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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1979

GOVERNMENT
Storage

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-FIFTH CONGRESS
SECOND SESSION

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

TOM STEED, Oklahoma, *Chairman*

JOSEPH P. ADDABBO, New York
EDWARD R. ROYBAL, California
EDWARD J. PATTEN, New Jersey
EDWARD P. BOLAND, Massachusetts
JOHN M. SLACK, West Virginia

CLARENCE E. MILLER, Ohio
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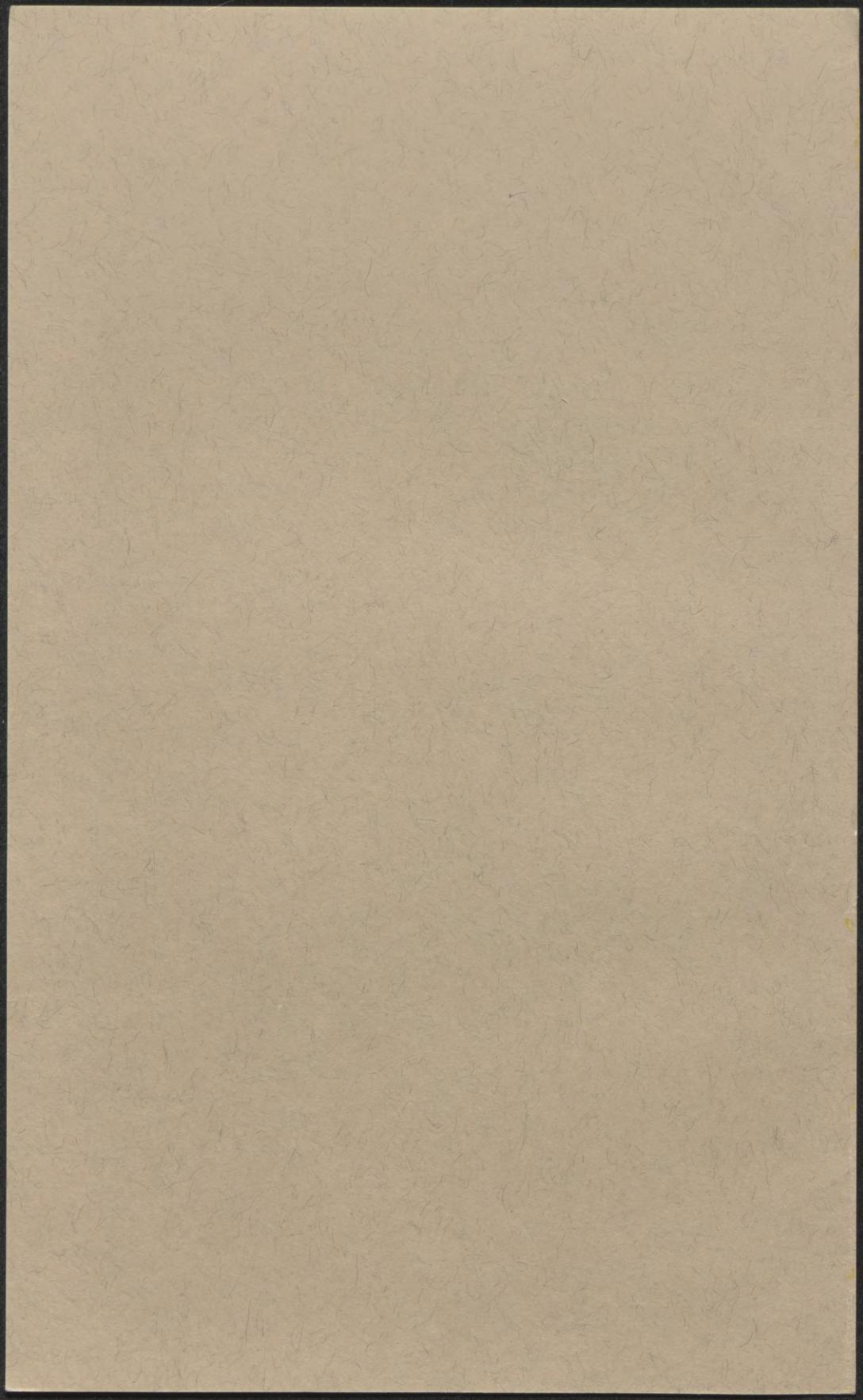
AUBREY A. GUNNELS and C. WILLIAM SMITH, *Staff Assistants*

PART 2
U.S. POSTAL SERVICE

Printed for the use of the Committee on Appropriations



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WASHINGTON : 1978

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**TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS FOR
FISCAL YEAR 1979**

THURSDAY, MARCH 9, 1978.

UNITED STATES POSTAL SERVICE

WITNESSES

BENJAMIN F. BAILAR, POSTMASTER GENERAL
WILLIAM F. BOLGER, DEPUTY POSTMASTER GENERAL
**JAMES V. P. CONWAY, SENIOR ASSISTANT POSTMASTER GENERAL, EM-
PLOYEE AND LABOR RELATIONS**
E. V. DORSEY, SENIOR ASSISTANT POSTMASTER GENERAL, OPERATIONS
**CARL C. ULSAKER, SENIOR ASSISTANT POSTMASTER GENERAL,
ADMINISTRATION**
F. X. BIGLIN, SENIOR ASSISTANT POSTMASTER GENERAL, FINANCE
LOUIS A. COX, GENERAL COUNSEL
**JIM FINCH, ASSISTANT POSTMASTER GENERAL, GOVERNMENT
RELATIONS**
ALFRED C. BIGUM, GENERAL MANAGER, BUDGET DIVISION

Mr. STEED. The committee will be in order. The committee is in session today to take up the 1979 budget request for the U.S. Postal Service. Under the item, Payment to the Postal Service Fund, the amount appropriated for 1978 was \$1,695,540,000, with a supplemental program increase of \$91,959,000, bringing the 1978 total to \$1,787,499,000.

The request for 1979 is \$1,829,994,000, an increase over 1978 of \$42,495,000.

We will insert biographies for our new witnesses in the record at this point.

[The information follows:]

**BIOGRAPHICAL SKETCH OF BENJAMIN FRANKLIN BAILAR, POSTMASTER GENERAL, U.S.
POSTAL SERVICE.**

Benjamin Franklin Bailar became the 61st Postmaster General of the United States on February 16, 1975.

The forty-one year old Postmaster General previously served as Deputy Postmaster General since December 3, 1974, when he also became a member of the Postal Service's Board of Governors. As Postmaster General he continues to serve on the Board.

Mr. Bailar came to the Postal Service in April, 1972, to serve as Senior Assistant Postmaster General for Support, the chief financial officer of the service.

Before joining the Postal Service, Mr. Bailar was Vice President of International Operations, American Can Company.

Mr. Bailar was graduated from the University of Colorado with a B.A. degree in geology in 1955 and received an M.B.A. from the Graduate School of Business Administration of Harvard University in 1959.

Born in Champaign, Ill., on April 21, 1934, Mr. Bailar worked for three years in Continental Oil Company, Houston, Tex. He served for two years as an officer (1955-57) in the U.S. Navy.

Mr. and Mrs. Bailar (she is the former Anne Tveit, of Cookston, Minn.), have two children, a daughter Christina, and son, Benjamin, Jr. They reside in Bethesda, Md.

BIOGRAPHICAL SKETCH OF WILLIAM F. BOLGER, DEPUTY POSTMASTER GENERAL, U.S. POSTAL SERVICE

William F. Bolger, a veteran of 37 years of government service, is Deputy Postmaster General and a member of the Board of Governors of the U. S. Postal Service. He was appointed to his present post on September 4, 1975.

He previously was Regional Postmaster-General for the Northeast Region of the Postal Service, to which he was named in July of 1973.

When the Postal Service was formed in 1971, Mr. Bolger was appointed Manager of the Boston Metropolitan District. He also served in Philadelphia as Acting Assistant Regional Postmaster General, and later as Eastern Regional Postmaster General.

For 14 months prior to postal reorganization, Mr. Bolger was Regional Director of the old Boston Region. In that capacity, he was responsible for all postal activities in the six New England states.

He was first assigned to the Bureau of Finance, Post Office Department in Washington, D.C., in 1941 and later served in district offices in the states of Maine and New Hampshire.

Beginning in 1955, he held a number of managerial positions with the New England Region.

Mr. Bolger is married to the former Marjorie Tilton, of Pittsfield, Me. They are parents of two daughters, Catherine and Margaret.

Mr. Bolger was born on March 13, 1923, in Waterbury, Conn. He and his family, long-time residents of Westford, Mass., now reside in Alexandria, Virginia.

BIOGRAPHICAL SKETCH OF FRANCIS X. BIGLIN, SENIOR ASSISTANT POSTMASTER GENERAL, FINANCE GROUP, U.S. POSTAL SERVICE

Francis X. Biglin, a career postal employee, was named Senior Assistant Postmaster General, Finance Group, on May 3, 1977. He had previously served as Eastern Regional Postmaster General, headquartered in Philadelphia, since June 28, 1973.

Biglin, a native of Scranton, Pa., joined the postal system as a clerk in Washington, D.C., in 1948. He subsequently held a number of management positions in field operations and at Postal Service Headquarters.

As Senior Assistant Postmaster General in charge of the Finance Group, he has responsibility for the departments of Finance, Management Information Systems, and Rates and Classification.

Mr. and Mrs. Biglin currently reside in Marlton, New Jersey.

BIOGRAPHICAL SKETCH OF JAMES V.P. CONWAY, SENIOR ASSISTANT POSTMASTER GENERAL, EMPLOYEE AND LABOR RELATIONS, U.S. POSTAL SERVICE

A career Postal Service employee, James V.P. Conway was appointed to his present position in September, 1975.

Mr. Conway joined the Postal Service as a Headquarters messenger in 1939. He was appointed Postal Inspector in 1942, and rose through the ranks to become Inspector-in-Charge of the San Francisco, Calif., Division in 1966.

In 1969, Mr. Conway was promoted to Deputy Chief Inspector at Headquarters where he served until his appointment, at the time of Postal Reorganization in July 1971, as the Chief Inspector of the new Western Region in San Francisco. He continued in this position until June, 1973, when he was named Executive Assistant to the Postmaster General and also served as Secretary to the Postal Service Executive Committee.

A recognized international authority on forged and questioned documents, Mr. Conway has authored numerous papers, including "The Investigation of Suicide Notes" for the *Journal of Forensic Sciences* and "The Investigation of Handprinting" for the *Journal of Criminology, Criminal Law and Police Science*. He also is the author of *Evidential Documents*, a textbook published in 1959 and used at the university level.

Mr. Conway was born in Scottsdale, Pa., on July 16, 1917. He attended St. Vincent College at Latrobe, Pa., and studied the analysis of evidential documents and criminalistics at several federal laboratories, including the National Bureau of Standards.

He is a Fellow of the American Academy of Forensic Sciences, and a member of numerous professional organizations including the International Association for Identification, the International Association of Chiefs of Police and the American Society of Questioned Document Examiners.

Mr. and Mrs. Conway live in Alexandria, Va. They have three daughters, one son and seven grandchildren, all in California.

BIOGRAPHICAL SKETCH OF EDWARD V. DORSEY, SENIOR ASSISTANT POSTMASTER
GENERAL, OPERATIONS GROUP, U.S. POSTAL SERVICE

Edward V. (Pete) Dorsey is Senior Assistant Postmaster General for Operations, a post to which he was appointed on July 2, 1973.

He oversees field operations of the Postal Service, including transportation, delivery services and the Bulk Mail Network.

Mr. Dorsey is a career postal executive, having joined the former Post Office Department in 1946 as Postmaster of Upper Marlboro, Md.

Prior to his present assignment, he served as Regional Postmaster General for the New York Postal Region, the first career postal employee to head a region in the new Postal Service.

Mr. Dorsey had rejoined the Postal Service in the Spring of 1972 after a brief retirement, begun in 1969. He returned as Executive Assistant to the Postmaster General.

Between 1969 and 1972, he was retained by the National Association of Postmasters of the United States, first as a Postal Consultant and then in February of 1970 as Executive Director of the Association.

Mr. Dorsey relinquished his postmastership in Upper Marlboro in 1962 to join the headquarters staff of the former Post Office Department. From then until 1969 he held a series of important assignments: Director, Post Office Changes Branch (1962-1964); Staff Assistant to the Deputy Assistant Postmaster General for Field Operations (1964-1966); Special Assistant for Policy and Projects to the Assistant Postmaster General for Operations (1966); Director of the Installations Management Division (1966); Deputy Assistant Postmaster General for Field Operations (1966-1968); and Acting Assistant Postmaster General for Operations (1968-1969).

Mr. Dorsey was a member of the U. S. Delegation at two meetings of the Management Council, Consultative Committee for Postal Studies, Universal Postal Union, in Paris, France, in 1965 and Sydney, Australia, in 1966. He is recipient of the Postal Service's Distinguished Service and Distinguished Public Service Awards.

He is a veteran of World War II, having entered military service in 1943. He was commissioned a Second Lieutenant in 1944 and served in the 20th Armored Infantry Battalion, 10th Armored Division, seeing action in France and Germany. He was awarded the Silver Star, the Bronze Star and the Purple Heart.

Mr. Dorsey is a native of Bowie, Md., having been born there March 1, 1924. He was graduated from Marlboro High School and subsequently attended the University of Maryland and Prince Georges Community College.

He is married to the former Edith Robey, of Upper Marlboro. They are parents of two children and grandparents of two. They reside in Upper Marlboro.

BIOGRAPHICAL SKETCH OF CARL C. ULSAKER, SENIOR ASSISTANT POSTMASTER GENERAL
ADMINISTRATOR GROUP, U.S. POSTAL SERVICE

Carl C. Ulsaker is Senior Assistant Postmaster General, Administration Group, a position to which he was appointed January 14, 1978.

He is responsible for several major departments of the Postal Service, including the Office of Strategic Planning, Research and Development, Procurement and Supply, Customer Services, Real Estate and Buildings, the Judicial Office and the Office of International Postal Affairs. He is also a member of the Executive Committee of the Postal Service.

Mr. Ulsaker joined the Postal Service in June, 1969, after retirement from a distinguished military career. Initially a postal consultant, he was subsequently in charge of postal operations in the District of Columbia and a surrounding three-state area.

He became Regional Postmaster General for the Southern Postal Region when the new Postal Service was established on July 1, 1971.

In June, 1974, Mr. Ulsaker was appointed Senior Assistant Postmaster General for the Postal Service's Manpower and Cost Control Group. In that capacity, he was responsible for developing and implementing cost reduction programs throughout the Postal Service.

His military career spanned 27 years, during which he held a variety of assignments with particular emphasis in the fields of personnel, operations, logistics, general administration and public relations.

His last assignment before retirement was in the grade of Colonel with the Organization of the Joint Chiefs of Staff in the Pentagon.

During World War II and the Vietnam war he commanded infantry units. He was cited 18 times for valor and for exceptionally meritorious service.

Mr. Ulsaker is a graduate of the United States Military Academy at West Point, N.Y., and holds a Master of Arts degree from the University of Pennsylvania, Philadelphia, Pa. He is in addition a graduate of the U.S. Army War College, highest level training institution in the Army.

He was born in Carthage, Texas, on November 1, 1920.

Mr. Ulsaker is married to the former Patricia E. Goodwin of New York City. They have six children and live in McLean, Virginia.

BIOGRAPHICAL SKETCH OF LOUIS A. COX, GENERAL COUNSEL, U.S. POSTAL SERVICE

Louis A. Cox was appointed General Counsel of the U.S. Postal Service in January 1972, and at the same time became Secretary to the Board of Postal Governors. He is the chief legal officer of the Service.

Mr. Cox became Deputy General Counsel of the Post Office Department in April, 1969.

Before becoming Deputy General Counsel, Mr. Cox was Chief of the Logistics and Procurement Management Division, Office of the Secretary, Department of Transportation. He had previously served as a procurement policy official and as an attorney for the Air Force Department and as a supervisory procurement analyst in the Department of Defense.

Born in Plainfield, New Jersey, on February 22, 1925, Mr. Cox received his Bachelor of Arts degree from Harvard College in 1949 and his law degree from Harvard Law School in 1952. After graduation, he was associated for two years with the Washington, D.C., law firm of Covington and Burling.

Mr. Cox is a veteran of World War II and served as an infantry sergeant in Europe. He and his wife, Frances, and their four daughters and one son live in McLean, Virginia.

BIOGRAPHICAL SKETCH OF JIM FINCH, ASSISTANT POSTMASTER GENERAL FOR GOVERNMENT RELATIONS, U.S. POSTAL SERVICE

Jim Finch, formerly Associate General Counsel for the Postal Service, was appointed Assistant Postmaster General for Government Relations, effective Nov. 29, 1976.

Since joining the Postal Service's Law Department in 1973, Finch has represented the Service in rate and classification matters before the Postal Rate Commission and the courts. Before joining the Postal Service, he held several positions in government including Executive Director of the Citizens Committee for Government Reorganization from 1971 to 1973. Previously he was Deputy Executive Director of the President's Advisory Council on Executive Organization. He was with the Federal Power Commission from 1966 to 1969, first as a legal assistant and then as an attorney advisor to the chairman of the Commission.

A 1960 graduate of Baylor University, Finch holds a degree from Southwestern Baptist Theological Seminary and his law degree from the University of Texas in 1966.

Born in El Paso, Texas, in 1938, Finch is married and lives in Arlington, Va.

BIOGRAPHICAL SKETCH OF ALFRED C. BIGUM, GENERAL MANAGER, BUDGET DIVISION,
 FINANCE GROUP, U.S. POSTAL SERVICE

Mr. Alfred C. Bigum is General Manager of the Postal Service Budget Division. He is responsible for the development and execution analysis of the total Postal Service operating and capital investment budgets and financial plans.

Mr. Bigum joined the Postal Service in October, 1970, after retirement from the Air Force where during his 30 years of service he served in various senior Controller and Budget positions.

Prior to his promotion to General Manager of the Budget Division, Mr. Bigum held a number of positions in the Postal Service Headquarters financial area.

Mr. and Mrs. Bigum have two sons and live in Springfield, Virginia.

Mr. STEED. Now, I would like to recognize our old friend and retiring Postmaster General, Mr. Bailar, after which we will extend a warm welcome to the new Postmaster General, Mr. Bolger.

Mr. BAILAR. Thank you, Mr. Chairman. I want to defer to Mr. Bolger for the testimony this morning and excuse myself, because he is the man who is going to be carrying the responsibility, and I am sure the man that the Committee needs to hear from.

CONDITION OF THE POSTAL SERVICE

I would like to say, however, a couple of things. I think a word about the condition the Postal Service is in, is appropriate. I have spoken repeatedly about my views that productivity is improving and will continue to improve and service is good. I will spare the committee a repetition of those comments at this time, but I do want to say one thing about the condition of the Postal Service on which I feel very strongly and on which I think I can speak with some authority, and that is the quality of management.

MANAGERS IN THE FEDERAL GOVERNMENT

I came to the Postal Service from the private business community. I am a trained businessman, and I am going to return to the business community next month. I have been very pleased, and indeed impressed, with the quality of managers that I have found in the Federal Government. I am most familiar with the Postal Service, but I certainly wouldn't limit my comments to the Postal Service. Not only the people in this room with whom I work regularly, but people across the country—postmasters, sectional center managers; they are a good crew; they know their business.

I think our progress in the last few years has been a result of the fact that these people are career postal officials; they know what they are doing. They understand that their personal progress as well as their ability to serve the people is dependent on what kind of job they do in their offices, and I leave with the conviction that the federal managers, by and large, are really exceptionally fine public servants, and I, for one, hope to have the opportunity in the years ahead to speak from a position of knowledge and tell people

in the business community that there is a lot of good management talent in the Federal Government, particularly in the Postal Service.

RESPECT FOR APPROPRIATIONS COMMITTEE

Having said that, I can't leave without expressing to you my respect for the Appropriations Committee, this subcommittee in particular, for your efforts to understand postal problems, to represent your constituents and be supportive of a better Postal Service.

I came to Washington with no real understanding of how the government operates, with very little previous contact with public office holders. I have found this committee to be everything that I ever thought a congressional arm ought to be, and I will always have some very fond memories of the time that I spent in Oklahoma with you, the affection and respect that you have for your constituents, and the qualities in you that cause them to return that affection and respect.

It is a rare opportunity to see that sort of a thing, and you have meant a great deal to me and I appreciate it.

