debacle that inevitably flows from the break even concept. And we are confident that the study commission created in S.2844 will recognize that error and will return the postal system as a service to the American people, and not a luxury for sale to those who can afford it.

STATEMENT OF
LESTER F. MILLER, PRESIDENT
NATIONAL RURAL LETTER CARRIERS' ASSOCIATION
TO THE SENATE POST OFFICE & CIVIL SERVICE COMMITTEE
ON S. 2844

Mr. Chairman, and Members of the Congress:

My name is Lester F. Miller, President of the National Rural Letter Carriers' Association, an Organization representing nearly 70,000 regular, substitute, auxiliary and retired rural letter carriers. The rural carriers we represent serve over twelve (12) million families or over forty (40) million persons in rural and suburban areas and travel over two (2) million miles each day.

Mr. Chairman, we commend you for scheduling these hearings on S. 2844, a Bill to amend the Postal Reorganization Act of 1970, with respect to the organizational matters of the U. S. Postal Service and the Postal Rate Commission, and for other purposes. We further commend you for the leadership you are providing in the Senate in seeking a legislative solution to the financial problems of the U. S. Postal Service.

The Postal Reorganization Act of 1970 converted the old Post Office Department into the new U. S. Postal Service, effective July 1, 1971, with much fanfare and great expectations. Some of those expectations have been achieved while others have fallen far short of realization. After nearly five (5) years of operation, it has been proven that the provision of the Act which requires the Postal Service to be self-sufficient by 1984 is virtually an unachievable goal.

Supporters of the Postal Reorganization Act of 1970 contemplated that an independent agency of the Government could operate on a more business-like basis and eventually become self-sustaining. Let's look at the record. The U. S. Postal Service began operations in July, 1971 with an equity of \$1.7 billion in cash. This equity has been dissipated in the last five (5) years and by July 1, 1976, it is estimated the U. S. Postal Service will be in a negative equity position of \$1.3 billion. According to the Postmaster General's Annual Report, the deficits since the birth of the U. S. Postal Service are as follows:

Fiscal Year		Deficit
1972	-	\$175 Million
1973	-	13 Million
1974	-	438 Million
1975	-	989 Million
		\$1.6 Billion

It is estimated the deficit for the current 1976 fiscal year will be \$1.5 billion. This will place the deficit in excess of \$3 billion since the birth of the U. S. Postal Service.

There are many reasons for these staggering losses, most of which were unavoidable, while others were self-imposed. In our opinion, some very grave errors of judgment were made in the early days of the Postal Service, resulting in mistakes whose consequences will linger with us for years. One of the costly blunders of the early days was the reorganization which resulted in many experienced postal management personnel in headquarters and the regions virtually being forced out of the service by acceptance of the early retirement offer or be faced with reduction-in-force action.

This was not only a costly action, when the six-month salary bonus and the recruiting fees for their replacements are considered, but it was a great waste of talent and experience. Literally thousands of years of postal experience went "down the drain" with the loss of these knowledgeable people in top management.

Their postal experience was sorely missed during those early days when the Postal Service seemed to flounder without direction. In their haste to achieve self-sufficiency, their replacements from private industry instituted service curtailments which resulted in the service becoming as bad as had been predicted it would become if postal reorganization was not implemented. In fact, it has long been our belief that the damage to the public image of the Postal Service began when top postal management and other proponents of a postal corporation deliberately and publicly downgraded the old Post Office Department to sell the Congress on Postal Reorganization. When the Ford Motor Company or General Motors Corporation replaces a defective model with a new version, they don't advertise the weaknesses of the old model to sell the new one. Yet it was the postal leaders fresh from private industry who were downgrading the old postal product to sell a new one in 1969 and early 1970.

The deterioration of service caused by the curtailments in service and hiring in 1971 and 1972 increased the damage to the public image of the Postal Service. It has now snowballed to the point that the Postal Service has become the butt of jokes of cartoonists, comedians, writers and commentators throughout America to the dismay and frustration of all postal employees. It may take years to recover the good image the postal service once had, even if the Postal Service excels in service.

There was a time when the public was inclined to overlook an occasional delay in the mail or delivery error and was appreciative of the normally good service. The reverse is true today. The millions of letters which now get through on time are now overlooked or forgotten and those which are delayed are the ones to be remembered.