Mr. STEED. Thank you very much. I will assure you that the esteem and good will and good feeling is mutual, and we have enjoyed working with you, and perhaps I am like you. We have had other predecessors of yours to compare you to, and I will say that you rank with the very best. And we regret to see you go, but we understand the motivation for it, and we can't do anything but wish you the very best of everything.

POSTAL SERVICE COSTS

Now that you are phasing out and, like all of us when we come to that point, I guess we enjoy freedom of expression that we might not have at other times. I would like to ask you a question or two that I would think your experience would make you very desirable authority to express a view on.

It is true, of course, that the Postal Service comes closer in touch with more people, more places, more times, and more ways than any other part of our government, and therefore it is a recipient of more attention and, among other things, more criticism, but I would also say probably more appreciation and praise from the public generally than any other segment of our government.

But since you have this type of a system and this type of a function which requires such an enormous amount of manpower making the overwhelming major part of our whole operating costs—that of manpower—and knowing what the situation has been throughout the country in recent years in terms of inflation and other increasing costs, what do you think the situation is today in terms of the cost of operation that the Postal Service is functioning under?

Has it held its lines? I know the total has gone up, but has it held the lines of what you would consider as a businessman in proportion to what all the rest of the economy has to face up to?

Mr. BAILAR. I think our costs per man year have unquestionably increased more in the last, say, since postal reform, that is, a period of seven years, than elsewhere in the economy. Some of it was initiated as a catchup program, thinking that postal employees were not paid enough. In my judgment, they are clearly paid competitively now. I don't think there is any real debate about that. Our efficiency improvements in the last three years, I think, have been good.

There are changes which I, as a businessman, find cause for a lot of satisfaction. I think there can continue to be impressive changes, increases in productivity, but it is going to take some understanding and some cooperation on the part of our unions which I would say generally, in terms of mechanization and productivity improvement, we have had that understanding in the past, and I hope it will continue.

LABOR NEGOTIATIONS

The thing that concerns me, frankly, looking ahead, is the labor negotiations this summer. It is a little hard to anticipate what the climate is going to be, because I think it will be heavily influenced by public opinion, which is also going to be influenced by the outcome of the current coal situation.

But I think the Postal Service is on the right track in getting their costs down, and, as far as I can see, everything would portend for a continuation of that, and I think that is good.

FUTURE OF POSTAL SERVICE

Mr. STEED. We have had discussions other times about what you could reasonably think you were looking into the future on this earth, along with other things, and we know, of course, that in the matter of communication of which the Postal Service is one of the elements, that we do undergo changes, and we are undergoing changes, and we will continue to.

For instance, just this week we had testimony that the government will anticipate the issuance of about 700-plus million checks this coming year to pay its bills, and that the largest percent of these checks traditionally has been sent first-class through the mail. But now they have an electronic transmission program that has covered 30 percent of their checks, which has resulted in a marked decrease in the amount of first-class mail they generate.

It probably would have been even more dramatic if the total volume increase in the number of checks hadn't offset this impact to some extent.

I imagine that all through the economy you find this sort of thing proliferating to the end that eventually the source of some of the best revenues in business the Postal Service has always enjoyed will have been replaced or at least reduced by other uses, and yet we still build more homes, and we have the need to go more places to deliver the mail; it hasn't slowed down; it has accelerated actually, and no one knows where it will stop. And if the volume of mail and the most normal source of your revenues does shrink, I

guess you have evidences of this in more ways than one, what do you see down the road in the next few years as far as you would reasonably want to estimate?

Are we going to have a continuing decrease of income and increasing impact on cost, which are unavoidable, and widen the gap between the funds, on the one hand, and the costs, on the other? Is there any solution to that other than just outright subsidy, or are there steps the Postal Service could take that might give it new sources of income, and new activities that it could utilize itself with?

ENVIRONMENTAL AND POSTAL CHANGES

Mr. BAILAR. There are some steps we could take. They are controversial, but let me say first that I think your perception of changes in the way the Postal Service serves the American people is an accurate one. We communicate with each other differently than we used to. We don't deliver groceries to the home anymore, milk to the home, or seldom; we don't deliver medical services to the home. One of my colleagues has referred to the Postal Service as the last of the carriage services, which is, in a way, inaccurate since it serves everybody, but his point is it is a premium service, the idea of taking something to every home every day, and we live in this changing environment, and I think it is important that the Postal Service recognize the changes and change with it.

There are really two solutions, as I see it, Mr. Chairman. I guess maybe three. One is to continue business as usual, which would clearly, at some point well down the road, require substantial subsidies, or rate levels which would contribute to the problem by making a spiral and drive the rates up and the volume would drop much faster. I don't think that is a realistic solution, either.

I think what the Postal Service has to do is adapt to the changing times, and I see two ways to do that.

One is to alter the services to meet people's changing needs. If you take a lot of checks and commercial transactions out of the mail, you not only reduce the volume, you change the character of the mail. The most important things I get in the mail and send in the mail are bills and payments. Generally urgent communications are conducted over the telephone, and other things may be deferrable.

So I think the character of the mail would be changed. That is going to play a role in this, and I really think the Postal Service is going to have to give serious consideration to change the services we perform and the effect of services. The alternative is to remove some of the areas that are replacing the "hand-delivered hard copy." There has been and will continue to be a vigorous debate on whether that is a proper role for the Postal Service, and I suppose it will get hammered out over the next 10 years as to whether we should be in electronics or not.

BUSINESS COMMUNITY VIEWS

Mr. STEED. What do you see in the area of the business and financial communities bringing more and more to bear their views

based upon their needs for this service in terms of the impact that it might make on helping the Postal Service become more evolutionary to change with the times and to be in a better posture to fill the need of the major customers?

Mr. BAILAR. Unfortunately, the people who speak up are generally the ones who want to keep everything the way it is, including rates, not those who say things are changing, and we have to change with it. There has been some strong support by organized mailers for this current legislation, which would substantially increase their subsidies.

I am afraid I don't predict a great deal of support from the business community for change in the Postal Service. There are some very responsible elements in the business community who do encourage that posture, but I think they are outnumbered by those who are more concerned with their own personal welfare.

POSTAL PROBLEMS OF OTHER COUNTRIES

Mr. STEED. We have some problems, of course, all kinds of problems, peculiar to the American mail system that are not necessarily true in many of the other countries in the world, but I suppose, to some extent, they all have some of the problems of change that we face.

Are you in a position to give us any summary of what the world situation in mail handling seems to be now, if there is any indication of any appreciable changes coming along in the rest of the countries?

Mr. BAILAR. No, I am not, Mr. Chairman. I know in the industrialized countries they are facing the same problems we have. The Japanese are experimenting vigorously with some electronic communications systems and private communication units in the home, hooked into the television set. We sent a group of four to our people to Japan last September, and they prepared a report I would be happy to supply to the committee. The Canadians, I know, have reduced the frequency of delivery from six days to five in some parts of the country and are considering a nationwide change to five.

I can't give you any specifics other than that, Mr. Chairman, but perhaps some of my colleagues can, after I am gone.

FAREWELL REMARKS

Mr. STEED. Well, again I want to say we appreciated the opportunity to work with you, and on what we think is very important service to our people and our country, and I want to say for myself that I think you are leaving behind a record you can be proud of, and the country as well.

Mr. BAILAR. Thank you very much. I will defer to Mr. Bolger at this point. As the committee knows, he will become Postmaster General as of next Wednesday.

Mr. STEED. First, I would like to ask Mr. Miller and Mr. Patten if they have any comments they would like to make here as you sing your swan song for us. They always enjoyed working with you, I know.

Mr. BAILAR. Thank you.

H.R. 7700

Mr. MILLER. Thank you, Mr. Chairman.

I wonder whether we have had any comments concerning H.R. 7700, and if it would be possible for you to convey a message to us as to your thinking as to whether the bill has some merit, good parts or not. Have you had an opportunity to look over the bill that is before us?

Mr. BAILAR. I have spent a good deal of time looking over it. To put it succinctly, I see very little merit in the bill. It would put a great deal of money into the Postal Service that I don't think is in the public interest. The Postal Service doesn't need it. There are other Federal needs that are pressing. It is filled with special interest provisions for various and sundry groups down to and including the maritime industry, but, most importantly, it would reintroduce political elements to the management of the Postal Service, which, while of themselves don't present any problem, they present a potential or temptation for some of the practices that caused so much difficulty in the Postal Service up through the 1960's. I think the Postal Service is in the good hands of a career management team, and I think it should be continued that way.

I would add that there is every evidence that the President agrees with this assessment, Mr. Miller. He has recently spoken to a group of newspaper editors in a press conference and made some very direct and succinct statements on his views of H.R. 7700, of which Mr. Gunnels has a copy. I don't know whether it is customary to take things of that sort for the record, but I will submit it for whatever use you see appropriate in which the President expresses himself on H.R. 7700.

Mr. STEED. I think it should be entered as a part of the record at this point.

[The information follows:]

 THE PRESIDENT AND H.R. 7700

 Weekly

 Compilation

 of

 PRESIDENTIAL DOCUMENTS

POSTAL REFORM BILL

Q. Mr. President, my name is Walter Grunfeld from Marathon, New York. I am one of ten thousand publishers in the weekly community field in the United States. And I'm sure that you are aware of H.R. 7700. I would like to tell you that we are wholly dependent in the weekly newspaper business on the United States mail service.

I would ask you to give the bill every consideration, and perhaps you would give us some comment on how you feel about the postal reform bill at this time.

THE PRESIDENT. My hope is that the postal reform bill as presently drafted will not get out of the Rules Committee and, if it does, that it won't pass.

Q. Mr. President, do you suggest that perhaps—is there any way that we as an association or as community publishers, since it's so important to us, can urge our association or the sponsors to modify that bill in any way?

THE PRESIDENT. It's a very complicated bill and far-reaching in its impact. It would have a very adverse effect on the Federal budget. I think that in general—I don't mean conclusively—but in general, the Congress and the President ought to stay out of the administration of the Post Office itself.

My own concern, among others, is that if the bill is approved and another \$1½ or \$2 billion is allocated to the Post Office, that this might be an encouragement to channel that money not into better services, necessarily, but into immediate, additional increases in salaries for the postal employees.

They already receive a higher level of pay than the average Federal employee. And as you know, this has to be negotiated according to standard management-labor contract terms. Those are some of the concerns that I have.

My guess is that the majority of the Members of Congress agree with the position that I've outlined to you.

Monday, February 20, 1978

Volume 14—Number 7

Pages 305–330

POSTAGE RATES

Mr. MILLER. I guess this is an opportunity, while you are still here as Postmaster General, for you to discuss postage rates as you see them, giving us the benefit of your thinking. You may be able to convey to us some messages that you were not able to in the past.

Mr. BAILAR. I can't think of anything I haven't said in the past, Mr. Miller. I think it is a bargain by comparison with other countries. It is sharply increased from what it has been historically, but most other costs in our economy are, particularly in the services, and I am a firm believer that the cost of providing mail service in this country should be distributed to the people who use the mail rather than the people who pay taxes. It is the same 215 million people, but we find ourselves present in those two groups in different ways, and I think you can look at the supporters of H.R. 7700, and it is pretty easy to see those are organizations who would like to see the burden moved from the users to the taxpayers, because they are major users. I don't think that is right. I think postage is a bargain, not only in first-class, but I have a little chart here I carry around because I occasionally get asked questions on this subject. Presently, rural newspapers pay 1.96 cents per copy. News magazines, such as the kind of things we receive weekly in our homes, 6.8 cents per copy. Those compare with 13 cents that is paid for first-class letters. I think those are very favorable rates and frankly I am a little distressed to see that sort of mailer supporting a bill which would give them a subsidy and hold down their rates.

Mr. MILLER. I would like to point up one particular area in your statement.

Mr. BAILAR. It is Mr. Bolger's statement. I don't mean to disassociate myself.

Mr. MILLER. I understand, and this particular statement I am sure you would have said the same thing.

Mr. BAILAR. I would.

SERVICE STANDARDS

Mr. MILLER. So I think the men and women who make up the Postal Service deserve a lot of credit for doing a difficult job well. It is very easy to blame everything on the Postal Service. We have heard it many times. It is possible for someone to carry a letter around in a pocket, from the wife, and the husband forgets about it, and it is easy to blame it on the Postal Service why it was not delivered on time, or the next day, or two days afterwards; so, many of the employees have been whipping boys and girls by the general public for things that have taken place, but it is hard for you to defend because it is easy to blame it on you.

Mr. BAILAR. Frequently, when I give a speech, I ask that anybody in the room who has never back-dated a check or asked a secretary to back-date a letter, I would like to have them raise their hand, and I usually get a great deal of laughter, and no hands.

Mr. MILLER. We appreciate what you have done. Thank you.

Mr. STEED. Mr. Patten, do you have any questions or comments?

Mr. PATTEN. Mr. Postmaster, I am old enough to have seen many Postmaster Generals. As county chairman in 1934—that is 45 years ago—in that connection we used to recommend postmasters; as a young fellow I thought that was very important.

But it has been a long time, and I would like to reiterate what the Chairman says; I think it is just wonderful, considering how controversial the department was, that you have taken over this system, and I think at this time you have the respect of the members of the Congress; you have the respect of people here on the Hill and, I think of the press.

You did have your trials and tribulations but that is one of the prices we pay for public service.

Mr. BAILAR. It is. It is a price I have been happy to pay. It has been a challenging job, and I have enjoyed it.

COMPETITION

Mr. PATTEN. One thought I had during your discourse of what you see for the future, was that everything is the same. I must have passed eight United Parcel trucks on the way down Monday morning, and I can't remember seeing so many before.

Mr. BAILAR. They have taken a great deal of the parcel business, Mr. Patten. It has been over a period of years. They have zeroed in on a specific section of the market, and they have served it well. I regret we have lost that business, but we are doing everything we can now to be competitive and see that it doesn't happen to the remainder of our business.

Mr. PATTEN. We are looking to the future, and I think my local utilities are dropping the bills in the mail slot by couriers; is that general practice?

Mr. BAILAR. It is rather exceptional, but it does happen, and we are trying to deal with that by recognizing that those bills are less expensive to handle than most mail, and we give a discount for mail that is pre-sorted and brought to us as utility bills frequently are, to try and keep that business, and recognize it is not as expensive to handle as a handwritten letter dropped in the corner collection box.

Mr. PATTEN. Looking at some of the new business manuals, I think we are not going to get bills in the mail. I foresee from what they tell me at the bank that we are not going to pay for getting bills out. There will be a different system. For instance, we pay mortgage interest on 8,000 accounts in one of our banks; the bank pays the city one check for the 8,000 mortgages right on time. They bring the total check over when the taxes are due, and they do come back and follow up and have an audit to see that all entries were properly made against the proper accounts. It is very important.

Mr. BAILAR. Those are the changes I was talking to the Chairman about, as you know. And I think there are things we are going to have to learn to cope with.

Mr. PATTEN. From what I hear them saying in the bank, I almost think that they will be paying my bills.

Mr. BAILAR. I think that is one of the things that is coming. I don't think there is much question about it.

Mr. PATTEN. They will do it in bulk and the Post Office receipts may be affected by it.

Mr. BAILAR. We are communicating differently than we used to, and it is going to affect the Postal Service; there is no question.

Mr. PATTEN. Well, I wish you good luck. I suppose you have had many offers.

Mr. BAILAR. I am going back in private business, Mr. Patten. I am going to turn over the reins of the Postal Service with a very good feeling to a very professional crew, and Mr. Bolger, sitting on my left, is going to be Postmaster General, and I think the committee will benefit from being able to deal with him and his colleagues. They are good people.

Mr. PATTEN. Good luck to you.

Mr. BAILAR. Thank you very much.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Bailar, I want to say on behalf of the committee we have appreciated working with you, that you have always been frank and full in your responses to the information we have needed and cooperated in every way, and it has been a real pleasure and satisfaction to work with you, and I know I speak for the whole committee when I say we all wish you very well.

Mr. BAILAR. Thank you very much.

Mr. STEED. Now, Mr. Bolger, we will be pleased to welcome you, and we will make your opening statement a part of the record at this point.

[The information follows:]

STATEMENT OF WILLIAM F. BOLGER, DEPUTY POSTMASTER GENERAL,
BEFORE THE SUBCOMMITTEE ON TREASURY,
POSTAL SERVICE, AND GENERAL GOVERNMENT
OF THE HOUSE COMMITTEE ON APPROPRIATIONS

March 9, 1978

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to discuss with you the Postal Service's appropriations request for fiscal year 1979.

Our total request amounts to \$1,829,994,000. You will note that for the first time in some years, this amount is the same as that included in the President's initial budget submission for the Postal Service.

Before running down the individual requests included in the total, I would like to tell you briefly where I think the organization stands today in its efforts to continue delivering good service to the public at reasonable prices.

MAIL SERVICE

First of all, objective measures show that service performance is remarkably good. The internal Postal Service measurement system reports that 95% of first-class letters scheduled for over-night delivery are being delivered on time. The average delivery time for all letters is about a day and a half.

Measurement systems outside the Postal Service show that the public is receiving good service. In the annual comprehensive oversight statement which you have received, we have included a large private customer's study that found the company's mail service substantially improved since 1972. A number of newspaper studies have reached similar conclusions about good mail service.

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It appears that the general public also regards service quality as high. One of the best known private polling organizations did a survey--with no encouragement from us--that found 84% of the public either completely or fairly satisfied with mail service, considering quality and cost. This was the same percentage found to be satisfied with telephone service.

So I think the men and women who make up the Postal Service deserve a lot of credit for doing a difficult job well.

POSTAGE RATES

As you know, the Postal Rate Commission is now considering a package of postal rate adjustments. The proposal would increase the first-class rate to 16 cents for business customers. If the new rates become effective in May-June as expected, business customers will have enjoyed a period of nearly 2-1/2 years between rate increases. I doubt that many citizens have found similar stability during that period in what they have been paying to supply their dinner tables or run their businesses.

In the present rate proceeding, the Postal Service is asking that the rate for letters of private individuals be kept at 13 cents. For the ordinary citizen, who receives no rate subsidies and whose mailings are not a cost of making profits, this would provide a still longer period of rate stability despite rising costs.

POSTAL FINANCES

During the 2-1/2 years of general rate stability, the

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costs experienced by the Postal Service have continued to rise. Still, the operating deficit during the past fiscal year was cut in half over the previous year, to 688 million dollars. We have not had a repeat of the pay-period-to-pay-period cash flow problems we experienced not too long ago.

The degree of success of cost control efforts shows up in the productivity gains made during the last several years. If it took the same number of employees to do the job now as we inherited in 1971, postal services would have cost nearly 2 billion dollars more during the past fiscal year than the public in fact had to pay. The hard work and know-how of a fine group of career postal managers should receive much of the credit for this improved performance.

CAREER MANAGERS

The progress that has been achieved is attributable to a number of things. But most important, in my opinion, have been the efforts of our managers and employees to control and reduce costs.

These efforts have borne fruit largely because postal management has been placed in the hands of experienced, knowledgeable postal professionals with a career commitment to an effective postal service. I think it is vital that the organization continue to develop a career-oriented supervisory and middle management staff that understands and identifies with Top Management objectives. Virtually every vacancy involving a promotion into a non-bargaining unit position is being widely advertised within the Service and selections of career employees for advancement are being made on a "best

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qualified" basis.

While our current situation has improved, the struggle against increasing costs is a continuing one. Most recent estimates suggest that the expected rate adjustment near the end of this fiscal year will not keep our operating performance from sinking past last year's improvement, to a deficit of over a billion dollars once more.

WORKERS' COMPENSATION

The most severe cost increases presently contributing to the renewed unfavorable financial trend are those being booked for Workers' Compensation since the statute was liberalized in 1974. Current payments have increase four-fold since 1973. As with some other Federal programs, estimates of future costs that will be incurred, unless something is done to stop the recent acceleration, are staggering. Last year's balance sheet allows for estimated costs paid or expected to be paid, due to injuries during the year, of 629 million dollars--which should be compared to a total deficit of 688 million. Cumulative accrued liability for future payments is now estimated in excess of one billion dollars.

As with retirement and other employee benefits, the entitlement to fair compensation for employees who are injured in the course of their employment is essential if we are to have a productive work force providing the kind of mail service we want to receive. By the same token, the public has a right to expect that benefit programs will be administered efficiently and that payments will be distributed only to those who deserve them.

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The Postal Service has sought and will continue to press for administrative and legislative changes in the Workers' Compensation program to insure that these goals are better carried out.

LABOR NEGOTIATIONS

We will also press our other efforts to control costs. Soon, negotiations will begin toward a new labor contract to replace the 1975 agreement which expires this July 20. In the upcoming months, both sides must negotiate responsibly for the financial health of the postal system to be preserved.

APPROPRIATIONS REQUEST

Our appropriations request includes three major components: public service costs, revenue forgone on free and reduced rate mail, and transitional appropriations for unfunded liabilities of the Post Office Department. I will discuss each of these items individually, in turn.

PUBLIC SERVICE COSTS

Public service funding is authorized under 39 U.S.C. §2401(b). This is the final year in which we will be requesting \$920 million under this provision. For FY 1980, the authorization will begin decreasing in steps of \$92 million per year until it reaches \$460 million in FY 1984. After that, it will remain the same unless changed or not needed.

I'm sure the Subcommittee is aware that proposals have been made to increase the taxpayers' public service contribution to the Postal Service to 15 percent of the previous year's

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budget. For FY 1979, this would amount to about \$2.7 billion. Such an expedient is not justified, in my opinion. The problem of dealing with spiraling costs is not unique to the Postal Service. Public service enterprises and government programs of many descriptions are confronting this kind of problem today. I'm sure the Subcommittee sees many examples of it in your work. Much enlarged subsidies for the Postal Service would serve only to provide an expensive respite from the job that needs to be done in continuing efforts to control costs.

REVENUE FORGONE

The total amount requested for revenue forgone in order to fund statutory reduced rates of postage is \$844,362,000. This is an increase over last year due to the upcoming general rate increase, which will be in effect during the entire year. As authorized by 39 U.S.C. §2401(c), this includes both the continuing and initial phasing appropriations contemplated in 1971 and the extended phasing enacted in 1974.

Phasing involves spreading the rate increases approved in postal rate proceedings over a period of years through gradual step-increases placed into effect on July 6 of each year. Present authorizations, as extended in 1974, provide for 8-step phasing for certain regular-rate mailings and 16-step phasing for non-profit and other preferred-rate mailings. This July's adjustment will be the 7th step in this schedule.

Continuing appropriations are provided only for certain non-profit and other preferred-rate mailers. These are permanent subsidies. The postage rates for eligible categories may not exceed the attributable costs for mailings in these categories. This means that the taxpayers pay the full share of the institutional costs of the Postal Service assigned to these categories.

The following table shows the respective portions of the total revenue foregone appropriations that benefit the various categories of mail.

Mail Category	FY 1979 (estimated)			% Contribution	
	Mail Volume (000)	Postage Revenue (\$000)	Revenue Foregone Appropriations (\$000)	Ratepayers	Taxpayers
Second Class					
Within County	1,278,229	21,756	49,475	30.5	69.5
Outside County					
Nonprofit	2,363,545	63,760	135,780	32.0	68.0
Classroom	45,827	2,502	7,168	25.9	74.1
Regular Rate	4,735,248	454,212	105,900	81.1	18.9
Total	<u>8,422,849</u>	<u>542,230</u>	<u>298,323</u>	<u>64.5</u>	<u>35.5</u>
Controlled Circulation	<u>692,681</u>	<u>67,153</u>	<u>14,294</u>	<u>82.4</u>	<u>17.6</u>
Third Class					
Nonprofit Bulk Rate	<u>7,406,899</u>	<u>199,265</u>	<u>440,527</u>	<u>31.1</u>	<u>68.9</u>
Fourth Class					
Special Rate	244,144	233,976	35,491	86.8	13.2
Library Rate	61,379	19,479	45,001	30.2	69.8
Total	<u>305,523</u>	<u>253,455</u>	<u>80,492</u>	<u>75.9</u>	<u>24.1</u>
Free for Blind and Handicapped	<u>20,112</u>	<u>0</u>	<u>10,726</u>	<u>...</u>	<u>100.0</u>
Total	<u>16,848,064</u>	<u>\$1,062,103</u>	<u>\$844,362</u>	<u>55.7</u>	<u>44.3</u>

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TRANSITIONAL APPROPRIATIONS

This year's request for transitional appropriations, authorized by 39 U.S.C. 2004, totals \$65,632,000. This includes \$34,632,000 as the FY 1979 payment to the Employees' Compensation Fund due to injuries suffered by postal employees prior to July 1, 1971. Also included is the 7th of 11 installments of \$31 million each (with a final smaller payment) to cover the more than \$372 million in earned and unused annual leave balances due postal employees on June 30, 1971, from the Post Office Department.

COMPREHENSIVE STATEMENT

In January, the Committee received the annual comprehensive statement on postal affairs. This report covered not only appropriations but also compliance with statutory policies, quality of mail service, productivity, trends in postal operations, analyses of factors affecting postal performance, and similar matters. In the question and answer session we would be glad to comment on any of the information in the report that you may wish to review further.

This concludes my prepared statement. We would be pleased to respond to your questions.

Mr. STEED. If you would like to identify your colleagues for the record, we would be happy to have you do so, and then we would like some general comments from you, and perhaps you could dwell upon the amount of the increase and the factors that made the increase request necessary.

STATEMENT OF WILLIAM F. BOLGER

Mr. BOLGER. Thank you, Mr. Chairman. I have with me this morning, James V. P. Conway, Senior Assistant Postmaster General for Employee and Labor Relations; E. V. Dorsey, Senior Assistant Postmaster General of Operations; Carl C. Ulsaker, Senior Assistant Postmaster General for Administration; Francis Biglin, Senior Assistant Postmaster General for Finance; Louis A. Cox, General Counsel; Jim Finch, Assistant Postmaster General for Government Relations; and Alfred C. Bigum, General Manager of our Budget Division.

I have prepared, Mr. Chairman, a summary of my opening statement.

Mr. STEED. Good.

Mr. BOLGER. Mr. Chairman, and members of the subcommittee, thank you for this opportunity to discuss with you the Postal Service appropriation request for fiscal year 1979.

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This concludes the prepared summary statement, and my colleagues and myself will be very pleased to answer any questions the members of the committee and yourself might have.

APPROPRIATIONS-SUBSIDIES

Mr. STEED. To get this in a little focus, of course, as you point out, this subcommittee is limited to about three phases of your operation in which we can appropriate for under existing authority.

Now, the first one is the 10 percent of the 1970 budget, and since that was put in the law, that created the postal corporation as a fair

summary of what the Public Service's cost would be, and it perhaps was realistic for that time, but it is very clear that these same identical services cannot be performed today at anything like the cost levied against them in 1970. So we are still limited on providing 10 percent of the 1970 budget.

What do you estimate the difference between the actual current public service cost and the amount that we are allowed to appropriate, based on the 1970 costs?

Mr. BOLGER. In fiscal year 1979, instead of the 10 percent, it would be about a 5 percent factor of our \$18 billion that we will be spending in fiscal year 1979.

Mr. STEED. I mean what would you need in terms of the difference in money to do the same thing now that you did then?

Mr. BOLGER. We are talking about doubling, a billion eight if we did it that way. But I believe the subsidy was meant as an interim. It wasn't meant to continue forever, and that is why, in the wisdom of the Congress, they enacted a provision of the law where it would be reduced starting in fiscal year 1980.

I think there are other ways to cope with it besides increasing the subsidy. I think the economy of scales we can get going in the Postal Service is one way to cope in lieu of the subsidy.

But coming to a straight bottom-line figure, if we were to be doing the same things described in 1970, in 1979, fiscal year, we would be talking about doubling that amount to \$1.8 billion.

QUALITY OF SERVICE

Mr. STEED. Since part of that so-called public service was to have covered the losses the Post Office Department always and traditionally suffered by maintaining fourth-class offices and rural mail routes, even though you have made reductions and combined routes and done a lot of things to reduce the cost by volume, the other factors have increased so fast that even though you have fewer mail routes, fewer fourth-class offices, you have a higher cost factor, and I was wondering if you are under pressure to continue in this same direction to the point that it begins to raise a question of whether you really are able to close very many more fourth-class offices and eliminate many more rural mail routes and still give the same quality of service that has been traditional in these areas?

Mr. BOLGER. I don't think, Mr. Chairman, that we have any intention of discontinuing any small offices or consolidating any rural routes if we couldn't at least provide for the same level of postal service. I think that it is our responsibility, to provide the same or a higher level of postal service to the American public. I think the economic pressures are there. I think the experience of inflation and recession and the combination of both we had two or three years back has certainly put pressure on us to look for other ways to save money, to meet our expenses.

But, I don't think it is responsible postal management to just look at ways to reduce service as a means of saving money. I think some of these costs are going to have to be passed along in a responsible fashion to the users of the mail service, primarily the business interests.

Mr. STEED. Sitting on this side of the table, of course, when the closing of a post office or consolidation of a route comes up, there is always a protest by those who have the most obvious interest in it, and I am sure you have seen evidence of some of the reaction that these protests can generate.

On the other hand, for the first time that I can remember in the last two or three years at least, there has been another type of outcry about the cost of maintaining some of these rural routes and fourth-class offices from the areas that are paying most of the bill—in other words, the more heavily populated centers—so I can see where you are in a two-way pressure stretch here, demand, on the one hand, that you be more economical, and eliminate some of these services that obviously are costing a lot more than any normal judgment could justify, and, on the other hand, you have this home pride and local service thing to worry with, but the reason I brought this up is I would like to place emphasis on the fact that there never has been a time, in modern times, at least in the last 100 years, when the Post Office Department hasn't been in the process of closing fourth-class offices and changing rural mail routes. This isn't something new, is it?

Mr. BOLGER. No, sir, it isn't. We have been closing small post offices and consolidating rural routes since I have been in the service 37 years, and it goes back long before that, and we will continue to do so. But we are going to do it in a responsible way. We want to make sure that rural America gets good postal service, and we are not just going to look at the economies possible out there by involving ourselves in wholesale closures of post offices.

We want to be sure that the post offices that need to be closed are closed. I think we have some ridiculous situations in this country where we keep a post office to serve one or two people, maybe the postmaster and wife, and I think those places should be closed, especially when we can provide alternate service at cheaper means, but we have to be careful to keep a high level of service for rural America.

Mr. STEED. By the same token, there has been a lot of instances where you have opened up new routes and new offices because of the shifting of population and the way the country ebbs and flows as it develops.

Mr. BOLGER. I think it is an interesting thing; we have been able to do a lot of improving the efficiency of our delivery operations and, yes, sir, sections of the country are growing, and we have to put new routes in and new employees in to cover those routes.

But since 1975 we are handling about three billion more pieces of mail per year to over two million additional delivery stops. We are doing it with approximately 3,000 less regular routes and about 14,000 less carriers.

Mr. STEED. We know there are a lot of factors that get in: you have better roads, better vehicles to travel in, and, at the same time, all this improvement in the physical ability to deliver mail.

POPULATION CHANGE EFFECT

You have a remarkable depopulation in the agriculture community. We have gone down from about half the people who farm to

about eight or nine percent, so many rural areas have been so depopulated by this scientific change that one route now can serve the families that two or more previously served.

Now there is another thing that seems to be coming into the picture, and that is this business of people moving out on acreages, and all around some of your metropolitan centers you now find rural mail routes with more customers in the first mile than some of them have in the next forty.

So this trend in population expansion puts a reverse sort of impact on that type of mail delivery. I don't know whether you have had any studies that would indicate whether this is ever balanced out or not, but these certainly are two of the major factors you have to keep reckoning with.

Mr. BOLGER. Yes, sir, to my knowledge we haven't had any particular studies along that line. But there are two factors we have to reckon with. That is why one of the things we have been encouraging, as the suburb areas grow up, with townhouses such as in Northern Virginia, to see if we can't get centralized delivery points where people can get their mail at centralized points and eliminate the cost of extending house-to-house deliveries to those new customers.

TRANSPORTATION OF MAIL

Mr. STEED. I have lived through some other phases, one of which was when the passenger train began to disappear like snow melting in a hot July sun, other methods of transportation, of course, began to come in the picture, and I remember the evolution of flying mail by air, and that almost overnight completely revolutionized itself.

But then another thing came along, and that was the interstate highway system, and the advantages that would give you for some high speed trucking of mail, and now we have had most of the system completed and into being long enough so that you have a track record on the use of the system.

What impact has that made on your ability to move the mail by this interstate system being in existence?

Mr. BOLGER. Most of our mail today, the first-class mail, moves by air, and the rest of the mail, a predominant portion, moves over the highway on rubber. We do have a significant amount of mail, however, bulk mail, that moves on trains, when the trains are available. We would like to use the trains. In many cases they are less expensive to use. Also, they are an energy saver, and that is an important issue to be faced today. So we are trying to encourage the use of the trains where the schedules work out. Our problem with the railroad schedules is they don't keep to the schedules that we need to move the mail. I am having a meeting next week with the president of Amtrak, to see if we can't get together and see if we can't find some way of moving more mail by train. I think we need to, just to save energy alone. I think it is important that we face that.

Mr. STEED. In the energy field the transportation cost of moving the mail, because of the energy cost inflating so, has become a much larger part of your budget than it used to be.

Mr. BOLGER. Yes, sir. Every time gasoline goes up a penny, it costs us \$3½ million a year.

MAJOR POSTAL PROBLEMS

Mr. STEED. What are your major problems today? You don't have any more unusual problems because of weather than normally? You have good years and bad years for weather, and then your physical system you are able to adjust to it as volumes change and populations shift, and, of course, I would assume your work force is adequate and as well trained as you think would be reasonable.

What do you consider the ongoing problems ahead down the road that are going to give you the most concern?

Mr. BOLGER. I think if we are going to effectively keep a viable postal service without raising rates every time you turn around, we have to reduce the size of our payroll. I think we have to look and see where we can improve the use of the mechanization available to us. I think we have to look at optical scanners to sort mail, instead of people reading addresses, and we are working in that direction.

I think we are faced over the next several years with increasing mail volume, and if we can keep the rates in line, and can go another, as we have this time, two and one-half years without increasing the rates, I think we will earn the respect of the mailing public and the volume will grow as the nation grows. We are looking at that.

We are looking at methods to cope with it other than the old conventional or traditional methods of the old Post Office Department, when the answer to everything then seemed to be pour more manpower at it, and it will come out all right. But manpower and all the fringe benefits represent about 85 percent of our cost today, and that is too expensive to meet the problem.

We have to improve methods and improve efficiency of operation. That is what I see as one of the major problems.

The current major problem facing us is the way Mr. Conway can negotiate this new contract that is coming along.

SPEED OF MAIL DELIVERY

Mr. STEED. The experience I have had all these years with the Post Office Department causes me to think about it a great deal, and the thing that puzzles me the most is how much energy and money we expend in this phony express syndrome: speed, speed, speed. I know there was a time then it took titanic efforts to get even enough speed to make a viable mail service possible, but where we used to talk about maybe months or weeks, and now you are talking about days and hours.

But there is one thing that never changes, and that is the fact that the American postal customer will not give you his mail that he wants to deliver until the end of the day, and I dare anybody to waste any energy thinking they can change that, and the fellow that will leave a letter on his desk from his secretary six hours before he will sign it or let her take it and then complain because three hours later you haven't delivered it across the U.S.

The point is, most of the mail you handle really doesn't need the speed to the extent it takes any extra cost to provide it, yet the only person who knows whether a letter needs speed or not is the fellow who puts it in the post office. So I always thought the simple thing to do would be to have two classes of mail, speed mail and regular, and let the guy that wants the speed pay for it and let everybody else have a reasonable rate, and you can pick it up at the end of the day, but keep it the next day and sort it on a regular shift like everybody else runs their business. If you needed 110 clerks today to sort the sacks you gather, and 90 tomorrow, fine, but you would have some management control and a major usage of very expensive machinery that you use if you had a better work-time to process mail than trying to do it tonight as far as they can bring it from all over the country, and so I don't suppose that idea will ever work, but it still seems to me that one of the ways to cut costs is to quit spending any money for speed where it can't be demonstrated that it buys what it costs.

Mr. BOLGER. We have premium service we call express mail when people really need speed, and it works well. I met recently with Mr. Dorsey and the Operations Group and the field people, and one of the things we are not going to do is change the current status in first-class mail and try to expand them to reach ridiculous speed. I don't think we should be taking mail and moving it from five o'clock in the afternoon in New York to California and expect to get it delivered the next day for 13 cents. I just don't think that is a practical thing to do. I think it is a waste of your resources to do it that way.

Mr. STEED. The truth is almost everybody I talked to agrees if I mail 10 letters, I wouldn't give you an extra penny to get a day or any other express delivery on at least seven of them. I might pay almost anything to get speed on the other three. But you don't know which one is which. And if you don't have some system where I can provide my mail to you in a form that you know whether I am wanting expeditious delivery and paying for it, or it is just all right to take another day or two to get it where it is going—if I send a check to the utility company, I am not going to worry whether it got there today, tomorrow or next week, and I think this is what a lot of the mail that you are handling adds up to.

It may have a lot to do with the fact that so many people don't sign their mail until the end of the day. If I have something that is that important to me, I sign it on the spot and special-messenger it to the post office or airport, or wherever, in order to do what I need to do, but otherwise I do what everybody else does.

SERVICES TO OTHER GOVERNMENT AGENCIES

The Post Office Department enjoys some contractual authority with other departments of the government on a reimbursable basis, and you perform some services for them, and from my observation you do it very efficiently, and you not only accommodate the people who are involved, but you also save the department that hires you a lot of money, and it also helps us make a little income, too.

This leads me to believe that there is almost an unlimited amount of this kind of business that the Post Office Department could perform for other agencies of the government if somebody set their head to working out the arrangements where you could do it since you must maintain a nationwide service and 31,000 retail outlets called post offices and all these delivery facilities, and since the government is so overburdened with this thirst and need for and desire for information to the fact of the point they are driving half of the American people out of their mind while they try to get it, it seems to me that a much better system would be to systematize the information our policy-makers need and work out an arrangement so the Post Office Department, when there was a need for this information, could gather it.

We already maintain a nationwide telecommunication system. One of my favorite ideas is that if the director of the Energy Administration today wanted a read-out of every oil rig running in the U.S. today, where it is and who is doing it, or anything else he wanted to know about it, the only people who can furnish him that information before the sun goes down tonight at virtually no expense is the Post Office Department. I dare you to drill an oil well on a mail carrier's route he doesn't know about. If you instruct them, when they come in, if they have a well drilling on their site, to call the section center and plug it into the telecommunication system, it would be printed out here with no real cost at all. And there is no one else in the world that can do that at first, nothing like that kind of speed, and certainly not within a Texas mile of that kind of cost.

It seems to me that since you need revenues, since you must stay in the field and perform this service, that we are just overlooking a bet to find better ways to use you.

You can reverse delivery information while you are going the other direction, delivering mail, and the fact these contracts you have on registration of aliens and dispensing of duck stamps and handling of passports; these things are not only saving a lot of money for the State Department and making a little money for the Post Office Department, but think of the accommodation to the public this is. The easiest place for John Q. Citizen to do business with his government is in the post office.

So there are all these advantages to recruit from, and I have been trying to encourage some people who make policy to believe this, and I have reason to believe, as a new Postmaster General, you may have an opportunity to sit in some conferences that have a little bit of direction of what I am talking about connected with it. And I would hope that maybe some of your staff experts could invent some ideas that might be salable, and if you would like to know a good starting point where you can sell them a fast idea of service you could perform, I would suggest the Office of Management and Budget would be a good contact.

Mr. BOLGER. I would be very happy to do it, Mr. Chairman. I should mention we are already involved with the Census Bureau to see what we can do in aiding and helping with the decennial census in 1980. We do have a unique capability to work for and with other government agencies, and I will be happy to set up some meetings.

Mr. STEED. I would suspect your mail carriers have a better list of all the people in the U.S. on hand right this minute than they are going to have after the census is taken. Yours is up to date.

Mr. BOLGER. It had better be.

Mr. STEED. Mr. Miller, let's go vote and then we will come back, and I will yield to you for any questions you may have for Mr. Bolger.

If you will excuse us for a minute.

[Recess to vote.]

Mr. STEED. The committee will be in order. The Chair now yields to the gentleman from Ohio. Mr. Miller?

POSTAGE RATES

Mr. MILLER. Mr. Bolger, concerning the postage rates, in your statement it says that "the commission is now considering a package of postal rate adjustments, and the proposal would increase the first-class rate to 16 cents for business customers."

It also states in the present rate proceedings the Postal Service is asking the rate for letters of private individuals be kept at 13 cents.