Of course, the Bulk Mail Center fiasco in Detroit, Michigan; Chicago, Illinois; and Largo, Maryland only compounded the problem of the public image of the Postal Service. There are those who would say that even this problem had its origin in those early days when the idea of the Bulk Mail Center was conceived. (The jury is still out on that verdict.)

Although those early mistakes or errors in judgment were costly, the major causes of the financial problems of the Postal Service were unavoidable and largely beyond the control of postal management. The greatest havoc was caused by the double-digit inflation which followed upon the heels of the energy crisis triggered by the Mideast War of 1973. This rampant inflation caused increases in all commodities and services. Increased fuel and energy costs alone have added substantially to operating costs of the U. S. Postal Service. Since 1971, the cost of gasoline has increased about 20 cents per gallon with each 1 cent per gallon increase costing the Postal Service about \$3.5 million annually. Other fuel costs have increased 69% during that period.

While private industry could react quickly and increase the price of its commodities, the Postal Service was locked into a postage rate which was totally inadequate to meet the rapidly changing condition of the economy. The Postal Service was saddled

with an inadequate rate while waiting for 23 months the approval of the Postal Rate Commission. This delay cost the U. S. Postal Service about \$1.2 billion during the first half of this fiscal year. Thus, we strongly favor the provision of S. 2844 which requires the Postal Rate Commission to act upon a rate request within 10 months. This seems essential to give the flexibility necessary to meet changing conditions.

Another cause of the deteriorating financial condition of the U. S. Postal Service is the decline in mail volume even as deliveries increased by 2% per year. In reality, we are delivering less mail to more households. Thus, operating costs do not decline in the same proportion as volume. This is an alarming situation. Obviously, the economic recession was a factor in the decline in volume, but the increase in postage rates cannot be overlooked as a contributing factor. Reductions of service to cut costs must also be blamed for a share of the decline.

The loss of the parcel post business to private competitors is a source of great irritation to postal employees. We believe a valiant effort should be made by the U. S. Postal Service to recapture the lost business by improving the service in every way possible. It is our observation that pick-up service for parcels should be instituted for all postal customers just as rural customers enjoy. The weight limit should also be increased to 70 pounds, between first-class offices just as it is for smaller offices and rural routes. Obviously, improved handling methods must also be implemented to reduce damage. We believe the American people will again choose to use parcel post service if good, dependable service can be provided at a competitive rate.

There are those who blame the salary and wage rates of postal employees for the financial plight of the U. S. Postal Service. Although wage rates of postal employees increased by about 64%, since July 1971, including fringe benefits, it must be remembered that the salaries of postal employees were woefully low before collective bargaining began for salaries and fringe benefits. In fact, it was these low salaries which triggered the Postal Strike of 1970 which finally led to enactment of the Postal Reorganization Act in August 1970. The salary agreement in July 1975 for a three-year period is a moderate one compared with similar agreements in private industry. This attests to the responsibility of postal unions who were cognizant of the financial plight of the Service. There are few postal employees who consider themselves overpaid in these days of continuing rising costs.

What of the future?

It is, generally, conceded that there are three alternatives open to the U. S. Postal Service to regain financial stability.

1. Continue to increase postage rates to meet increased operating costs.
2. Institute cost-cutting measures by reducing levels of service.
3. Appropriate additional funds from the General Treasury to more adequately compensate for the public service aspect of the U. S. Postal Service.

Although the current postage rates are still a bargain as compared to other countries, there is a limit to the amount of increases which can be imposed before reaching a

point of diminishing return. The current rates may already have reached that point as evidenced by the recent mail volume decline. We do not think postage rates increases alone can bear the burden of additional postal operating expenses.

The second alternative is totally unacceptable. Already there has been too much emphasis upon this approach. Although operating efficiencies are desirable, service to the public should not be further reduced. Some of the reductions in service which have been considered are completely unrealistic and would be totally unacceptable to the American public. One of the proposals being considered to cut costs is a conversion to five-day delivery; even three-day delivery has been mentioned. I cannot imagine the wealthiest nation in the world not being able to afford to maintain its postal service at peak performance. Attention should be directed to improvement of service instead of further curtailment. Let's keep SERVICE in the Postal Service.

When the postal reform was being considered in early 1969, this Association had serious reservations about the final outcome. This writer can vividly recall writing an Editorial which appeared in an issue of The National Rural Letter Carrier more than a year before final enactment of the Postal Reorganization Act, setting forth the official position of the National Rural Letter Carriers' Association.