Could you give us a little more background as to how that would work?

Mr. BOLGER. Basically, the straight first-class rate would go to 16 cents, but there would be, for the businesses who want to do some of the work-sharing, pre-sorting of their mail, 5-digit or 3-digit sort, they could also enjoy a 2-cent discount or 14 cents apiece.

In our present rate package we thought it was wise to offer to the individual citizen for his individual mail a continuation of our current rate of 13 cents, and this means for each ounce, 13 cents on a first-class letter, an individual citizen mailing to and from each other, or paying bills to various utilities, will continue to enjoy the 13-cent rate if it is approved by the Postal Rate Commission.

Mr. MILLER. How would you distinguish between a private individual letter and the business customer's letter?

Mr. BOLGER. Basically one of the requirements is they will have to put the current address, with zip code on the mail. There would be a stamp affixed of 13 cents, and I think basically we are going to have to try to do any segregation at the delivery point, and I think you are going to have to rely on the honest instincts of the American public.

Mr. MILLER. It seems somehow the business customers could be sending mail, and it would be putting an additional workload on your people in order to attempt to distinguish as to which are private individual letters and which are business letters.

It seems that it could require an additional work force.

Mr. BOLGER. We don't intend to let it get to that point. I believe that basically the vast majority of the people will be honest. I am sure we will have some people who will try to chisel, to put it bluntly, and it will be up to us, with the manpower we have, to police it. We will be watching it. Our postal employees know most of the people on their routes. They can generally identify an individual from a business, and we don't intend for a moment to put any additional people on the postal payroll to police the effort. I think we can do it without resorting to that type of activity.

Mr. MILLER. It is possible that it would be self-defeating with individual mail being at 13 cents and the business rate going up. Business will look for a way to have that delivered at a less cost, perhaps going into bulk mail or self-sorting at the business in order to reduce the rate and maybe bring it down even below the 13 cents. I am not sure how low they could go in rate by the work they would do in sorting.

Mr. BOLGER. If they continue—we are talking first-class mail—if they continue that, the biggest discount they can get is two cents apiece. That is the only discount, for pre-sorting on the 5-digit or 3-digit level under certain regulations we have. Beyond that, if they wanted to mail at cheaper rate and use the third-class rate, they would have to meet the requirements. First-class mail, individual typewritten communication, couldn't go third-class, for instance, so that would cause them again to revert to paying postage at the first-class rate.

COMPUTER CODING OF MAIL

Mr. MILLER. You mentioned, too, about the degree of success of cost control efforts which show up in the productive gains. Can you tell us something about productivity gains? What has been done? We had a little conversation on that a few minutes ago with the Chairman.

It seems there are some things that we have not covered. As an example, coding. How is this working? Would you say this is a productivity gain, something you are throwing overboard and will be forgotten about, or something that has increased on the computer coding?

Mr. BOLGER. Are you talking about the zip code efforts with the public, or the coding of mail?

Mr. MILLER. I am speaking of the computer coding that would show the code on the front of the envelope, where many utility companies, I understand, were becoming involved and business was becoming involved by coding the envelope.

I am not sure how far they have gone. That is the purpose of the question.

BAR CODING

Mr. BOLGER. Frankly, we haven't had the degree of success with bar coding that we would have liked to have had. We are still trying to get it expanded and used, but it has not been as successful as we thought it might be when we first started. We are still working on that, trying to get it done.

We ran into some problems on the bar code use in the quality of ink that put it on. We have all types of problems getting ink that can be properly read uniformly through the machines, the reading machines that do it. We have had problems along that line.

We have had some problems getting customers to accept the idea of bar coding mail, but we are still working on it.

I think what we are working on harder is to get into automatic optical character reading that would read the address and it, in

itself, would bar-code the mail as it passed through the postal system. We are working on this and have done research and hopefully will be able to let a contract in the future to get a prototype model machine that will do this.

Mr. MILLER. It would not appear there should be difficulty with the bar coding as far as inking, or the mechanical problems. The grocery stores have this type of coding now, and they are able to have the bars printed on boxes of cereal, everything that is sold in the grocery store. At least we pay the bill at the end, and we hope it was correct. Maybe we should start checking on this if you are having mechanical problems for basic envelope bar coding on that.

Mr. BOLGER. I am not that technically expert to really comment on why they are not having problems and we are, but when you think about it, if you are talking about boxes of corn flakes with the impression made on there, it is a uniform product, box after box after box. Various businesses use various sizes of envelopes that put the bar codes in various positions, so there are some problems along that line.

We are trying to standardize our size of envelopes which will go into effect April 15 of this year. Things of this nature will help us in our effort to get more automation at the Postal Service.

Mr. MILLER. I am really surprised there is a problem.

Mr. BOLGER. The bar is uniformly applied pretty well and the sizing on the wands is a little different than passing through a high-speed piece of machinery in the Postal Service. It is a problem, and I don't pretend to sit here and be that expert on it. I am not.

I would be glad to have somebody talk to you about it from research and development.

Mr. MILLER. What I was really after was whether it was a problem where people did not want to cooperate with you or whether it was the mechanical problem?

Mr. BOLGER. There is a combination of the two, mechanical problems, and it hasn't caught on with the large customers. In some areas we have had some success with it. Readers Digest uses it extensively on their mailings, and we are able to use it to save some money in processing their mail inbound to the New York area. And there are other places. In Tulsa, Oklahoma, some of the oil companies' credit card companies are using bar code extensively, but we haven't made the advances we thought we could have made by this time.

OPTICAL CHARACTER READERS

Mr. MILLER. Do you have other machinery that you are testing at the present time in your research and development that may speed this up so that, as you increase in volume, you will be able to move the mail as fast as possible?

Mr. BOLGER. Yes, sir, we are doing some extensive work in optical character readers, both a simplified optical character reader, one-line reader, reading the bottom line of an address, maybe two lines, read it and sort the mail that way.

We are also in the final stages of negotiating a contract with REI in Dallas, Texas, and hope to be successful to have a four-line

reader that will not only read the address, printed or typed, on the envelope, but it, in itself, will apply a bar code to the envelope, to the mailing case, and it will make a distribution at the same time, and later on, as it goes to the destination point, instead of going through a reading system again, a very inexpensive optical character reader will read it and sort it down to carrier route, something along that line.

One of the tests we are conducting is in Miami, with a simplified reader, and we hope to be successful in that and get these in production in the next couple of years.

This 4-line reader, when we sign the contract and get it going, it will be three to five years before we have them manufactured and they can be productively used in the Postal Service.

Mr. MILLER. The Postal Service sometime ago was testing at least some equipment that was purchased in Japan. Do we find it is necessary to buy equipment from Japan, or are American companies now making the type of equipment that you would need?

Mr. BOLGER. We buy principally American. We have looked at other equipment, not only in Japan, but we just sent a small team to West Germany, Belgium, France, and Italy, to look at equipment. But we basically try to buy American. Most of the electronic components and machines are probably made in Japan.

POSTAL COMPUTERIZATION IN OTHER COUNTRIES

Mr. MILLER. Could we get a little background as to what they are doing in other countries? Are they far ahead of us? Are we far ahead of other nations?

Mr. BOLGER. I don't think they are far ahead of us. At our next board of governors meeting, our Assistant Postmaster General will be making the presentation on what he found in Europe. What he told me in preliminary form is they are not further ahead. They are not working to get the machinery as sophisticated as we are working for. But that is principally because they don't have our mail volume. They don't have the vastness of the country and the amount of mail that has to be sorted.

In the electronic field, I think we are up to speed. Perhaps the Japanese, as Mr. Bailar said earlier, have a little leg up because they are actually wired in a temporary way in one of their small towns to see how this would work.

But I think we are keeping pace with the rest of the industrialized nations in the mail service.

POSTAL MONEY ORDERS

Mr. MILLER. Can you tell us a little about the money order rate? There was an increase, and you spoke of that last year, as I recall. Also, we were told that when we have an increase in rate for first-class, the volume drops off. Do you have that same thing with the money orders?

Apparently there was quite an increase in money order charges. Did the money order rate drop down?

Mr. BOLGER. Our general experience is when we raise prices the volume drops temporarily. I will ask Mr. Biglin to specifically address that question, if you will.

Mr. BIGLIN. Mr. Miller, that is true; the volume on money orders did drop, following the increase, and in the current rate filing which was mentioned earlier, that also includes some additional adjustments that are necessary in the price of special services, including money orders, so if the Postal Rate Commission approves our filing, when we come to May or June of this year, we will again regrettably have to increase the fees on our money orders, which will likely cause some additional volume drop.

Mr. MILLER. One of the things we heard was the fact that financial institutions would write money orders at a lesser charge and therefore the people would shift over to financial institutions. I am wondering if you did get the drop, did it bounce back with people then starting to pay a higher rate, or did the financial institutions increase their rate?

Mr. BIGLIN. With your permission, we can submit a table for the record which will show the trend in transactions over the last year, but we did not fully recover following the last rate increase.

[The information follows:]

MONEY ORDER REVENUES AND TRANSACTIONS

<u>FY</u>	<u>Transactions</u> (millions)	<u>Revenues</u> (millions)
1970	181.8	\$56.2
1971	179.4	55.1
1972	176.1	54.7
1973	170.8	54.0
1974	164.5	51.7
1975	174.2	53.4
1976	177.7	63.0
Transition Period	33.3	22.5
1977	136.7	104.8

MONEY ORDER FEE CHANGES

<u>Value</u>	<u>1970 to</u> <u>April 17, 1976</u>	<u>April 18, 1976</u> <u>July 17, 1976</u>	<u>After</u> <u>July 17, 1976</u>
\$ 0.01 - \$ 10	\$0.25	\$0.30	\$0.50
10.01 - 50	0.35	0.45	0.70
50.01 - 300	0.40	0.50	0.90

Mr. BOLGER. Mr. Miller, on that score, two years ago now we tried an experiment in Denver, Colorado, and Boston, Massachusetts, to try to meet the competitive prices of the banks in the area for the issuance of money orders versus cashier's checks, and we did not find a noticeable increase in the money order business in the Postal Service.

CUSTOMER PROBLEM

Mr. MILLER. I have a letter from a gentleman in Lancaster, Ohio, by the name of Mr. Don Fogg, who is in the real estate business, and they had a problem whereby, as he states it briefly, the problem is this: Almost all real estate brokers in that area are banded together in a multiple listing service, and they submit all of their listings to a central point in Dayton, Ohio, which probably would be 75 miles away. They are processed by computer and mailed back in a book and, as he states, they are no longer mailed because they cannot count on delivery on a specific time.

I don't know whether you have this type of problem, but apparently they are going over to a different type of delivery altogether, courier service. They can receive the booklet back to all of the agents at the same time, instead of some small community having the mail ahead several days, and having an advantage over other people.

I don't know whether you have heard of this type thing going on, and I know it is a problem that is not nationwide, but perhaps I can go into this in a little more detail with your people.

But if you do know anything about it on the little information that we have conveyed so far, I would appreciate knowing what kind of a problem that we have, and why the mail would not be coming back to the small communities within one county at the same time.

Mr. BOLGER. I would be very interested in having someone look into that, because it is unusual. Not unusual that we don't occasionally get something like this happening to us, but it shouldn't be that way. There is no reason for it.

We are talking first-class mail, and there is no reason why it shouldn't get there in one day. If they mail it, computerize it, and get it back in the mail, the whole time cycle shouldn't be more than two or three days.

We would like the opportunity to look into that.

Mr. MILLER. I guess this is one way we can find out about the problems and call them to your attention, and I would appreciate—

Mr. BOLGER. I hope this organization isn't violating the private express statutes.

Mr. MILLER. It is very possible they are. I think that is part of the problem, also.

Mr. BOLGER. We will get you an answer on that right away.

Mr. MILLER. Very good. I appreciate it.

[The information follows:]

CUSTOMER PROBLEM

HON. CLARENCE E. MILLER,
House of Representatives
Washington, D.C.

March 14, 1978.

DEAR CONGRESSMAN MILLER: You will recall at our hearings before the House Committee on Appropriations, Subcommittee on Treasury, Postal Service and General Government on Thursday, March 9, 1978, you inquired about a postal problem a constituent of yours, Mr. Don Fogg of 126 East Main Street, Lancaster, Ohio 43130, was having.

I want to report that a member of my staff had the Postmaster at Columbus, Ohio, get in touch with Mr. Fogg last Thursday afternoon following the adjournment of the hearings. Arrangements have been made to have the Postmaster at Lancaster, Ohio, follow up the initial contact with Mr. Fogg to see what can be done to solve the postal service problem involved.

It is quite possible that our Express Mail Service will satisfy the needs of the realtors in this area. As soon as further information is available, it will be provided.

Sincerely yours,

W. F. BOLGER.

CLOSING OF SMALL POST OFFICES

You spoke about closing small post offices. We have in our congressional district quite a few small post offices, and they serve a purpose. I never heard what you stated earlier, where some small post office would only have maybe the postmaster and his wife who will be receiving mail.

I can understand when we talk about closing small post offices as to why you would want to close that type of a post office. But where is the breaking point here as to what we are calling a small post office?

Our people have had post offices closed, and it has been an inconvenience to them. Maybe all of the mechanics were not in operation or have not been put in operation, I am not real sure, but I guess the purpose of the question is, where is the breaking point and what is considered a small post office?

Mr. BOLGER. A small post office is generally considered as something under the old categories of fourth-class office or third-class office serving a very small community.

We have not defined for ourselves or for our field managers what they should be looking at as a small post office for closing. The main reason is that we have no program, no plan to go out and have a wholesale closing on a quota basis on post offices. We have to give the people in all segments of our society the postal service they need. If it means keeping a post office open, that is what we have to do. So we haven't gotten any quotas or definition of what is a small post office.

As we go through these things one by one, as the field people get the opportunity to do so, we will evaluate what services these small

post offices give, see if we can give equivalent or better service, at a lower cost, and if we can, we will proceed.

But there are some very stringent rules we have just adopted under provision of Public Law 94-421. We have posted these rules, and we will be abiding by them every inch of the way.

MAIL VOLUME

Mr. MILLER. I was reading in some of the statements that we have here that the volume was what, 96 billion pieces of mail?

Mr. BOLGER. We project that for fiscal year 1979, 96 billion pieces. That is up from this year, when we will have about 95.0 billion pieces. This previous fiscal year, 1977, we had 92.2 billion pieces of mail. We are in a growth position.

RATES SUBSIDY

I think one of the reasons is that we have been able, in these inflationary times, to keep the rate stable for almost two and one-half years.

Mr. MILLER. Mr. Bailar mentioned magazines, the cost to mail a magazine is 6.8 cents?

Mr. BOLGER. That is 6.8 cents that the publisher pays. He is being subsidized by the appropriation we are asking you for to a much greater extent.

Mr. MILLER. The 6.8 was not the cost of mailing the magazine?

Mr. BOLGER. No, sir; 6.8 is what the publisher is paying.

Frank, Do you want to give the statistics?

Mr. MILLER. I understood that. That is cost to the publisher, yes.

Mr. BIGLIN. Mr. Miller, on the second-class typical weekly news magazine, for example, that is issued weekly and might average approximately six ounces, presently the rate would be, as Mr. Bailar said, 6.8 cents, which is what is being paid by the mailer.

The full rate on that would be 9.35 cents if the publisher had to pay the full rate.

Now, when the Rate Commission issues its recommended decision on the current filing, if approval is given to the direct sacked rate that we have proposed, that weekly news magazine price would increase to 7.3 cents, and the full rate, including the subsidy amount, would represent 11 cents per piece. But that is a 6-ounce mailing piece fee as contrasted to, say, a 1-ounce first-class letter, at which time we would then be charging 16 cents.

Mr. BOLGER. It is much more difficult to handle unless it is pre-sorted down pretty fine. There is no machinery we have yet that could handle it. It is all manual handling and re-handling.

Mr. MILLER. How can we tell who is receiving the most subsidy?

You have, surely, magazines that are sent out, and I would assume you would have a volume count. How do we go about finding out who is taking advantage of this?

Mr. BOLGER. By categories. We attached a table to my opening statement, which tells us how it is broken down, who gets the benefit of the subsidy. There is none in first-class mail whatever.

Mr. MILLER. I see the table. Now, how can we attach names to that table?

There are magazines that are high volume. I am not sure what magazines are the highest volume rate now, but I bet you have a count on it, and it seems to me that if a certain company is receiving a large amount of the subsidy, or the largest amount, there is nothing wrong with us listing it in the record to see who is taking advantage of this.

Mr. BOLGER. We don't have a record on all of this, but we can develop a record on some of the national magazines and some of the newspapers and submit it for the record and would be glad to do so.

Mr. MILLER. This would show, now, the dollar value of the subsidy that the corporation would be receiving due to the fact that the rate would be below the cost of delivery?

Mr. BOLGER. What we could do is take a sampling of the publications and their postage bill for an issue, and we could take the number of pieces they are mailing, take the average cost per piece, and on the percentage factors we show on the table, show you what the subsidy was per piece and then show you totals.

Mr. MILLER. So we would be attaching names to this? I am not sure I have ever seen what corporation was receiving the largest amount of the subsidy.

SUBSIDY-PUBLICATIONS

Mr. BOLGER. I think we have to make sure we understand that we can't give you all the publications in the country. That would be a real task to do that, but if you would like us to submit a list of those you would like to see, we can have the computations made.

Mr. MILLER. Not necessarily a list, because I am not sure what magazines I would put down. As an example, is it possible to list the top 15 where you would have the highest volume and those corporations would be receiving the largest amount of subsidy?

Mr. BOLGER. Yes. I think we should make two lists, if we do it. I think we should show this also on some nonprofit magazines, too.

Mr. MILLER. I think it would be an excellent idea, and there is no reason why we can't name names as to who is receiving the subsidy and the dollar volume they are actually receiving.

Mr. BOLGER. It should be public information; it is public money.

Mr. MILLER. If we could have it for the record, I would appreciate it, Mr. Chairman.

Mr. STEED. Fine.

[The information follows:]

Mr. Miller asked that we provide for the record the names of profit and non-profit corporations/companies and publications that are receiving the benefit of Revenue Forgone. He specifically requested volumes and benefits to each under the provisions of the legislation.

Illustrative Second Class Postage Payments and Subsidies FY 1977
Selected Major Nonprofit Publications
(millions)

Name of Publication (1)	Publisher (2)	Estimated annual volume (3)	Postage payments ^{1/} (4)	Full rate postage ^{2/} (5)	Approximate amounts	
					Equivalent regular rate postage ^{3/} (6)	Subsidy ^{4/} (7)
American Legion Magazine	The American Legion	31.28	\$0.72	\$2.15	\$2.28	\$1.56
Chemical and Engineering News	American Chemical Society	5.83	0.13	0.40	0.43	0.30
Decision	The Billy Graham Evangelistic Assn.	38.29	0.51	1.98	2.11	1.60
The International Teamster	International Brother- hood of Teamsters, Chauffeurs, Warehouse Men and Helpers of America	21.78	0.29	1.14	1.21	0.92
Today's Education	National Education Assn. of the U.S.	6.96	0.25	0.67	0.69	0.44
Woodmen of the World Magazine	Woodmen of the World Life Insurance Society	5.56	0.08	0.33	0.35	0.27

^{1/} During fiscal 1977 step 5 rates were paid from Oct. 1, 1976 through July 5, 1977. Step 6 rates were paid from July 6 through Sept. 30, 1977.

^{2/} Amount that would be paid by mailer at end of phasing period on July 6, 1987 (step 16). Does not include possible further rate increases beyond FY 1977.

^{3/} Amount that would be paid by mailer if regular rates were applicable instead of preferred nonprofit rates.
^{4/} Column 6 less Column 4.

3/16/78

Illustrative Second-Class Postage Payments and Subsidies FY 1977
 Selected Major Regular Rate Publications
 (Millions)

Name of Publication (1)	Publisher (2)	Estimated annual volume (3)	Approximate Amounts		
			Postage payments 1/ (4)	Full rate postage 2/ (5)	Subsidy 3/ (6)
Better Homes & Gardens	Meredith Corp.	87.79	\$ 8.25	\$ 12.61	\$ 4.36
Reader's Digest	Reader's Digest Assn., Inc.	205.14	13.47	20.94	7.47
Sports Illustrated	Time, Inc.	125.66	6.87	11.10	4.23
Time	Time, Inc.	224.46	11.83	19.22	7.39
Wall Street Journal	Dow Jones and Co., Inc.	245.51	17.24	27.23	9.99

1/ During fiscal 1977 step 5 rates were paid from October 1, 1976 through July 5, 1977. Step 6 rates were paid from July 6 through September 30, 1977.