It read in part as follows:

"We acknowledge many of the weaknesses of the Post Office Department and recognize that legislation of some type is necessary to improve the postal service. We are not opposed to Postal Reform, but we are deeply concerned how that reform is accomplished.

"We do not believe the conversion of the Post Office Department into a Corporation is in the best interests of the American public nor in the best interests of the more than 700,000 Civil Service employees who comprise its work force.

"We believe the Post Office Department should remain a Postal Service in deed and not in name only. In its quest for a balanced budget as a corporation, it could soon lose its traditional service aspect. It could soon become interested only in the profitable aspects of the service. What would inevitably happen? Service would be curtailed

"Another alternative to achieve a balanced budget would be postage rate increases. It could result in major increases in certain classes. This, too, would be unpalatable to mail users."

In all fairness, not all of our fears and doubts about the proposed changes materialized but our concerns about curtailment of service proved very prophetic. Our prediction in this matter proved more accurate than one which appeared on the opposite page of the same issue which was made by the Post Office Department in summarizing the proposal which was under consideration. It stated: "The new Postal Service would become entirely self-supporting (although it may take some time - perhaps five years - to turn the existing deficit-ridden operation completely around), except for subsidies which Congress chooses to appropriate funds on behalf of specified public-service groups."

The above statements written nearly seven years ago are not reported in an "I-told-you-so" spirit, but to reveal our historic concern about SERVICE in the Postal

Service. As rural carriers we take pride in the motto of our Association - "Service With A Smile". We sincerely hope we will be privileged to continue to render that type of service.

We come now to the third alternate solution to the Postal Service's financial problem - that of increased appropriations from the General Treasury. We believe it is the only sensible solution. All other solutions are impractical and would only multiply the problems instead of diminishing them. We have supported this solution from the time it became evident that the Postal Service could not become self-sufficient and still fulfill its public service obligations. We regret that the Postal Service leadership has taken so long to recognize the inevitable when certain Members of Congress recognized it as long as three years ago. Unfortunately, not everyone in Government recognizes that the American people consider the public service rendered by the Postal Service as important, if not more important, as other Government services and are willing to pay for that service.

How can we justify subsidies to airlines, railroads, urban mass transportation and other public services and ignore the one service which touches the lives of all Americans? The U. S. Postal Service is a Government service. What other Government service is expected to be self-sufficient?

The fixed amount of \$920 million annual subsidy provided in the Postal Reorganization Act to compensate for public service costs has proven inadequate. Inflation has decreased its actual value and the amount was probably too low in the beginning. Therefore, we strongly support Section 7 of S. 2844 which establishes a Commission

on Postal Service of five members to identify and study the public service functions of the U. S. Postal Service during a two-year study. We believe such a study will identify a greater degree of public service rendered by the U. S. Postal Service than is currently believed.

The Rural Delivery Service is a good example. It could never become self-supporting if it was dependent upon the revenue generated on the rural route. Rural customers are basically recipients of mail rather than senders of mail. We contend that the recipient of mail is as important as the mailer, even though it is the mailer who generates the revenue. Furthermore, there could be no complete mail service without delivery service to every person in this great land.

Obviously, such deliveries are more costly due to the distances involved and the many miles of travel, but the rapid expansion of rural delivery after its inception in 1896 played a major role in the history and development of rural America. No one is more appreciative of mail delivery service than those who reside in the rural areas. No job in the postal service is more rewarding than serving as a rural carrier.

The members we represent have pride in their work and have a deep concern about the future of the Postal Service. Many have devoted a lifetime of service to it. They have been in the front line of defense in representing the Postal Service and the Federal Government throughout rural America. Conversation and correspondence with them reveals a feeling of anxiety and concern among them about the welfare of the U. S. Postal Service. They are looking to the Congress for a solution to the financial problems of the Service.

Mr. Chairman, we believe the Bill which you and Senator Burdick have introduced will provide a solution to the immediate problem and we urge its prompt enactment.

Its primary provision would authorize an appropriation to the Postal Service for each of the fiscal years ending September 30, 1977, 1978 and 1979, an amount not exceeding 10% of the total estimated operating expenses of the Postal Service for the fiscal year for which such appropriations are requested. This additional revenue will enable the Postal Service to maintain financial stability until the newly-created Commission can properly make its evaluation and recommendations.