2/ Amount that would be paid by mailer at end of phasing period on July 6, 1979 (step 8). Does not include possible further rate increases beyond FY 1977.

3/ Column 5 less column 4.

3/16/78

Mr. MILLER. If I may, can I clarify one point that I requested, Mr. Chairman?

I spoke of trying to find out who is receiving the subsidy that the taxpayers are paying, and I had stated 15 of the largest magazines or those magazines that had the largest volume. I am not sure that number is correct.

I am really interested in finding what which corporations are receiving the subsidy, the difference between what the corporations pay per copy, to mail it, and what it costs you. That subsidy is what I am interested in. That would not necessarily only be magazines, because we have many other items. Perhaps if you would work with the staff here so that we could come up with some facts and figures.

We have heard about subsidy so long, we can attach names to the subsidy, so if you would work with the staff to do that, I would appreciate it.

Mr. BOLGER. We would be glad to do so.

Mr. STEED. Mr. Patten?

WORKER'S COMPENSATION

Mr. PATTEN. Mr. Bolger, one thing is your little comment about compensation, the tremendous increases as a result of the 1974 act. I have done a lot of compensation work, mostly in court.

I know something about it at the state level, representing workers.

With your men, you are spending \$1,000 per employee for compensation. Now, compared to private industry, that figure is very high. Have you any answer? Can we do anything by way of legislation? Were we too generous?

Mr. BOLGER. We think the rules are a little bit loose—and Mr. Conway can address this much better than I, and I would like him to do so—but yes, I believe there is a need for some changes in the legislation.

I think there is some need for change in the administration of the law by the Labor Department in giving the Postal Service and other Federal Government agencies more of a voice.

Mr. PATTEN. Before you start looking for answers, the Postmaster mentioned integrity and reasonableness of claims. That is old hat with us.

When I was Mayor and somebody in the street department got hurt, I had to turn upside down because everybody would attempt to help the fellow get compensation.

We had to work at integrity.

But I would like to think that regarding integrity and cooperation that you would average out as well as most industries and most people across the board.

Mr. CONWAY. I would think so, too, Mr. Patten. I think the amendments to the Federal Employees Compensation Act in 1974 were very well intentioned, because at that time there were serious delays due to the length of time it took the Office of Workers' Compensation to pay claims.

However, I think that the results of the amendments of 1974 were not really anticipated. The three-day waiting period was eliminated,

the employee was given an absolute choice of doctors, those were two factors, and the employer was given no opportunity to appeal, and two of those things we think should be changed.

There should either be a waiting period after an accident before one can go on compensation and the employer should have the right to appeal to ensure that there is total integrity in the system.

Since 1973, 1974, our costs, including accruals, have increased about sixfold, so that in fiscal 1977 our total costs, including accruals, were \$656.7 million out of a total deficit of roughly \$688 million.

Mr. PATTEN. When you compare it to deficit, that amazes me. I don't think that is related. If you compared deficit to other operations, it might be applicable, but in our society to pay people who were hurt is commonly accepted, I think, in all the states is that not right?

WORKERS' COMPENSATION

Mr. CONWAY. We don't question that at all.

Mr. PATTEN. Don't compare my compensation work, which I love, don't throw it in with the deficit. If you want to make a connotation about the deficit, there are some other items in here I would rather have you associate it with. But you have to have compensation, Mr. Conway.

Mr. CONWAY. I think there is a question of balance, and I was using that as a reference.

Mr. PATTEN. I didn't like that reference. I didn't think there was a relation. We all pay compensation.

Mr. CONWAY. I think that we subscribe fully to the idea that someone which is injured on duty ought to be paid and paid for whatever the proper expenses are. I think that the employer does not have adequate opportunity to ensure that the system operates as Congress intended.

Mr. PATTEN. Are you self-insured?

Mr. CONWAY. No, we are totally controlled by the Department of Labor, who has exclusive jurisdiction to administer the act. They need to make—and we have told them and they are working very hard to make—improvements in the administration of the act.

Mr. PATTEN. Well, I am no expert now. I have been out of it a good many years, and I am sure you will give it oversight and you will come up with some answers.

Mr. BOLGER. We are giving it oversight. We have had a number of cases recently where our investigators have gone in and established that there is absolute fraud involved in the claims and we have been able to take action against those procedures.

Mr. PATTEN. That is the hard way, you know.

Mr. BOLGER. I know it is, but Mr. Conway is absolutely right. We want to make sure our employees are properly compensated if they are injured on the job, but we don't think it is in the public interest and certainly we are not exercising our responsibilities to the public when we let abuses creep in and do nothing about it.

Mr. PATTEN. It didn't strike me that your costs would be prohibitive because I can't think how you have the risk. I don't know. I never thought of it. I don't think of your business as being accident

prone compared to say being an iron worker or electrician and/or roofer or many other things, where the very nature of the occupation is a high risk.

Mr. BOLGER. We have 124,000 vehicles on the road every day.

Mr. PATTEN. Yes, but they go ten miles an hour. They are not moving like buses at 60, 65 miles an hour. If you ever look at a mail truck around town, the fellow is going seven, eight miles an hour.

You shouldn't have the high risk as a result of vehicles that truck carriers would have going across the highways at high speeds, right?

Mr. BOLGER. We shouldn't, but we have a pretty high experience. It is going down but we have an accident frequency experience in the vehicles.

Mr. PATTEN. The severity of your accidents shouldn't be comparable to the fast-moving vehicle.

Mr. BOLGER. It isn't, but we have the other part of it. You have the carriers when they get out of the vehicles are walking on icy sidewalks or streets like today and somebody doesn't shovel their steps off and they slip and fall.

Mr. PATTEN. You would get more of that.

Mr. BOLGER. You get 160,000 carriers out there six days a week and you can get a pretty good load of that.

We have mechanization in the building, machinery we didn't have before, and that is a problem.

CAPITAL INVESTMENT

Mr. PATTEN. I don't want to prolong your visit here but may I ask another question about your capital investment.

When we talk about the law under which you are operating, your present method of doing business, control through a board separate from the Congress and from any measures, they used the figure that to bring the Post Office up to date they needed a \$4 billion capital investment on machinery and modern business methods, but I can't ascertain from looking at your figures whether you forgot about it, or you are working on it.

Mr. BIGLIN. Mr. Patten, for the fiscal year 1979, which is the year we are discussing, our estimated capital investment is \$472 million. Of that, about \$290 million is for new buildings, new facilities.

Mr. PATTEN. They had outside experts from industry, and I remember some of the testimony when we discussed putting the Post Office under the corporation, they said to bring it up to date would require a \$4 billion investment in machinery.

Mr. BIGLIN. That was probably back in 1970 or 1971. On a cumulative basis our investments have reached \$3 to \$4 billion. Again, we can submit a table for the record, since the postal reorganization, what fully has been invested for capital.

[The information follows:]

CAPITAL INVESTMENT

History of Postal Service Commitments by
Program Category follows:
(\$ in millions)

Fiscal Year	1972	1973	1974	1975	1976	1977	Total	% of Total
Facilities	\$393	\$485	\$286	\$473	\$389	\$258	\$2,284	63.6
Mail Processing Equipment	258	231	64	135	43	71	802	22.3
Vehicles	44	43	59	78	42	31	297	8.3
Customer Service Equipment	7	9	13	17	2	3	51	1.4
Postal Support Equipment	<u>16</u>	<u>25</u>	<u>41</u>	<u>32</u>	<u>18</u>	<u>25</u>	<u>157</u>	<u>4.4</u>
Total	\$718	\$793	\$463	\$735	\$494	\$388	\$3,591	100%

Mr. PATTEN. Incidentally, I saw a news report here about a mail sorters facility in Maryland, and they had the employees on, and they were complaining.

Mr. BOLGER. Yes, our bulk mail center.

Mr. PATTEN. I felt that it wasn't a balanced report. Apparently you wouldn't go back to 1970?

Mr. BOLGER. I wouldn't sir. I think it would be a mistake for the Postal Service.

Mr. BIGLIN. As a matter of fact, Mr. Patten, one of the specific requirements of that reorganization law was that we improve the working conditions for the people employed in the Postal Service.

Back at that time, according to then existing standards, only 20 percent of our employees were working in environmental conditions that met then existing standards, so we have had a substantial modernization program to salvage those facilities that we could by rehabilitation and improvement.

We have had a substantial construction program for new facilities to replace many obsolete ones. We are now approaching a point where 95 percent of our employees are working under conditions and in facilities that meet current environmental standards.

PERSONNEL PROGRAMS-COMPARISON TO PRIVATE INDUSTRY

Mr. PATTEN. Compare it to our private industry. I don't think there is anywhere near the personnel work. Private industries have training programs, athletic teams they put on the field, fellows can practice on company time, they have dances, they have picnics, I mean personnel people in a lot of my private industries really have a program.

Mr. Conway, you don't work in this, do you? I never heard of you holding a clam bake.

Mr. CONWAY. We have recreational and welfare committees in all post offices and there is a good deal of activity, bowling and such things.

Mr. PATTEN. Mail sorters have dinners and parties.

Mr. BOLGER. I might add, none of it is on the clock, though.

Mr. STEED. Mr. Roybal?

Mr. ROYBAL. You mentioned numerous surveys and polls which indicate that the public thinks the Postal Service is doing a good job. I still receive numerous complaints from my constituents and I have some from my own experience. Has the Postal Service this past year paid for any sort of survey, poll or similar effort to measure the public's attitude?

Mr. BOLGER. Following are summaries of reports presented in 1977 which reflect the public's attitude toward the Postal Service:

Fact Sheet

Study Title	Data Collected		Data Processed		Date	Findings
	By	By	By	By		
1. National Tracking Study (1090)	Decision Making Information	Robert Proctor Associates	USPS	May, 1977	General public attitudes in April, 1977 were more favorable to USPS than in October, 1976	
2. Five Day Delivery-Household	Decision Making Information	Decision Making Information	Decision Making Information	Aug. 1977	Forty five (45) percent of the general public "strongly" or "moderately" approve of the five (5) day delivery concept. Thirty-five (35) percent "strongly" or "moderately" disapprove. Nineteen (19) percent are neutral. The general "worst case" mailing shift pattern is to deposit mail one day earlier.	
3. Non-Business Users of the Postal System and their attitudes toward possible changes the USPS might make.	Opinion Research Corp.	Opinion Research Corp.	Opinion Research Corp.	Oct. 1977	Forty-six (46) percent or the general public "strongly" or "moderately" approve of the five (5) day delivery concept. Thirty-seven (37) percent "strongly" or "moderately" disapprove. Seventeen (17) percent are neutral.	
4. Consumer Service Card Awareness Study (1099)	Roper Organization Inc.	Roper Organization Inc.	USPS	Oct. 1977	Five (5) percent of the general public were aware of the Consumer Service Card. One (1) percent had personally filled one out.	
5. National Tracking Study (1103)	Decision Making Information	Robert Proctor Associates	USPS	Jan. 1978	This October, 1977 survey indicated no change in attitudes toward the Postal Service since April 1977.	

FACT SHEET

<u>Study Title</u>	<u>Data Collected By</u>	<u>Data Processed By</u>	<u>Data Prepared By</u>	<u>Date</u>	<u>Findings</u>
6. Window Clerk Image Study (1094)	Decision Making Information	Robert Proctor Assoc.	USPS	Feb. 1978	General public perceptions of Postal window clerks are generally favorable. Women are more favorable than men. Those over 40 years of age are more favorable than those under 40 years of age. As income increases, favorability decreases.
7. Self Service Postal Center	Decision Making Information	Robert Proctor Assoc.	USPS	In process	In process

DELAYED AND DAMAGED MAIL

Mr. ROYBAL. Recently, a large kraft envelope sent from my DC office to my Los Angeles office, containing important documents, took approximately 2 weeks to reach its destination. When it arrived in LA, it had been torn open and was held together by a rubber band. There was no explanation concerning the damage. How does this sort of damage occur? What efforts have you undertaken to reduce the amount of damaged mail?

Mr. BOLGER. Large kraft envelopes (bulky) sometimes, if not properly endorsed "First-Class Mail", may inadvertently get mixed with other third-class mail and would be processed through our Bulk Mail System.

Normally, first-class mail deposited in Washington, DC would be delivered in Los Angeles within three days.

This sort of damage may occur when irregular or bulk items are mailed in simple large brown envelopes. The weight of the item may be too heavy for the envelope which, if the material shifts, causes the envelope to tear. In the case of irregular articles such as name hand stamps, etc., just the weight of the article can tear the envelope.

In an effort to reduce damage, we provide insulated envelopes, which can be purchased at a reasonable price at our offices. The distribution of bulk items is monitored by employees to see that articles are not thrown into mail bags. It is our normal practice to endorse damaged articles which have been rewrapped or repaired with the name of the office where the repair was made. This type of endorsement enables us to isolate the problem area and take corrective action to improve the operation.

Mr. ROYBAL. I have also heard that some mail is damaged by water in the corner mailboxes we are all familiar with. How serious is this problem?

Mr. BOLGER. This is not a serious problem. Postal Service specifications for collection boxes require weatherproofing when manufactured. Specifications also require quality assurance provisions which includes subjection to a water spray test.

There may be instances where water or liquid does get inside the box, but it is normally not a fault of box construction.

Rain could get into the box when a customer opens the deposit door, or mail could be wet or damp when deposited. Also there are cases of vandalism where liquid is poured into the deposit door.

VOTER REGISTRATION BY POST CARDS

Mr. ROYBAL. Several states have procedures whereby voters register by post cards. Does the Postal Service have any special procedures for dealing with these cards?

Mr. BOLGER. An inquiry to the Federal Election Commission indicates that the District of Columbia, Alaska, California, Delaware, Iowa, Kansas, Kentucky, Maryland, Minnesota, Montana, New Jersey, New York, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Utah, and Wisconsin have voter registration by post cards. The Postal Service does not have a national policy pertaining to special procedures for dealing with these cards. Because of the complexities of election dates in various municipalities, the Postal Service has determined that any special procedures must be requested by the Supervisor of Elections at the municipalities. It is known that postmasters, when requested to initiate a special watch

on working destination mail, capture any election mail that must be delivered by an established deadline.

Mr. ROYBAL. Have there been any complaints with regard to lost cards or delay in delivery?

Mr. BOLGER. The Postal Service does not have any records of complaints of lost cards or delayed mail at National Headquarters.

Mr. ROYBAL. Are you aware of any instances wherein a Postal Service delay or error disenfranchised a potential voter.

Mr. BOLGER. USPS Headquarters has not been advised of any such instances.

FUEL REDUCTION PROGRAMS

Mr. ROYBAL. With regard to your transportation budget, how much money was spent on gasoline in FY 1978?

Mr. BOLGER. The amount of \$49,229,000 was incurred for gasoline during FY 1977 and we estimate that we will spend approximately \$53,226,000 for gasoline during FY 1978.

Mr. ROYBAL. What sort of conservation programs have you implemented to reduce gasoline consumption?

Mr. BOLGER. The Postal Service has taken a number of administrative and management actions to improve the rate of fuel use. Chief among these actions are scheduling improvements designed to reduce mileage traveled in letter delivery service and in our transport operations within the major cities; driver training and control in the handling of vehicles and most especially in shutting off vehicle engines, studies indicate that engine idling was the largest single culprit in excessive fuel consumption; improved maintenance and tune-up procedures relying very heavily on the infra-red exhaust emission testers which are part of the equipment inventories of each of our vehicle maintenance facilities; finally where possible, recalibration of engines, making sure that performance of these engines still met emission standards.

Mr. ROYBAL. How effective have the programs been?

Mr. BOLGER. The combination of these management, maintenance, and driver actions have resulted in a very marked improvement in reduced fuel consumption.

During the span of time from the summer of 1973 to the present, the Postal fleet is 28% larger than it was on July 1, 1973. Because of this continued growth of the fleet, it has been necessary to center our fuel conservation efforts on the rate of use of fuel per vehicle. In fiscal year 1973, the Postal vehicles used 936 gallons each per year. In the year concluded October 8, 1977, Postal vehicles used only 769 gallons per year. This represents an improvement of 17.8% in fuel use per vehicle. This reduction of 167 gallons used per vehicle per year is equivalent to a savings of 20,323,566 gallons of fuel per year.

Performance in fiscal year 1977 was affected severely by the extreme cold during the winter of 1976-1977. During the winter months of fiscal year 1977, the Postal fleet required 3,000,000 gallons more fuel than in the comparable period the year before. Part of this was due to an increase in fleet size but the greater portion of the increase was due to the extreme cold weather.

FINANCIAL CONDITION OF THE POSTAL SERVICE

Mr. STEED. What is the overall financial condition of the Postal Service at this time and what are the prospects for the future?

Mr. BOLGER. The overall financial condition of the Postal Service, in terms of liquidity, working capital, and accessibility to borrowed funds, is excellent.

This appraisal is based on the Postal Service having adequate liquidity, i.e. owning sufficient Treasury Bills and Notes that can be converted to meet foreseeable cash needs, maintaining a healthy .9 working capital ratio between current assets and current liabilities, and retaining access to sufficient capital purpose borrowing to fund planned plant and equipment expenditures.

Prospects for continuing financial health are good; however, they are subject to: the pending postage rate case being approved substantially as proposed by June 1, 1978, a labor contract being negotiated with Postal unions on or before July 20, 1978 that is within Presidential guidelines, the inflation rate (that triggers cost of living adjustments to our payroll) not returning to 1974 levels, and retention of capacity to finance operating deficits through the Federal Financing Bank and to couple this with an ability to obtain revenue to cover debt service through filing with the Postal Rate Commission.

APPROPRIATION ESTIMATES AND METHODS

Mr. STEED. The Postal Reorganization Act, Public Law 91-375, authorizes appropriations for three principal items: Public service costs, free and reduced rate mail, and previous unfunded liabilities of the Post Office Department. Would you please review the method used to develop your estimate for each of these items for FY 1979?

Mr. BOLGER. I will provide that information for the record.
[The information follows:]

Elements of Appropriation Requests
(\$000)

1. Free and Reduced Rate Mail
 - a. Continuing Revenue Forgone -- Subsidy appropriation authorized by 39 U.S.C. 2401(c) to cover the difference between full unphased rates charged to preferential rate mailers (i.e. nonprofit organizations, matter for the blind) and the full unphased rates they would pay if they were regular commercial mailers.
 - b. Phased Rates - Regular Rate Mail -- Subsidy appropriation authorized by 39 U.S.C. 2401(c) to cover the 8-year phasing of rate increases applicable to regular commercial second- and third-class mail and special rate fourth-class mail as prescribed in 39 U.S.C. 3626(2). Prior to passage of P.L. 93-328, a 5-year phasing span was authorized.
 - c. Phased rates - Preferred Rate Mail -- Subsidy appropriation authorized by 39 U.S.C. 2401(c) to cover the 16-year phasing of rate increases applicable to mailings of nonprofit organizations, in county publications, and certain library mailings as prescribed in 39 U.S.C. 3626(1). Prior to passage of P. L. 93-328 a 10-year phasing span was authorized.
2. Public Service Costs -- This appropriation amounts to 10 percent of the 1971 appropriation to the former Post Office Department as authorized in 39 U.S.C. 2401(b). The amount authorized continues to be 10 percent through Fiscal 1979 and then drops one percentage point each year until 1984. After 1984, the Postal Service may reduce or eliminate the percentage figures.
3. Previous Nonfunded Liabilities of the Post Office Department -- This appropriation is authorized by 39 U.S.C. 2004 to cover payments to the Employees' Compensation Fund for injuries to postal employees which occurred prior to July 1, 1971 and to cover earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

SELF-SUPPORTING CLASSES OF MAIL

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

Mr. BOLGER. Our rate proposals to the Postal Rate Commission comport with the ratemaking criteria of the Postal Reorganization Act. These criteria indicate that each class of mail must produce revenues sufficient to cover all those costs attributable to it. In addition, each commercial class, as distinct from the nonprofit, must bear that portion of all other costs of the Service reasonably assignable to it. Thus, revenues from each class cover those costs attributable to it, caused by it, and all but the "nonprofit" classes make a contribution to the pool of costs which cannot be attributed to a particular mail class.