Any statement on the current problems of the Postal Service would be incomplete without commenting on the threat to its very existence by those who would repeal the private express statutes which grants the Postal Service a monopoly on first class letter mail. Mr. Chairman, we agree completely with your statement to the Senate that the postal monopoly is "the bedrock upon which our universal postal service is founded . . . Without the monopoly, private firms would skim the cream, competing under the prod of the profit motives in cities, leaving long distance delivery to remote areas to anyone else who would take the unprofitable job. Rates for transcontinental delivery and rural delivery would be astronomical. The national postal institution would founder and die."

It is our sincere hope that any attempts to weaken the private express statutes in the Congress will be vigorously opposed. Loss of the first class mail monopoly would mark the beginning of the end of the universal postal service we have come to take for granted. It must not be allowed to happen.

Mr. Chairman, we appreciate the opportunity to present our views on this very important subject. We urge the support of the Congress of the basic principles set forth in S. 2844.

STATEMENT OF JOHN V. MARANEY
EXECUTIVE DIRECTOR
NATIONAL STAR ROUTE MAIL CARRIERS' ASSOCIATION
SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE
S. 2844

My name is John V. Maraney and I am the Executive Director of the National Star Route Mail Carriers' Association. I appreciate the opportunity to submit on behalf of the Association, the following comments on S. 2844, the "Postal Reorganization Act Amendments of 1976."

The National Star Route Mail Carriers' Association is the national trade association of postal transportation contractors. Nationally, there are between 10-12, 000 postal transportation contractors. Our Association is comprised of 48 state associations and a membership of approximately 5, 000 contractors. Historically, routes on which the mail was transported by independent contractors were known as star routes and this has given our Association its name.

The Association supports the provisions of S. 2844 as we believe it will provide the U. S. Postal Service with the financial relief it needs to operate efficiently and the time it needs to finish the job of putting its house in order. It is also our opinion that the establishment of a Commission on Postal Service has substantial merit and we suggest that its mandate be extended to an investigation of the potential savings of millions of dollars available to the Postal Service by broader use of its highway contracting authority. Attached to this statement is a copy of a General Accounting Office study conducted in 1972 which reveals that \$29 million in savings could have been realized by the Postal Service in just two areas of the country by using highway contract service instead of Government rural delivery service. The study also discusses other potential savings through the use of contracting. We realize that the Postal Service has certain restrictions placed on it through its labor agreements. However, in our view, it would be possible through manpower attrition and long-range planning, for the Postal Service to at least begin the means by which it can take advantage of this potential reduction in its transportation costs.

This latest financial crunch has forced the Postal Service to take a hard look at its internal operations. Full impact of the labor agreement reached with Postal unions last July is now surfacing for the first time, bringing about a full realization of problems the agreement has created for Postal management.

All business concerns dealing with the Postal Service on a regular basis have felt the sting of the Services' cost-reduction programs. However, perhaps more than any other industry, ours has felt the direct impact of the USPS's financial difficulties.

Mr. Chairman, in order to demonstrate why our industry, the Postal Service, and the public suffer from imprudent and arbitrary cost reductions, it is necessary to discuss the background and legislative history of the successful program that has heretofore provided the USPS with quality performance, economic rates, and continuity of service from Star Route Contractors.

THE IMPORTANCE OF THE POSTAL TRANSPORTATION CONTRACTOR

The facilities of the United States Postal Service are linked by a transportation network extending over millions of miles. With the decline of railroad transportation and the substantial cutbacks in round-the-clock services for air transportation, short-haul surface transportation by highway contractors has become the most significant aspect of the transportation network. More than 90 percent of all highway transportation for the Postal Service is conducted by independent contractors. In addition, in rural areas, a significant portion of the mail is delivered by independent contractors.

TRANSPORTATION ROLE IN PROVIDING QUALITY SERVICE

It is obvious that the efficient transportation of mail between postal facilities is essential to quality service. Postal transportation contractors have continued to operate efficiently and to provide reliable, dependable service. The members of the highway postal transportation contracting industry are a vital link in the mail delivery process and they do everything within their power to expedite the movement of mail, even when this results in increased and perhaps non-compensable costs to the contractors. This condition would cease should arbitrary regulations aimed at short-term cost savings force professional mail contractors out of business and replace them with fly-by-night operators whose only aim is to get short-term work and whose reputation for efficiency and dependability is unknown to the Postal Service.

CONTRACTOR ROLE IN POSTAL TRANSPORTATION

Private contractors have been involved in the transportation and delivery of mail on behalf of the government since the establishment of the Post Office Department. The statutes in existence just prior to the establishment of the Postal Service relating to the transportation of mail by private contractor trace their history back to the 42nd Congress more than one hundred years ago. Until the reorganization, the statutes provided the Post Office Department with authority to contract for the transportation and delivery of mail for periods up to four years. Contracts were to be let after advertising and, since 1948 the Post Office Department was expressly authorized to renew a contract rather than re-advertise it. The Congress also provided the Post Office Department with express authority to increase or decrease the contract rate as a result of changes in conditions subsequent to the contracting.

It is clear from the legislative history of the statutes dealing with postal transportation contracting that the Congress intended the Post Office Department to deal with private transportation contractors in a fair and equitable manner so that the Post Office Department would receive the benefit of their services and the contractors would have substantial incentive to insure the satisfactory nature of the services. Soon after the enactment of the original legislation, the U. S. Comptroller General, at the request of the Postmaster General, issued a ruling regarding the law's legislative history. The Comptroller General stated:

"The legislative history, including committee reports and discussions indicates that... the intent of the law is:

- "(1) To eliminate insecurity.
- (2) To prevent 'cutthroat' bidding.
- (3) To retain the services of honest and conscientious carriers.

- (4) To permit a flexible procedure for adjustment.
- (5) That the Postmaster General administer the law with the purpose of using it as a tool to eliminate the inequities existing in the star route system.
- (6) That the Postmaster General approach the problem of adjustments and renewals from a viewpoint sympathetic to the existing contractor. "'

After 1948, the Post Office Department followed a policy whereby a contractor who had faithfully executed his contract could reasonably expect that he would be offered a renewal of his contract unless the Postal Office no longer needed the particular route. Today, the Postal Service, through restrictive regulations drafted into its postal transportation contracting manual, has set up a situation in which many significant medium and long-haul contracts may not last for a complete four years.

THE PROBLEM

We are concerned that certain measures, presumably taken in a desperate attempt to trim costs, will have a reverse effect and lead not only to reduced and poorer service, but also to reduced revenues and increased costs. Individuals and companies who contract to transport the mail for the Postal Service do so as a business. Over 80 percent of them engage in no other employment. As an industry, investments are huge, ranging into the tens-of-millions of dollars. Trucks, trailers, and other equipment must be purchased, often modified to meet the requirements of the Postal Service, and kept in excellent repair to provide timely and efficient service. Drivers and other workers must be employed, trained to meet the highest standards possible, and provided with the wages and other benefits required by Federal law. These contractors are truly professionals in their field.

The only way the business of postal transportation contracting makes sense to private individuals or companies is if they can reasonably expect to stay in business after the initial term of their contract, which usually runs for four years.

The experience of our industry in recent months has indicated a general tightening of the policies and attitudes of Postal Service Officials toward renewals, with the apparent objectives of producing short-term price reductions for postal contracting service. In our view, the result of these actions will have just the opposite effect. Reliable, long-term contractors will "go out of business;" many because they have no other business, others because they can ill afford to invest millions in a business that has no security. The business of postal transportation contracting increasingly will be left to "cutthroat" bidders who in many cases can't run the route for the bid price, and thus don't. Service will inevitably deteriorate, costing the Postal Service much needed customers. Poor service or bankruptcy also lead to early terminations, necessitating emergency service which is inherently more expensive. Thus, poorer service leads not only to lost revenue, but also to higher costs, even in the short-term.

Ill-advised policies or unfortunate application of existing policies are usually the direct result of a drastic situation such as the one in which the Postal Service finds itself today. Currently, the Postal Service is considering a proposal which would eliminate the requirement that Star Route Contractors be bonded prior to the award or renewal of any contract. The USPS envisions a vast monetary savings by eliminating the bond requirement but the Association is most apprehensive as to the effect this would have on transportation service, and we oppose a unilateral discontinuance of bonds without a thoroughly researched alternative that would serve as a control and a guarantee of service. In our opinion, if individuals or firms are permitted to bid on advertised contracts without being properly bonded, the door would be open for anybody to be awarded a contract irrespective of their reliability as far as performing service required by the Postal Service. We are concerned that this is another measure that would lead to the highway transportation of mail being removed from the hands of professional mail contractors and into the hands of operators who may only be interested in short-term work with little regard to cost and service requirements. Mr. Chairman, here is another example where the system has worked and worked effectively. Why tamper with a proven, reliable program without full knowledge of the long-range effect of an unproven, and to us, a possible disastrous alternative.