STATUS OF CONSTRUCTION PROGRAM

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

Mr. BOLGER. Over the past six years, the Postal Service has invested about \$2.3 billion for construction of new postal buildings and improvements to existing facilities including \$260 million for providing adequate working conditions for our employees. The average for the past six years of the Postal Service was in the area of \$380 million while the average for the current and next fiscal year is \$291 million a drop of \$89 million. From this comparison, it appears that the program has slowed down somewhat. We anticipate that the average for the next five years for the Facilities Program will be at the \$290 million level now that we have completed the replacement of our most obsolete buildings and the employees working condition improvement program.

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

Mr. BOLGER. No; currently we have 22 major buildings under construction, 17 under design and 18 planned. Since the economic analysis, alternatives, decision analysis and internal recommendations have not been completed on the 18 planned projects, it is probable that some of them may never become viable projects.

Mr. STEED. How is that construction funded?

Mr. BOLGER. The Postal Reorganization Act of 1970 provided the Postal Service with \$10 billion borrowing authority with a yearly limitation of \$1.5 for capital purposes. When cash is needed to meet delivery or progress schedules, the Service can use operating receipts, if available, or if necessary, use the borrowing authority. The financing of our 1978 and 1979 Capital Program is presently anticipated to come from borrowing.

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

Mr. BOLGER. Yes. Over the past six years all of our new major facilities have been constructed for Postal Service ownership.

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

Mr. BOLGER. No. Our new major facilities are built for immediate ownership under Postal Service construction contracts obtained through competitive bids.

Mr. STEED. How much use do you make off leased space?

Mr. BOLGER. At the present time the Postal Service occupies over 28,100 leased buildings containing about 96.5 million interior square feet. An overwhelming number of these buildings are the smaller facilities of 5,000 square feet and less which the Postal Service finds uneconomical to own. Also included are a number of major buildings occupied under long term lease agreements written prior to the establishment of the Postal Service on July 1, 1971.

MAIL EQUIPMENT PROGRAM

Mr. STEED. What is the status of your mechanization program for mail handling equipment?

Mr. BOLGER. Our present inventory of major letter mail mechanization consists of 715 multi-position letter sorting machines, 504 single-position letter sorting machines, 21 optical character readers, and 934 facer-cancelers.

We plan on procuring 32 multi-position letter sorters, 100 single-position flat sorters, 10 advance facer-canceler/edger-feeder systems, and perhaps 2 optical character readers in 1978. In 1979, we have budgeted for 20 more of the advance facer-canceler, edger-feeder systems, 100 edger-feeders to support facer-cancelers already in service, some 230 tray conveyors to support letter sorters, and about 25 single-position flat sorters.

VEHICLE REPLACEMENT PROGRAM

Mr. STEED. What is the status of your vehicle replacement program?

Mr. BOLGER. Our total active fleet as of the end of fiscal year 1977, was 118,569 vehicles. We estimate an inventory of 118,715 at the end of 1978 and 118,913 for year-end 1979. Our procurement activity is almost completely directed towards replacement of vehicles or those which are not economically repairable.

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

BORROWING AUTHORITY

Mr. BOLGER. Section 2005 of the Postal Reorganization Act authorizes a borrowing authority for the Postal Service of \$10 billion. As of March 9, 1978, a total of \$4,750 million has been borrowed of which \$2,319 million has been repaid leaving an outstanding balance of \$2,431 million.

Additional borrowing will be made in the future as required whenever the normal operating receipts of the Postal Service do not provide adequate funds to meet operating expenses and capital investment. We anticipate that it may be necessary to borrow \$500 million during fiscal year 1978 and \$500 million during fiscal year 1979.

Mr. STEED. It might be well if you would briefly describe your borrowing authority for the record—and indicate how you borrow, from whom, the interest rates, purposes, limitations, and repayment requirements.

Mr. BOLGER. Section 2005 of the Postal Reorganization Act authorizes borrowing authority for the Service of \$10 billion with a yearly limitation of \$2 billion of which not more than \$500 million may be used to cover operating expenses.

In 1972, \$250 million of Postal Service bonds were sold to financial institutions, pension funds, and private investors; however, since that time all amounts have been borrowed from the Federal Financing Bank. I will provide a schedule reflecting all borrowings made to date by the Postal Service.

[The material referred to follows:]

U. S. Postal Service
Borrowing Schedule
As of March 9, 1978
(millions of dollars)

	Rate	Borrowed	Repayments		Balance	Terms of Maturity
			PL 94-421	Other		
<u>Capital</u>						
Bonds.....	6.875	250	...	...	250	Due 2/1/97 with a sinking fund requirement of \$10 million per year beginning 7/31/78.
<u>Notes:</u>						
2.....	8.20	500	...	40	460	Payments of \$20 million due each May 30 through 5/30/84. Balance of \$320 million due 5/30/85.
6.....	8.075	800	...	64	736	Payments of \$32 million due each May 30 through 5/30/2000.
8.....	7.80	375	...	15	360	Payments of \$15 million due each May 30 through 5/30/2001.
Total Capital.....		1,925	...	119	1,806	
<u>Operations</u>						
1.....	9.305	500	...	500	...	Repaid with proceeds of Note 4
3.....	7.80	500	205	...	295	Payment of \$95 million due 5/30/79 and \$200 million payment due 5/30/80.
4.....	6.126	500	300	500	...	Repaid with proceeds of Note 5.
5.....	7.65	500	420	200	280	Payments of \$140 million each due 5/30/80 and 5/30/81.
7.....	7.78	700	...	...	...	Payments of \$25 million each due 5/30/80 and 5/30/81.
9.....	6.85	125	75	...	50	
Total.....		2,825	1,000	1,200	625	
Total.....		4,750	1,000	1,319	2,431	

3/10/78

UNDELIVERED MAIL

Mr. ROYBAL. What percent of the mail was undelivered this past year for whatever reason, and how does this figure compare with the figures for the last three years?

Mr. BOLGER. To my knowledge, we do not have information available that will provide an adequate response to your question. However, with the highly mobile American population, I would venture a guess that undeliverable mail as addressed would amount to an estimated 3 billion pieces of mail a year. I would also add that we are in the process of converting from a predominantly manual method of filing address changes and forwarding undeliverable-as-addressed mail to more efficient and productive computerized systems. These computer systems provide for rapid filing and retrieval of customer change of address information and the printing of forwarding and return address labels as well as endorsement instructions.

Currently, there are 23 post offices sites where computer systems have been installed and are in operation. Almost all of these installations were made during 1977. Funds have also been approved to place computer systems at 52 additional sites, including some large metropolitan cities, in FY 78 and FY 79.

When operational, it is expected that the computer mail forwarding system at the 52 sites will generate approximately 23 million dollars annual savings. Further savings are anticipated when the system is fully implemented nationwide.

POST OFFICES BY CLASS

Mr. STEED. Would you provide us with the number of post offices by class for fiscal years 1975, 1976, and 1977.

Mr. BOLGER. A schedule of the requested information follows:

Number of Post Offices
Fiscal Years 1975 - 1977

<u>Class of Post Office</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
1st Class	5,477	5,515	5,614
2nd Class	7,396	7,462	7,550
3rd Class	12,191	12,071	12,093
4th Class	<u>5,690</u>	<u>5,473</u>	<u>5,264</u>
Total	<u>30,754</u>	<u>30,521</u>	<u>30,521</u>

BILINGUAL REQUIREMENTS

Mr. ROYBAL. Mr. Postmaster General, you and I have corresponded for quite sometime about the decision to eliminate the bilingual qualification for window clerks in areas where there are large numbers of people with limited English speaking ability. I now understand that you plan to make forms available in Spanish, which the patrons can use to request services when they reach the window. Have you started this practice on an experimental basis?

Mr. BOLGER. Locally initiated bilingual forms and pamphlets have been in use in geographical areas with population concentrations of monolingual, other than English, citizens for a number of years. Nationally coordinated and control efforts were initiated with the elimination of the bilingual certification qualification for window clerks.

The Western Region has been chosen as the pilot test Region, and was charged with the responsibility for development of the bilingual forms. A team of bilingual postal people, representing post offices and the Western Regional Headquarters, developed the nine page set of Spanish/English forms designed to assist monolingual clerks to understand the postal needs of Spanish speaking customers. Additionally, these forms aid Spanish speaking customers to effectively convey their postal requirements in an accurate and precise manner. This is accomplished by filling out the Spanish language sheets that have parallel English language translations. Copies of these forms are attached for inclusion in the Record.

HOW CAN WE HELP YOU?

Postal people are good neighbors.

They are anxious to help you handle your postal business so that your mail is properly prepared to get where you send it.

If your most comfortable language is Spanish, you may find that you need some help in telling postal people exactly what you want.

You may want them also to help you as you fill out postal forms such as Money Orders.

These sheets show most of your needs, printed both in Spanish and in English.

The Spanish version is always printed within a border like the one around the Spanish translation on this page.

English-speaking postal people will know what you want, if you check or fill out the information in the Spanish text. Where this information must later go on an English form, you will see the English version printed nearby.

The postal clerk who is helping you will be glad to show you how to fill in the official English-language form.

Thank you

¿COMO PODEMOS AYUDAR A USTED?

Los empleados en el Servicio Postal son sus buenos vecinos.

Ellos tendrán mucho gusto en ayudarle con sus asuntos postales para que sus envíos sean debidamente preparados y lleguen a su destino.

Si usted acostumbra hablar español, tal vez encuentre dificultad en expresar exactamente lo que usted necesita.

Quizá necesite ayuda en completar formas, tal como un giro.

Las siguientes páginas, escritas en inglés y español, contienen la mayoría de los servicios que usted pueda necesitar.

La versión en español siempre se encontrará dentro del margen, así como en esta página.

Los empleados de habla inglés en el Servicio Postal sabrán lo que usted necesita si usted lo indica al marcar la información en español. Esta información se pasará a la versión en inglés adjunta.

El empleado que le ayude, tendrá mucho gusto en enseñarle como llenar las formas en inglés.

Gracias

EXPRESS MAIL

Express Mail is a new service that was established to guarantee overnight delivery.

Express Mail was implemented especially for large firms and businesses with mail of extreme urgency. Today, this service is available to firms and the general public alike.

Consult your Postmaster or station manager for further information.

NOTICE FOR MAIL BEING HELD

USPS FORM 3849 (Yellow Form)

When you receive this notice, mail is being held at the Post Office that was sent with one of the following special services: Registered, Certified or Insured. In order to guarantee that the mail is delivered to the proper person, it is necessary to require identification.

The identification acceptable is one of the following:

1. Drivers License
2. I.D. from the Dept. of Motor Vehicles
3. Passport
4. Residence Card, Dept. of Immigration

THE SOCIAL SECURITY CARD IS NOT ACCEPTABLE.

FOR ADDITIONAL INFORMATION ASK FOR "THE CONSUMERS GUIDE FOR POSTAL PRODUCTS AND SERVICES".

EXPRESS MAIL

Express Mail es un servicio nuevo, establecido con el fin de garantizar entrega el siguiente día.

Express Mail se inició principalmente para compañías con correspondencia de suma urgencia. Hoy, este servicio está a la disposición, tanto de compañías como del público en general.

Consulte a su administrador de correos (Postmaster) o gerente de oficina para más detalles.

NOTICIA DE CORREO PENDIENTE

USPS FORM 3849 (Forma Amarilla)

Cuando reciba esta noticia es que hay carta(s) o paquete(s) que fueron enviados bajo el servicio especial de: Registrado, Certificado o Asegurado. Con el fin de asegurarse de que el artículo sea entregado a la persona indicada, es necesario exigir identificación de la persona quien haga el reclamo.

La identificación aceptable es una de las siguientes:

1. Licencia de manejar automóvil
2. Identificación del Dept. de Vehículos
3. Pasaporte
4. Tarjeta de inmigración o Residencia. (MICA)

NO SE ACEPTA LA TARJETA DE SEGURO SOCIAL.

PARA MAS INFORMACION PIDA EL FOLLETO "GUIA DE PRODUCTOS Y SERVICIOS POSTALES PARA EL CONSUMIDOR".

PARA SERVIRLE A USTED
FAVOR DE INDICAR EL SERVICIO QUE NECESITE

STAMPS

- First Class
 Air Mail
 Quantity _____
 Denomination _____

NOTE: ALL FIRST CLASS MAIL WILL BE SENT
BY AIR IN MEXICO AND CANADA.

- Envelopes
 Quantity _____
 Postal Card
 Quantity _____
 P. O. Box
 Change of Address

SPECIAL SERVICES

- Registered Mail
 Certified Mail
 Insured Mail
 Amount _____
 Special Delivery
 Express Mail
 Money Order
 Domestic
 (United States)
 International
 (Out of Country)
 Amount _____
 Special Handling

PROBLEM

- Stamp Machine
 Photo Copier
 Money Changer
 Consumer Service Card

(This form is especially prepared to allow you to
express your complaint)

ESTAMPILLAS

- Primera Clase
 Correo Aéreo
 Cantidad _____
 Denominación _____

NOTA: TODO CORREO DE PRIMERA CLASE ES
TRANSPORTADO POR AVION EN MEXICO Y
CANADA.

- Sobres
 Cantidad _____
 Tarjeta Postal
 Cantidad _____
 Apartado Postal
 Cambio de Domicilio

SERVICIOS ESPECIALES

- Carta Registrada
 Carta Certificada
 Aseguranza (Paquete)
 Cantidad _____
 Entrega Inmediata
 Express Mail
 Giro Postal
 Doméstico
 (Estados Unidos)
 INTERNACIONAL
 (Fuera del País)
 Cantidad _____
 Manejo Especial

PROBLEMA

- Máquina de Estampillas
 Máquina Copiadora
 Máquina de Cambio
 Tarjeta de Servicio
 al Usuario

(Esta forma es preparada especialmente para
expresar su queja)

REGISTERED MAIL

For registered mail service, it is necessary to take your mail to the window clerk to obtain your receipt.

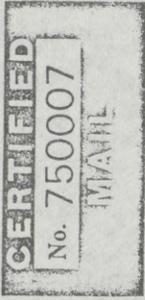
The security involved in the handling of this mail makes this requirement necessary.

CARTA REGISTRADA

Para hacer envíos registrados, es necesario que lleve su carta o paquete a la ventanilla y así obtener su recibo.

Los medios de seguridad que acompañan este servicio hace necesario este requisito.

CARTA CERTIFICADA

RECIBO PARA CORREO CERTIFICADO — 60¢		POSTMARK OR DATE	
RECIPIENTE			
CALLE Y NUMERO			
CIUDAD, ESTADO Y CODIGO POSTAL			
OTROS SERVICIOS—COSTO ADICIONAL			
SERVICIOS CON RECIBO DE RECEPCION	1. Recibo que indique a quién y fecha de entrega 25¢ Con entrega restringida 85¢ 2. Recibo que indique persona, fecha y dirección 45¢ Con entrega restringida \$1.05		
ENTREGA RESTRINGIDA 60¢			
ENTREGA INMEDIATA (Costo Adicional) \$1.25			
NO SE INCLUYE ASEGURANZA NO ES PARA USO CON CORREO INTERNACIONAL			

No. 750007

RECEIPT FOR CERTIFIED MAIL — 30¢ (plus postage)

RECEIPT FOR CERTIFIED MAIL — 30¢ (plus postage)		POSTMARK OR DATE	
SENT TO			
STREET AND NO.			
P.O., STATE AND ZIP CODE			
OPTIONAL SERVICES FOR ADDITIONAL FEES			
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered 25¢ With delivery to addressee only 85¢ 2. Shows to whom, date and where delivered 45¢ With delivery to addressee only \$1.05		
DELIVER TO ADDRESSEE ONLY 60¢			
SPECIAL DELIVERY (extra fee required) \$1.25			

No. 750007

PS Form 3800
Apr. 1971

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

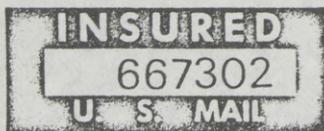
(See other side)
GPO: 1974 O — 551-454

INSURED MAIL

667302

RECEIPT FOR INSURED MAIL
DOMESTIC—INTERNATIONAL
ADDRESSED FOR DELIVERY AT
(Post Office, State and Country)

POSTAGE	AIR	\$
INSURANCE COVERAGE		\$
INSURANCE FEE		¢
SPEC. HANDLING		¢
DOMESTIC ONLY	SPECIAL DELIVERY	¢
	ADDRESSEE ONLY	¢
RETURN RECEIPT (Except to Canada)		¢
FRAGILE LIQUID PERISHABLE		
<input type="checkbox"/>	<input type="checkbox"/>	TOTAL
(POSTMARK)	CUSTOMER OVER	
	POSTMASTER BY	

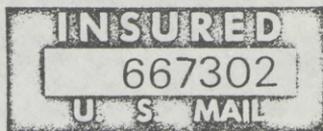


CORREO ASEGURADO

667302

RECIBO DE CORREO
ASEGURADO
DOMESTICO—INTERNACIONAL
DOMICILIO DE ENTREGA
(Ciudad, Estado y País)

TIMBRE	POR AVION	\$
CANTIDAD DE SEGURO		\$
COSTO		¢
MANEJO ESPECIAL		¢
PARA USO DOMESTICO SOLAMENTE	ENTREGA INMEDIATA	¢
	ENTREGA RESTRINGIDA	¢
RECIBO DE RECEPCION (Con Excepción de Canada)		¢
FRAGIL LIQUIDO PERECEDERO		
<input type="checkbox"/>	<input type="checkbox"/>	TOTAL
(SELLO POSTAL)	CLIENTE A LA VUELTA	
	POSTMASTER BY	



RETURN RECEIPT

PS Form 3811, Nov. 1976

RETURN RECEIPT, REGISTERED, INSURED AND CERTIFIED MAIL

● **SENDER:** Complete items 1, 2, and 3.
Add your address in the "RETURN TO" space on reverse.

1. The following service is requested (check one).
 Show to whom and date delivered 25¢
 Show to whom, date, and address of delivery .. 45¢
 RESTRICTED DELIVERY.
 Show to whom and date delivered 85¢
 RESTRICTED DELIVERY.
 Show to whom, date, and address of delivery ... \$1.05
 (Fees shown are in addition to postage charges and other fees).

2. **ARTICLE ADDRESSED TO:**

3. **ARTICLE DESCRIPTION:**

REGISTERED NO.	CERTIFIED NO.	INSURED NO.

(Always obtain signature of addressee or agent)

I have received the article described above.
SIGNATURE Addressee Authorized agent

4.

DATE OF DELIVERY	POSTMARK
------------------	----------

5. **ADDRESS** (Complete only if requested)

6.

UNABLE TO DELIVER BECAUSE:	CLERK'S INITIALS
----------------------------	------------------

☆ GOP: 1976-O-203-456

RECIBO DE RECEPCION

REMITENTE: Complete números 1, 2, y 3.
Escriba su domicilio a la vuelta en "RETURN TO."

1. Se pide el servicio siguiente (Marque uno)
 Que indique a quién y fecha de entrega 25¢
 Que indique a quién, fecha y domicilio 45¢
 ENTREGA RESTRINGIDA
 Que indique a quién y fecha de entrega 85¢
 ENTREGA RESTRINGIDA
 Que indique a quién, fecha y domicilio \$1.05
 El costo indicado es adicional al timbre y cargos de Servicios Especiales.

2. **DOMICILIO DEL RECIPIENTE:**

3. **DESCRIPCION DEL ENVIO:**

REGISTRADO, NUMERO	CERTIFICADO, NUMERO	ASEGURADO, NUMERO

(Siempre obtenga la firma del recipiente o su agente)

Yo recibí el artículo descrito arriba.
FIRMA Recipiente Agente autorizado

4.

FECHA DE ENTREGA	SELLO POSTAL
------------------	--------------

5. **DOMICILIO** (Sólo si se ha pedido)

6.