As has been shown on numerous occasions over the last 5 years, the one feature of the mail distribution system which has been most efficient is postal transportation. Unless that too is to breakdown, some way must be found to relieve the Postal Service's financial plight. In our view, S. 2844 is a step in the right direction.

On the plus side, Mr. Chairman, the Postal Service has made several high ranking appointments during the last year which we consider excellent appointments. The men chosen are career postal executives of long standing with solid reputations for integrity and a keen sense of how to operate a postal service efficiently. Had career managers of this caliber, as well as others who have departed, been at the helm since 1971, we do not believe the Postal Service would be in their current situation. If the Postal Service can obtain the financial relief they need to get them through this current crisis and if they continue to appoint careerists to managerial positions who have an incentive to perform, we believe they can and will succeed in their mandate to provide the best possible service to the American public.

Mr. Chairman, we appreciate the opportunity to express our views on S. 2844, and would be happy to answer any questions you might have.

Thank you.



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-114874

JUN 29 1972

Dear Mr. Postmaster General:

We are closing out our study of the transportation activities of the Post Office Department (POD). We completed a survey of Post Office transportation activities prior to enactment of the postal reorganization bill. This survey showed that POD's transportation system had been responsive to the needs of the postal service. We did, however, find areas where we believe improvements would have increased the efficiency of the system and would have resulted in substantial savings. Corrective action on many of the areas would have previously required congressional approval, but can now be taken by the Postal Service under authority granted by the Postal Reorganization Act.

Details of our observations were included in a draft report furnished to the Postal Service in July 1971.

The Service agreed with many of our observations and promised to take action to improve or correct the problems identified. A brief summary of the more significant areas where corrective action was promised follows.

SAVINGS BY USING STAR ROUTE
SERVICE MORE EXTENSIVELY

Our analysis of postal transportation activities in sparsely populated areas throughout the United States showed that substantial savings could have been achieved by replacing Government rural delivery service with contract star route service. By comparison, the cost of box delivery star routes during our survey ranged from 40 percent to 60 percent less than the cost of Government rural delivery service.

For example, in the Atlanta Postal Region, the average mileage cost for box delivery star route service was about 24 cents, as opposed to about 58 cents for Government rural delivery service. Based on these costs, we estimated that savings of as much as \$24 million annually could have been realized in this area by using the lower cost star route service.

Another example involved the Seattle Region. We estimated that savings of about \$5 million could have been realized in that region by using star route service instead of rural delivery service.

At the time of our survey POD was restricted by law from converting rural routes to star route service or from consolidating rural routes. But, under the Postal Reorganization Act, the Postmaster General now has the authority to select the mode of transportation which will provide the most prompt and economical delivery of mail.

The Postal Service, in commenting on a draft of a proposed report, agreed with our observations and advised us that it plans to make an overall review of the rural delivery operation to determine the adjustments needed to update this operation. The Service indicated that adjustments would be subject to any labor agreement constraints.

SAVINGS BY GREATER USE OF CONTRACT VEHICLE SERVICE FOR TRANSFERRING MAIL TO AND FROM AIRPORTS

At the time of our survey, pertinent provisions of law (39 U.S.C. 6402(a) (5)) prohibited the use of contract service for transferring mail between airports and post offices when (1) there was Government-owned motor vehicle service available and (2) when the distance between the post office and the airport was not more than 35 miles. Because of these restrictions, POD had been unable to realize the economies available through greater use of contract service, and it had not made recent cost comparisons to show whether economies in transportation costs could be achieved.

Under the Postal Reorganization Act, the Postmaster General was given authority to use contract service when it is more economical than Government service. In view of the potential savings involved, we suggested that the Postal Service make cost comparisons at each location and select the most economical method of transporting mail to and from airports.

A LETTER FROM THE CHAIRMAN

TIME, APRIL 19, 1976

This past December I began a dialogue with the White House on the Postal Service. Parts of that dialogue were reported in these columns, and since then a flood of editorials and news stories, congressional debate and public discussion, changes in the U.S. Postal Service—actual or threatened—have made the post office a fiercely hot subject.

Since the Publisher's Letter was opened to the subject before, I believe this seems the appropriate place and moment for a brief report on what has happened.

Very possibly we are seeing the beginning of some consensus on how to maintain the Postal Service. At least I am struck by the fact that knowledgeable people who may have dissimilar points of view on other matters have lately expressed remarkably similar ideas about the postal dilemma.

Senator Barry Goldwater (R., Ariz.), in an unusually wide-ranging article scheduled for the May issue of the *Notre Dame Journal of Legislation*, raises the question of how "a political conservative who ordinarily is skeptical of more public spending" can support postal appropriations that the White House opposes. The Senator answers with six detailed reasons, the final one being that "free speech, and all that means to the general public and our way of life, is truly involved." Noting "the historic role of the public mails as promoting public enlightenment and the security of a free people," Senator Goldwater concludes that "this end is deserving of the support of all who support freedom."

James Rademacher, the president of the Letter Carriers union, agrees with Senator Goldwater—on that. In a recent letter to the White House, Mr. Rademacher also argued for the appropriations or the public service subsidies that are necessary to maintain postal service. "It seems to be a modern fallacy," he observed, "that says the post office should pay its own way . . . Does the Department of Commerce?"

In his letter to the White House, Mr. Rademacher expressed his fear that without a substantial postal subsidy, "the postal establishment is going down the drain." That echoes the concern of the chairman of the House Postal Service Subcommittee, James Hanley (D., N.Y.), who in a recent insertion in the *Congressional Record* said that those who continue to be against public service subsidies "will either purposefully or inadvertently lead the Postal Service to ruin."

Congressman Hanley summed up his experience of a decade in dealing with the postal problem: "It is wishful thinking to believe that we can continue the kind of service we have enjoyed and which has been remarkably beneficial to the country without providing substantial funds from the general treasury. To be sure we must ferret out waste, and we cannot tolerate slipshod management. But money will still be needed over and above that generated by postal rates."

Last month in the Senate, the chairman of the Post Office and Civil Service Committee, Gale McGee (D., Wyo.), bluntly condemned resistance to increased "subsidies to the

Postal Service, which desperately needs those subsidies." Earlier the Senator had warned his colleagues that without those subsidies the Postal Service would be "fragmented and struggling for survival."

Some enthusiasts have suggested private industry as a Moses to lead us out of the postal wilderness. This suggestion also produces a striking identity of opinion about the modern Moses' chances.

Goldwater: "Should postage costs continue to increase, private delivery systems may become feasible in certain parts of metropolitan areas, but will remain doubtful for use in rural areas, small towns or many apartment houses."

Rademacher: "Those who advocate turning over the postal operation to private enterprise . . . are particularly misled, because they simply do not understand the mission of our Postal Service, or postal economics."

Hanley: "First the Administration starves the Postal Service of the funds necessary to do its job, then it disingenuously suggests that private enterprise be allowed to step in. I admire private enterprise, have worked in it or with it all my life, and realize that it can do a good job of delivering the mail for *some* of the people. But not *all* of the people, and that is what the Postal Service is all about."

McGee: "Allowing private companies to compete with the Postal Service in the delivery of first-class mail would signal the end of the Postal Service as a national institution, for the private firms would take over the profitable delivery areas, leaving delivery to remote and rural areas to the Postal Service."

These four knowledgeable gentlemen are quoted at some length because I suspect their recent statements are not just straws in the wind. They probably indicate which way the wind is blowing. There are, of course, countering breezes, and I do not mean to suggest any lack of opposition to their viewpoint (on postal matters any position taken by anyone is immediately opposed by someone). It is rather certain, in fact, that even these four experts would disagree on parts of any proposed overall solution to the postal problem.

It seems worth noting, however, that all four agree on certain fundamentals: (1) the necessity of public service appropriations to maintain the post office, (2) the danger of chopping up the Postal Service and giving pieces of it to private enterprise, (3) the immediacy of the threat to the existence of the post office, and (4) the importance of the Postal Service as the underpinning which helps bind our diverse nation together.

Andrew Heitshel