NO FUE POSIBLE HACER ENTREGA PORQUE:	INICIAL DE EMPLEADO
--------------------------------------	---------------------

TARJETA DE CAMBIO DE DOMICILIO

ESTA ORDEN AUTORIZA el envío de toda correspondencia de primera clase y paquetes por un año.		LETRA DE MOLDE (<i>Apellido, Nombre, Inicial</i>)	
EL CAMBIO ES PARA:	<input type="checkbox"/> FAMILIA <input type="checkbox"/> INDIVIDUAL	DOMICILIO ANTERIOR	NUMERO, CALLE, APARTAMENTO O APARTADO
			CIUDAD, ESTADO Y CODIGO POSTAL
90 DIAS- ES GARANTIZADO TIMBRE PAGADO REVISTAS Y PERIODICOS	<input type="checkbox"/> SI <input type="checkbox"/> NO	DOMICILIO NUEVO	NUMERO, CALLE, APARTAMENTO O APARTADO
			CIUDAD, ESTADO Y CODIGO POSTAL
FIRMA DEL EMPLEADO		FECHA EFECTIVA	
		FECHA, SI TEMPORAL	
FECHA		FIRMA	FECHA

Si firma es de agente, incluya titulo, NO USE LETRA DE MOLDE

CHANGE OF ADDRESS CARD

THIS ORDER PROVIDES for the forwarding of first-class mail and all parcels of obvious value for a period not to exceed 1 year.		PRINT OR TYPE (<i>Last Name, First Name, Middle Initial</i>)	
CHANGE OF ADDRESS IS FOR	<input type="checkbox"/> ENTIRE FAMILY INDIVIDUAL <input type="checkbox"/> SIGNER ONLY	OLD ADDRESS	NO. & STREET, APT. SUITE, PO BOX OR RD NO. (<i>In care of</i>)
			POST OFFICE, STATE AND ZIP CODE
90 DAYS FORWARDING POSTAGE GUARANTEED FOR MAGAZINES & NEWSPAPERS	<input type="checkbox"/> YES <input type="checkbox"/> NO	NEW ADDRESS	NO. & STREET, APT. SUITE, PO BOX OR RD NO. (<i>In care of</i>)
			POST OFFICE, STATE AND ZIP CODE
CLERK/ CARRIER ENDORSEMENT		EFFECTIVE DATE	
		IF TEMPORARY, EXPIRATION DATE	
DATE ENTERED		SIGN HERE	
DO NOT WRITE INSIDE BOLD LINE		DATE SIGNED	

If signed as agent, include title. DO NOT print or type.

U. S. POSTAL SERVICE
 SOLICITUD DE UN GIRO POSTAL PARA MEXICO
 APPLICATION FOR MONEY ORDER PAYABLE IN MEXICO

ATTACH AUTHORIZATION TO ISSUE AN
 INTERNATIONAL MONEY ORDER



PRINT CLEARLY
 AND FULLY

ESCRIBA BIEN CLARO
 EN LETRA DE MOLDE

Cantidad _____ Dólares _____ Centavos _____
 Amount _____ Dollars _____ Cents _____

A quién debe pagarse (*Nombre completo y apellido*) Sr.
 Payable to (*Given Name, Initial(s), Family Name*) Sra.
 Srta. _____

Domicilio (*Calle y número*) _____
 Address (*House Number and Street*) _____

Población o Ciudad _____
 City (*Town*) _____

County (*Province, Canton, Department, Kreis, etc.*) Estado _____ Zona Postal _____
 Postal Code _____

México _____
 Country _____

Propósito del pago _____
 Purpose of Payment _____

Enviado por (*Nombre completo y apellido*) _____
 Sent By Purchaser (*Given Name, Initial(s), Family Name*) _____

Domicilio (*Calle y número*) _____
 Address (*House Number and Street*) _____

Población o Ciudad, Estado _____
 City (*Town*), State and ZIP Code _____

FOR OFFICIAL USE ONLY

ATTACH FORM 6083



Issuing Office Stamp

AUTHORIZATION NO. _____

U. S. DOLLARS-AMOUNT _____

FEE _____

Postal Clerk Signature _____

INSTRUCCIONES

Es de importancia que el comprador de un giro postal dé el nombre completo de la persona a quien debe pagarse el dinero. Nunca deben darse las iniciales solamente. Si el interesado vive en un pueblo o rancho, debe darse su nombre y el nombre del distrito o la administración de correos más cercana; así como si el nombre de la ciudad y del estado son iguales, los dos deben mencionarse en la solicitud.

El dinero será pagado por medio de un nuevo giro expedido por la oficina de cambio en México, y por tanto habrá alguna demora antes de que el interesado reciba su dinero.

INSTRUCTIONS

It is important that the purchaser of a money order should write the full name of the person to whom the money is to be paid, not merely his initials. If the payee lives in a village or on a ranch, its name and the name of the district or the nearest large city should be given, and if the names of the city and state are alike, both should be stated.

Payment of the money will be made by means of a new order to be issued by the Mexican exchange office, and therefore there will be some delay before the new order is received by the payee.

WINDOW ENVELOPE P-433 MAY BE USED TO MAIL THIS APPLICATION

(Insert this side up to show address below)

Money Order Division
Postal Data Center
P. O. Box 14964
St. Louis, MO 63182

Mr. ROYBAL. If started, what parts of the country are involved?

Mr. BOLGER. Initial pilot sites for this program include Hillview Station and Station D in San Jose, California and Fruitvale Station in Oakland, California. Expansion of the program is scheduled in April 1, 1978, to include Anaheim, California and other areas in Southern California. Test site selections are based on Hispanic population concentration and number of Hispanic Customers served.

Mr. ROYBAL. Do you have any results yet? If so, can you tell us about what you have found?

Mr. BOLGER. In depth evaluation of the test program will be performed upon completion of the test period. At present, it is projected that testing will continue until summer 1978. At that time the principles of sampling variability, standard error, etc., will be applied to obtain factual and valid results. However, at present all indicators and feedback tend to re-enforce the opinion that this program is working in a positive manner. Some indicators are:

1. No reported customer complaints;
2. Bilingual customers are being serviced in a prompt, reliable and efficient manner;
3. Monolingual, english window clerks are not experiencing difficulties in servicing monolingual, Spanish customers.

Mr. ROYBAL. When do you plan to implement the system nationwide?

Mr. BOLGER. Upon completion of the test period and careful evaluation of results, it is anticipated that this program will be implemented nationally by the Headquarters Customer Service Group, in concert with the Office of EEO and the Hispanic Program.

MINORITY PROGRAM

Mr. ROYBAL. As you know, there has been a great deal of concern on the part of Hispanic and Black groups concerning your plan to redistrict the Western states. Specifically, the concern is that you have concentrated minority employment in certain districts. Since people will compete for higher-level positions primarily in the district in which they work, it appears that most minorities will be competing for a limited number of management-level positions. Do you agree with me that this will be a problem? If not, why not?

Mr. BOLGER. I do not agree that this is the case. The districts within the Western Region were re-aligned to bring the Region into line with field criteria in force throughout the nation and to establish a sound district organization. The new alignment is consistent with national postal and customer service objectives; balances the responsibilities of the various District Managers and establishes a national workload for each district. The budget for the Western Region approximates \$2.5 billion per year. This new district structure is carefully aligned with modern management principles which call for a realistic geographical set up, combined with a balanced budgetary responsibility.

Several observations should be noted at this point. First, the decision to realign the districts was based on factors mentioned above.

Secondly, the only organizational units affected were the districts. With few exceptions, and then only in the district to which they reported, no other organizational units were effected. Post offices, independent installations and management sectional centers remained organizationally intact.

Thirdly, the vast majority of initial level promotions from non-managerial to managerial levels and from managerial to higher managerial levels occur within individual post offices and/or the management sectional center. Since these organizational units remained intact, promotional opportunities remained virtually unaffected.

Regulations, policies and procedures governing the filling of non-bargaining unit positions in the Postal Service, and promotions into higher level management positions, are stated in Regional Instructions 711 dated December 16, 1977, revised by Special Postal Bulletin Number PB21140 dated March 16, 1978 which I can supply for the record.

[The information follows:]



postal bulletin

Directives and Forms Division, Washington, DC 20260 PB 21140—March 16, 1978—8 Pages

SPECIAL BULLETIN

FILLING NON-BARGAINING UNIT POSITIONS

I. GENERAL

This SPECIAL POSTAL BULLETIN contains revised policies and procedures governing the filling of non-bargaining unit positions in the Postal Service. It is being published so that all employees will have an opportunity to know the specific steps followed in selecting individuals for the positions covered by these procedures. Excluded positions are listed in section II.

Some of these procedures revise those in Regional Instruction 1019-P-209, filing no. 711, dated December 16, 1977. Revisions are in sections V-D-3e(4), V-E-1 and Exhibit A. Sections V-C-2 and V-G are new. Regional Instruction 1019-P-209 will be rescinded. The material in this BULLETIN is effective until it is included in Personnel Handbook P-11, *Personnel Operations*.

Any question concerning these policies and procedures should be addressed to local Employee Relations offices.

II. POSITIONS EXCLUDED

This BULLETIN covers selection for all non-bargaining unit positions, except for the following:

a. Positions of Postmaster, District Manager/Postmaster, Management Sectional Center Manager/Postmaster, or Management Sectional Center Manager.

b. Positions filled under the Initial-Level Supervisor Selection Program. (See SPECIAL POSTAL BULLETIN 21136, 2-2-78.)

c. Positions in special Service-wide or Region-wide programs, such as MAS Master Instructor, Management Associate, and Management Trainee.

d. Regional Postmasters General and Officers of USPS Headquarters.

III. POLICIES

A. In filling non-bargaining unit positions, every possible attempt will be made to select the best qualified

employee available. Employees will be considered and selected without regard to race, color, sex, religion, age, national origin, political affiliation, or any other non-meritorious factor or consideration.

B. Non-bargaining unit positions are to be filled from within the Service whenever practicable. A position at PMS-1 through -11 or PTAC-1 through -13 may be filled from outside the Service when authorized by the Regional Director, Employee and Labor Relations (for positions in Regional headquarters and in organizations reporting directly to Regional headquarters) or the District Director, Employee and Labor Relations (for positions in organizations reporting directly to the District office.)

Exception: A position at those grades in an associate office or a management sectional center may be filled from outside the Service, provided the MSC manager/postmaster certifies for the record that no qualified employee candidates are available within the MSC area. Any request to fill a PES position, or higher level PMS or PTAC position, from outside the Service, will be forwarded to the Senior Assistant Postmaster General, Employee and Labor Relations, for consideration. The use of contract services to circumvent restrictions on recruitment is not permitted.

C. The competitive procedures described in section V do not apply to reassignment of an employee to a position at the same grade and rank or to an employee's voluntary written acceptance of a position at a lower grade or rank. Such actions may be taken at any time without regard to the sequence in section IV. However, the requirement for higher-level approval (section VI) does apply.

IV. SEQUENCE IN FILLING POSITIONS

In filling positions, it is Postal Service policy to give full considera-

tion to qualified employees in the following groups (in the sequence listed), before using the competitive procedures in section V. Competitive procedures do not have to be observed in taking these personnel actions:

a. Assignment of qualified employees who were previously granted specific retreat (or return) rights.

b. Assignment of qualified employees occupying non-essential (excess or abolished) positions, unless assignment is to a higher-grade position. Regional Instructions 974-P-200, filing no. 759, dated April 8, 1977, and 1006-P-207, filing no. 714, dated September 23, 1977, describe the assignment procedure, including the area of employee consideration. Refer to your MSC or Region for this information.

c. Assignment of qualified employees serving in lower-grade positions to their previous (or intervening) grades or positions from which they were reduced without personal cause after March 3, 1973. Regional Instruction 974-P-200, section XIV, and Regional Instruction 1006-P-207, section IX, describe the assignment procedure.

d. Assignment of qualified employees serving in lower-grade positions with a higher (saved) grade to positions at the saved grade (or an intervening grade). Assignment of such employees is governed by the same procedure as that described in Regional Instruction 974-P-200, section XIV, and Regional Instruction 1006-P-207, section IX.

e. Reassignment or promotion of qualified MAS Master Instructors who are at or near completion of their 2-year assignment with the Postal Service Training and Development Institute. The gaining installation and PST&DI may request the Senior Assistant Postmaster General, Employee and Labor Relations, to waive the 2-year requirement in the best interest of the Postal Service. Re-

KEEP THIS BULLETIN UNTIL THE MATERIAL IS PUBLISHED IN HANDBOOK P-11.

gional Postmasters General are provided current information on the qualifications and availability of all eligible MAS Master Instructors. Promotion without competition is limited to positions which are not more than three grades above the individual's permanent grade.

f. Reassignment or promotion of qualified management associates and management trainees who have successfully completed their development programs. Each Regional headquarters has current information on the qualifications of associates and trainees assigned within that region.

V. COMPETITIVE PROCEDURES

A. General

1. When a position is not filled through any of the preceding procedures, it will be filled competitively through management nomination and employee self-nomination in response to a vacancy announcement. Exhibit A lists (by organization and the grade of the vacant position) the minimum area of consideration, employees eligible for consideration, and the organization responsible for preparing the vacancy announcement for distribution within the area of consideration.

2. As an exception to the lists, a Regional Postmaster General may nominate qualified employees from any location for any vacancy in the region, provided those employees are considered in competition with candidates within the area of consideration.

3. The vacancy announcement must, as a minimum, include the following information:

a. Identification of position (title, occupation code, grade, organization, finance number, and location).

b. Statement of the area of consideration and the employees eligible for consideration.

c. Brief description of the duties of the position.

d. Statement of the position requirements, which will be considered by the review committee in the selection process. For field vacancies, this statement should include the minimum requirements specified in Personnel Handbook P-12A, *Qualifications Standards for USPS Positions*, and the significant selective factors (knowledge, skills, and abilities) essential for successful performance in the particular vacancy.

e. Closing date for receipt of nominations.

f. Address to which nominations are to be submitted.

B. Nominations

Nominations are made by submitting a Form 991, *Personal History Summary* (March 1976 edition), and a Form 2577, *Estimate of Potential*, to the office identified in the vacancy announcement before the stated closing date. Separate sheets should be attached to Form 991, elaborating fully on the employee's additional relevant qualifications for the position. Form 2577 must be signed by the employee's immediate manager and the next-higher level manager. A copy will then be made available to the employee upon request.

C. Expanded Area of Consideration

1. To obtain additional candidates, the area of consideration may be expanded beyond the minimum area listed in Exhibit A to the appropriate area listed below. The area will be expanded if fewer than three employees are nominated within the original area of consideration.

Minimum area	Minimum expanded area
Region-wide -----	Service-wide
District-wide -----	Region-wide
MSC-wide -----	District-wide
Installation-wide -----	MSC-wide

2. In filling PMS and PTAC positions in the following organizations, the area of consideration does not have to be expanded beyond the local commuting area if there are fewer than three qualified nominees (or if, under V-D-1-e, the review committee recommends fewer than three candidates as best qualified) from all postal organizations within that commuting area. Selection may be made from among those qualified applicants (or recommended best qualified candidates). The only organizations to which this provision applies are:

a. A USPS Headquarters organization or Administrative Supporting Facility outside the Washington, DC, area;

b. A Regional headquarters or its field offices; and

c. A District office.

D. Review Committee

A review committee of at least three members is established to recommend to the selecting official the best qualified candidates for each vacancy.

1. Duties of Committee

a. The committee considers the Forms 991 and 2577 of all candidates, self-nominated and management-nominated. The forms of any candidates who are ineligible to be nominated or outside the area of consideration (section V-A) are returned with explanation.

b. For field vacancies, the committee compares the eligible nominees' qualifications with the Handbook P-12A standards, disqualifying those who do not meet the minimum requirements. Qualifications of the remaining nominees are further compared with the other position requirements specified in the vacancy announcement. The committee then identifies the best qualified candidates.

c. As part of this process, the committee may interview some or all of the nominees. When a review of Forms 991 indicates there are only eight or fewer qualified nominees, it is ordinarily advisable to interview all of them. As a minimum, either the committee or the selecting official must personally interview all the best qualified candidates recommended for the position by the committee.

d. The committee is required to recommend at least three, but no more than five, best qualified candidates. The committee prepares a memorandum (signed by all members) to the selecting official, listing the names of the recommended candidates. The committee is not permitted to recommend candidates in order of preference (rank-order). Recommendations are submitted in alphabetical order of the candidates' last names, with no indication as to order of preference.

e. If there are fewer than three recommended candidates, the committee notifies the official who designated the committee. That official arranges to have the vacancy reannounced, expanding the area of consideration to other eligible employees, until at least three candidates are recommended as best qualified by the committee. Any candidate(s) previously identified as best qualified will be included in the list of candidates recommended by the committee following reannouncement of the vacancy, even though this may cause the list to exceed five candidates. (See V-C-2.)

f. A vacancy file is established in accordance with Part 512 of Person-

nel Handbook P-11, *Personnel Operations*. The file is identified and maintained by vacancy announcement number and/or position title. Any notes made by an individual review committee member to assist in evaluating candidates are considered his/her own property and not records of the USPS. Such notes are not to be circulated among other committee members, nor are they to be included in the *vacancy file*.

2. Designation of Members

a. The following officials designate review committee members:

Organization with vacancy	Members designated by
Regional Headquarters & Regional Headquarters Field Offices	Regional Postmaster General
District Offices, Chicago PO, and NY Int'l & Bulk Mail Center	Regional Postmaster General
MSCs; BMCs; Los Angeles and Washington, DC, POs; Kennedy and O'Hare AMFs.	District Manager
Associate Offices	MSC Manager

b. In filling PMS and PTAC positions, these officials may delegate the authority to designate review committee members to the head of the organization with the vacancy.

c. In designating a review committee member from an organization not under their jurisdiction, the officials listed above are required to obtain the concurrence of the head (or appropriate functional head) of the other organization.

3. Composition of Committee

a. The official who designates the review committee is responsible for assuring that the committee is composed of members who have a reputation for being fair and objective.

b. The official who designates the review committee is responsible for making every effort to designate at least one woman or minority employee to serve on the committee. If necessary, the next-higher level of management provides assistance in identifying available women or minority employees who meet the other criteria for membership.

c. Review committee members must be at a grade equal to or higher than that of the vacant position. *Exception:* An individual from the vacancy installation who is in a lower grade position, but at an equivalent management level to the vacancy, may serve on the committee. (For example, a management sectional center director may be a committee member in filling a higher-grade

MSC director position in the same MSC, as they are at an equivalent management level.) For review committee membership, *grade* means an individual's permanent grade, and not a part-time or temporary grade resulting from a detail, ad hoc assignment, or temporary promotion.

d. Neither the supervisor of the position to be filled nor any manager exercising authority over the supervisor, up to and including the selecting official, may serve on the review committee or participate in its deliberations. A manager who has signed a candidate's Form 2577 is ineligible

quarters, representative from the vacancy office, and representative from a different District office.

(3) When the vacancy is in the Chicago Post Office or the New York International and Bulk Mail Center: appropriate functional representative from Regional headquarters, representative from the vacancy installation, and representative from a District office, MSC, or another BMC.

(4) When the vacancy is in a management sectional center, bulk mail center, the Los Angeles or Washington, DC Post Office, or the Kennedy or O'Hare AMFs: appropriate functional District director, representative from the vacancy installation, and representative from a different MSC or BMC. An alternate to the functional District director may be designated when the vacancy is at grade PE5-20 or below, if the District director is not available.

(5) When the vacancy is in an associate office: appropriate functional management sectional center director, representative from the vacancy installation, and representative from a different associate office, MSC or BMC. An alternate functional representative is designated if the appropriate MSC director is not available.

Note: If there is no person available in the vacancy installation who meets the other criteria for membership, a representative from a different installation is designated. For a professional or highly technical position, a minimum of two functional representatives with a high degree of expertise in that particular professional or technical field will be designated.

f. In filling PMS or PTAC positions in a postal field installation, at least one member of the review committee is from a different installation. The other members are from the vacancy installation. If an insufficient number of eligible individuals is available in the vacancy installation to serve on a committee, the installation head requests assistance from the next-higher organization.

g. In filling positions in the Program for Alcoholic Recovery (PAR), a functional representative from USPS Headquarters is included on the review committee.

4. District Manager Positions

In filling District Manager positions, the Senior Assistant Postmaster General, Operations Group, establishes a review committee composed

to serve on a review committee which will consider that candidate. An exception to this latter rule may be made by the official who designates the review committee when it is impracticable to designate another manager. The reasons for making the exception must be fully documented.

e. In filling PES positions, review committee members will include:

(1) When the vacancy is in a Regional headquarters or a Regional headquarters field office:

(a) For a PES position reporting directly to a Regional Postmaster General: Assistant Postmaster General (or General Counsel) representing the functional area, representative from the vacancy Regional headquarters, and representative from a different Regional headquarters.

(b) For a Regional General Manager position: appropriate functional representative from USPS Headquarters, representative from the vacancy Regional headquarters, and representative from a different Regional headquarters.

(c) For all other PES positions: appropriate functional representative from within the Region or USPS Headquarters, representative from the vacancy Regional headquarters (or field office with vacancy), and a representative from a District office, MSC, BMC, or, where applicable, the following post offices: Chicago, Los Angeles or Washington, D.C.

(2) When the vacancy is in a District office: appropriate functional representative from Regional head-

of a district manager from either the region where the vacancy exists or another region and any four of the following:

- a. Assistant Postmaster General, Mail Processing Dept.
- b. Assistant Postmaster General, Delivery Services Dept.
- c. Assistant Postmaster General, Customer Services Dept.
- d. Assistant Postmaster General, Employee Relations Dept.
- e. Assistant Postmaster General, Labor Relations Dept.
- f. Assistant Postmaster General, Finance Dept.

E. Selection

1. The selecting official is responsible for choosing the best qualified individual from among the candidates recommended by the review committee (subject to any higher level approvals described in section VI). The selecting official must interview all the recommended candidates, unless the committee has already done so.

If the decision is not to select any of the recommended candidates, the selecting official is required to justify the non-selection and obtain approval (through management channels) from the appropriate official listed in section V-D-2a before taking any further action to fill the vacancy.

Exceptions:

a. For positions in associate offices, this approval must be obtained from the district manager;

b. For the PES positions covered by section VI, this approval must be obtained from the approving official listed in VI.

2. The selecting official must make the selection exclusively on merit, and must not pre-select a candidate. In addition, care must be taken to ensure that no action is taken which will create the impression that all candidates are not afforded a fair opportunity to be selected, or that a candidate has been pre-selected. The selecting official must not attempt to influence the deliberations or recommendations of a review committee.

3. After a final selection has been made and approved, the selecting official is responsible for notifying the other candidates recommended as best qualified by the review committee. The committee is responsible for notifying all candidates not recommended to the selecting official. Notification will be made in writing to

the candidate or the nominating manager.

F. Headquarters Employees

Arrangements to interview or to transfer employees of USPS Headquarters are made through the Regional Director, Employee and Labor Relations, and the General Manager, Headquarters Personnel Division.

G. Filling Positions on an Ad Hoc or Part-Time Basis

Certain non-bargaining unit positions are filled on an ad hoc or part-time basis, such as positions in the EEO, Hispanic, and Women's Programs. When these kinds of positions are authorized, employees are selected on a nontemporary basis to perform the ad hoc duties or part-time duties in addition to their regular duties. The procedure for filling these positions is the same as that described in preceding parts of section V, except:

1. The minimum area of employee consideration is the same as the area served by the position (installation-wide, MSC-wide, district-wide, or region-wide), regardless of its grade.

2. If there are fewer than three applicants or nominees, or if the review committee recommends fewer than three candidates as best qualified, the appropriate official may either (a) select solely from among the available applicants or recommended candidates, or (b) request, through management channels, that the Regional Director, E&LR, grant an exception to permit the reannouncement of the vacancy, expanding the area of consideration.

VI. HIGHER-LEVEL APPROVAL

A. In filling the PES positions in Exhibit B (whether by promotion, re-

assignment, or any other personnel action), higher-level review and approval are required before the personnel action is effected.

B. If the selecting official and the reviewing officials cannot resolve a difference over the selection of an individual for a position, the issue is referred to the approving official for final resolution.

VII. FILLING POSITIONS TEMPORARILY

A. The following policy applies when a vacant position covered by this POSTAL BULLETIN is to be filled by higher-level detail, pending selection of a person for permanent assignment. An individual may be detailed to the position from the same or another installation for a total of not more than 60 days. If that individual is a candidate for the position, the higher-level detail must be terminated before the 61st day. If that individual is not a candidate, the next-higher-level of management may approve an extension of the detail beyond 60 days, until a selection is made and approved and the new incumbent assumes the position. (In addition to these requirements, MSC managers and BMC managers are required to approve in advance any higher-level detail which will exceed 30 days in an organization under their respective jurisdictions.)

B. The 60-day limitation does not apply to the higher-level detail of a person to a position during the absence of the incumbent. Such a detail is limited to a maximum period of 90 days, which may be extended with the prior approval of the Regional Postmaster General.

C. The detail of a person to the same grade or a lower grade position

<i>PES Position Reporting Directly to</i>	<i>Review by</i>	<i>Approval by</i>
RPMG.....	Functional SAPMG (or General Counsel or APMG, P&EC Dept.)	SAPMG, Operations Group.
Regional Director (General Mgr. positions).	Functional APMG.....	RPMG.
District Manager; Chicago PM; Gen. Mgr., NY Int'l & Bulk Mail Center.	Functional Regional Director.	RPMG.
MSC Manager; BMC Manager; Los Angeles PM; Wash., DC, PM; Kennedy AMF Operations Mgr.; O'Hare AMF Operations Mgr.	District Mgr. and functional Regional Director.	RPMG.
Associate Office PM.....	MSC Mgr. and functional District Director.	District Manager.

Exhibit B

is excepted from the policy in section VII-A.

D. Whenever practicable, details should be used as opportunities to provide employees with experience which will benefit their long-range career development. Encouragement is to be given to temporarily filling a

vacant position with an employee from another postal installation.

VIII. FUNDING

A. Allowable expenses of an employee's relocation to another duty station are paid by the gaining organization, as described in Chapter 4 of Handbook M-9, *Travel*.

B. Authorized travel expenses for interview or review committee meetings are borne by the selecting official's organization. (Exception: PST&DI pays the interview expenses for the placement of MAS Master Instructors who are at or near completion of their two-year assignments).

FILLING NON-BARGAINING UNIT POSITIONS

(See section V. A. 1.)

Organization with vacancy	Vacancy grade	Minimum area of consideration	Employees eligible	Organization preparing vacancy announcement
USPS Headquarters & Administrative Supporting Facilities (ASF's).	PES-23 & above (within or outside Washington, DC area).	Postal Service wide	All PES not more than 6 grades below vacancy.	USPS Headquarters. ¹
	PES-17 thru PES-22 (outside Washington, DC area).	USPS Headquarters, all ASF's, and the entire region where vacancy is located. ²	All PES, PMS, PTAC, & full-time NCD not more than 6 grades below vacancy. ³	USPS Headquarters. ¹
	All PMS & PTAC (outside Washington, DC area).	Organization with vacancy and any USPS Headquarters organization, ASF, Regional Headquarters, Regional Headquarters field office, or District Office within the local commuting area.	All	Organization with vacancy (or USPS Headquarters, if vacancy organization has no employee relations or personnel function).
<p>Note.—Vacancies up thru PES-22 within the Washington, DC, area are open only to eligible employees of USPS Headquarters and/or the ASF's unless the minimum area of consideration is expanded.</p>				
Regional Headquarters & Regional Headquarters' Field Offices.	PES-23 & above.	Postal Service wide	All PES not more than 6 grades below vacancy.	USPS Headquarters. ¹
	PES-17 thru PES-22.	Region wide. ²	All PES, PMS, PTAC & full-time NCD not more than 6 grades below vacancy. ³	Regional Headquarters.
	All PMS & PTAC.	Organization with vacancy and any USPS Headquarters organization, ASF, Regional Headquarters, Regional Headquarters field office, or District Office within the local commuting area.	All	Regional Headquarters.
District Offices	PES-23 & above.	Postal Service wide	All PES not more than 6 grades below vacancy.	USPS Headquarters. ¹
	PES-20 thru PES-22.	Region wide. ²	All PES, PMS, PTAC & full-time NCD not more than 6 grades below vacancy.	Regional Headquarters.
	PES-17 thru PES-19.	District wide. ²	All PES, PMS, PTAC & full-time NCD not more than 6 grades below vacancy. ³	District Office.
	All PMS & PTAC.	District Office with vacancy and any USPS Headquarters organization, ASF, Regional Headquarters, or Regional Headquarters field office within the local commuting area.	All	District Office.

See footnotes at end of table

Exhibit A (Continued on page 6)

FILLING NON-BARGAINING UNIT POSITIONS—(Continued)

(See section V. A. 1.)

Organization with vacancy	Vacancy grade	Minimum area of consideration	Employees eligible	Organization preparing vacancy announcement
Management Sectional Centers; Bulk Mail Centers; Associate Offices; Chicago, Los Angeles & Washington, DC, Post Offices; Kennedy & O'Hare AMP's.	PES-23 & above.	Postal Service wide.	All PES not more than 6 grades below vacancy.	USPS Headquarters. ¹
	PES-20 thru PES-22.	Region wide. ²	All PES, PMS, PTAC & fulltime NCD not more than 6 grades below vacancy.	Regional Headquarters.
	PES-17 thru PES-19.	District wide. ^{2, 4}	All PES, PMS, PTAC & fulltime NCD not more than 6 grades below vacancy. ³	District Office.
	PMS-12 thru PMS-16 and PTAC-14 thru PTAC-16.	Management Sectional Center wide. ²	All	Management Sectional Center Facility; Bulk Mail Center Facility; Chicago, Los Angeles, Washington, DC, Post Offices; Kennedy & O'Hare AMP's.
PMS-1 thru PMS-11 and PTAC-1 thru PTAC-13.	Installation wide. ²	All	Installation with Vacancy.	

¹ USPS Headquarters distributes vacancy announcements to USPS headquarters, Administrative Supporting Facilities, Regional Headquarters, District Offices, Management Sectional Centers and Bulk Mail Centers. Regional Headquarters distributes these announcements to field offices reporting directly to Regional Headquarters. District Offices distribute these announcements to the post offices and AMP's reporting directly to the District Office. Management Sectional Center facilities distribute these announcements to installations under their jurisdiction having PES employees.

² Includes all eligible employees assigned within its geographic boundaries, regardless of the employees' organization. (Exception: Employees of USPS Headquarters in Washington, DC, of PST & DI in Bethesda, MD, and of Research & Development Department in Rockville, MD, are excluded from this minimum area of consideration, unless otherwise stated.)

³ May be opened to all employees within the area of consideration when filling technical and specialized positions at PES-17 thru PES-19 (not operations supervisory or managerial positions).

⁴ District Manager may reduce area to MSC-wide for PES-17 positions only.

Exhibit A

IX. E&LR RESPONSIBILITIES

A. Employee Relations managers are responsible for monitoring the implementation of these policies and procedures to ensure that each candidate is given full consideration and that the individuals selected for positions meet the qualifications requirements.

B. Regional Directors, Employee and Labor Relations, are responsible for consistency of administration of these policies and procedures within the Regions, and for implementation of equal opportunity objectives through EEO officials and Women's Program Coordinators.

X. EXCEPTIONS

Any request for an exception to these policies and procedures must be forwarded through management channels to the Senior Assistant Postmaster General, Employee and Labor Relations, for consideration.—*Employee and Labor Relations Group, 3-16-78.*

Mr. BOLGER. It can be noted from this Instruction that the minimum area of consideration for promotions are as follows:

Vacancy grade	Minimum area of consideration	Effect of realignment
PES-23 and above	Vacancy announced nationwide.	Unchanged.
PES-20 thru PES-22	Vacancy announced regionwide.	Unchanged.
PES-17 thru PES-19	Vacancy announced Districtwide.	Effected by new boundaries.
PMS 12 thru PMS-16 and PTAC-14 thru PTAC-16	Vacancy announced management sectional centerwide.	Unchanged.
PMS-1 thru PMS-11 and PTAC-1 thru PTAC-13	Vacancy announced installationwide.	Unchanged.

The only possible effect that district realignment could have on promotional opportunities would be into PES-17 through PES-19 positions. However, promotions into these grade levels constitute less than 2% of the total promotions within the Western Region. These opportunities are only effected by the new district geographical boundaries.

On the other hand, consider the reverse possibility of the crowding effect theory. As an example, the new Rocky Mountain District was established by combining three districts, the Albuquerque, Denver and Cheyenne Districts. Under the old district structure, employees of the Albuquerque District, which include 50% minority employees of which 46% are Hispanic, could only apply for PES-17 through PES-19 positions within the Albuquerque District. With the present realignment the area has now been increased to include the old Denver and Cheyenne Districts, thereby more than doubling the area of promotional opportunity.

An efficient Postal Service requires that a working environment exist which is conducive to equal employment opportunity. The new district realignment facilitates this requirement.

HISPANIC PROGRAM

Mr. ROYBAL. The level of Hispanic employment nationwide in the Federal government is 3.4%. The level for the Postal Service as of November 30, 1977 is 3.1%. What efforts have you undertaken to get at least to the governmentwide level of Hispanic representation?

Mr. BOLGER. In the Postal Service, the Hispanic Program is viable, proactive and effective program. During FY-77 which ended September 30, 1977, despite overall reduction in the number of postal employees, Hispanic employment increased from 3.0% to 3.1%. This was the largest incremental increase since 1972 at which time the Postal Service was in a more positive hiring position. During the 1st Quarter of FY-78, which included the time period October 1, 1977 to December 31, 1977, the Hispanic employment percentage increased from 3.1% to 3.2%.

It would be worthwhile to note that according to a report released by the U.S. Civil Service Commission entitled, "A Profile of Hispanic Employment", published January, 1978, the Postal Service employs 21% of all full-time Hispanic Federal employees, surpassed only by the Department of Defense.

Mr. ROYBAL. Can we expect to see significant improvement next year? If so, how do you plan to accomplish these improvements?

Mr. BOLGER. Affirmative actions and programs initiated during the past year relative to the Hispanic Program, will help improve Hispanic employment during the coming year. It must be recognized that the Postal Service will continue to be in a limited hiring position. However, the programs initiated will ensure that Hispanics will receive equal employment opportunity for the limited entrance level positions that may arise. Some of these programs and affirmative actions appear in editions of the Postal Bulletin which I will submit for the record.

[The information follows:]



postal bulletin

Directives and Forms Division, Washington, DC 20260 PB 21115—June 16, 1977—16 Pages

Hispanic Program

Hispanic Americans constitute one of the largest minority groups in the United States. In meeting our goal of providing equal opportunities for all Americans in employment, career development, and job security without discrimination because of race, color, age, sex, religion, national origin, political affiliation, or any other non-meritorious factor or consideration, I wish to reemphasize the Postal Service's commitment to fully utilize the skills and talents available within the Hispanic community. Managers and supervisors at all levels must be sensitive to the concerns of the Hispanic community and determine if there are operational barriers to equal opportunity inherent in our employment and supervisory practices, and to take prompt, positive steps to correct any deficiencies.

An effective and efficient Postal Service requires that we must all be firmly committed to assure that the Hispanic Program receives proper attention and support. I am confident I can count on each manager within the U.S. Postal Service to provide this support as an integral part of the Postal Service's EEO program.

BENJAMIN F. BAILAR
Postmaster General

Programa Hispano

Hispano-Americanos constituyen una de las mas grandes minorias en los estados unidos de America. En cumplimiento de nuestro objetivo de proveer igualdad de oportunidad para todas personas en empleo, desarrollo de profesion' y seguridad de trabajo sin discriminacion' por causa de raza, color, edad, sexo, religion', origen nacional, asociacion politica, o ningun otro elemento discriminante, quiero acentuar la obligacion del Servicio Postal de utilizar completamente las habilidades y talentos encontradas en la Comunidad Hispana. Directores, Administradores, Gerentes, Superintendentes y Interventores, en todos planos, deben ser sensitivos, con los negocios y intereses de la Comunidad Hispana. Deben determinar si hay obstaculos que evitan igualdad de oportunidad en empleo y practicas de manejo. Donde obstaculos existen, deben tomar accion' puntual para corregir todas las deficiencias.

Un Servicio Postal eficiente y efectivo requiere que todos nosotros estemos firmemente comprometidos a asegurar que el Programa Hispano reciba el atencion y el apoyo propio. Estoy confiado que podre contar con todos los Directores, Administradores, Gerentes, Superintendentes y Interventores entre el Servicio Postal para proveer este apoyo como parte integral de el Programa EEO (Igualdad de Oportunidad de Empleo) de el Servicio Postal.

BENJAMIN F. BAILAR
Administrador General

Transient Rate Second-Class Mail

The Governors of the Postal Service have approved recommendations from the Postal Rate Commission to divide the transient rate category as set forth in section 132.13, POSTAL SERVICE MANUAL, into two rate categories. The Governors approved the recommended decision at their meeting on June 7, 1977 and ordered the changes to be effective July 6, 1977.

A new rate has been established for sample copies mailed by the publishers or registered news agents in excess of the 10% allowance for sample copies, when those sample

Continued on p. 2

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9-Cent Galveston Court House Pictorial Postal Card

Description. The 9-cent Galveston Court House Pictorial Postal Card will be first placed on sale at Galveston, TX 77550 on July 20, 1977. The Galveston postal card is the first in a new series of multi-color postal cards. The theme of this series is Historic Preservation.

Do Not Sell Before July 21, 1977.

Federal Court House
Galveston, Texas

USA 9c



HISTORIC PRESERVATION

Size: 3½ x 5½ inches.
Colors: Black, yellow, red, blue,
and green.
Designer: Donald Moss.

Collectors. Requests for first day cancellations should be addressed to Galveston Postal Card, Postmaster, Galveston, TX 77550. To eliminate the requirement for Postal Service personnel to apply return addresses, customers are requested to send self-addressed envelopes of an appropriate size or return address labels with their orders. Orders must be postmarked no later than July 20, 1977.

The Galveston postal card will be available at the Philatelic Sales Branch, Washington, DC 20265, beginning July 21, 1977.

Supply. There is no automatic distribution being made of these 9-cent Galveston Court House postal cards. All post offices may requisition the 9-cent Galveston regular cut cards in quantities of 500, 1,000, 2,000, 5,000, and multiples of 5,000 by immediately submitting Form 3216, *Requisition*

Enclosures in Second-Class Publications

Section 132.471, *POSTAL SERVICE MANUAL*, states that *only* receipts and orders for subscriptions may be enclosed in copies of a second-class publication. Such receipts and orders for subscriptions may be: (1) either loose or bound in, (2) printed or written, (3) printed on cards and envelopes (including business replies), (4) arranged to include coin receptacles, and (5) arranged as combination forms for two or more second-class publications issued by the same publisher. No other enclosures are mailable at the second-class rates of postage.

Postage for independent materials such as decals, leaflets, tracts, catalogs and circulars, as well as merchandise and product samples (either loose or attached to a printed page), must be paid at the appropriate first- or third-class rate when mailed with copies of a second-class publication. See section 139.31, *POSTAL SERVICE MANUAL*, for postage payment and mail endorsement requirements.—*Rates & Classification Dept.*, 6-16-77.

International Postage Rates

Concurrently with the July 6, 1977, implementation of phased postage rates for certain categories of domestic mail, it is necessary to adjust an international rate, in order to avoid a lower rate for corresponding international mail. Therefore, effective July 6, 1977, the surface printed matter rate to Mexico and PUAS (Postal Union of the Americas and Spain) countries for books and sheet music weighing up to one pound will be increased to 30 cents. Please line out .26 and write in .30 in table 3-6, (columns B-C) of Appendix A, Publication 42, *International Mail*. Pub. 42 will be amended in the near future.—*Rates & Classification Dept.*, 6-16-77.

for Postal Cards—Bulk Quantities, (using item no. 259) to Postal Card Unit, Room 332A, Government Printing Office, Washington, DC 20401. Requisitions for quantities of less than 500 may only be submitted to your MSC.—*Customer Services Dept.*, 6-16-77

Publications 13 and 21

Publications 13, *Mailing Permits*, and 21, *How To Prepare Second- and Third-Class Mailings*, are currently out of stock at the supply centers. They are being revised but will not be available for several months. All post offices will be notified in the *POSTAL BULLETIN* when the revised editions of these publications are again in stock at the supply centers. In the interim, if necessary, post offices can reproduce appropriate sections of chapter one of the *POSTAL SERVICE MANUAL* for use by mailers.—*Rates & Classification Dept.*, 6-16-77.

Relocation of Seattle Mailbag Depository

The Seattle Mailbag Depository has moved its operations into new quarters. All directives and correspondence will be directed to the new address at LSA Building, 2400-4th Avenue South, Bay C, Seattle, WA 98134. The telephone number will remain the same, (FTS) 399-2418.—*Procurement & Supply Dept.*, 6-16-77.

Continued from p. 1
copies are mailed, presorted and commingled with subscribers' copies as a part of the publishers regular mailing. The new rate will be 4.5¢ per addressed piece, plus 13.6¢ per pound. This rate is shown as the *Transient Rate (Commingled with Subscribers' Copies)* in block 11 of the March 1977 version of Form 3541, *Statement of Mailing—Second Class Publications*, which was recently distributed to the field.

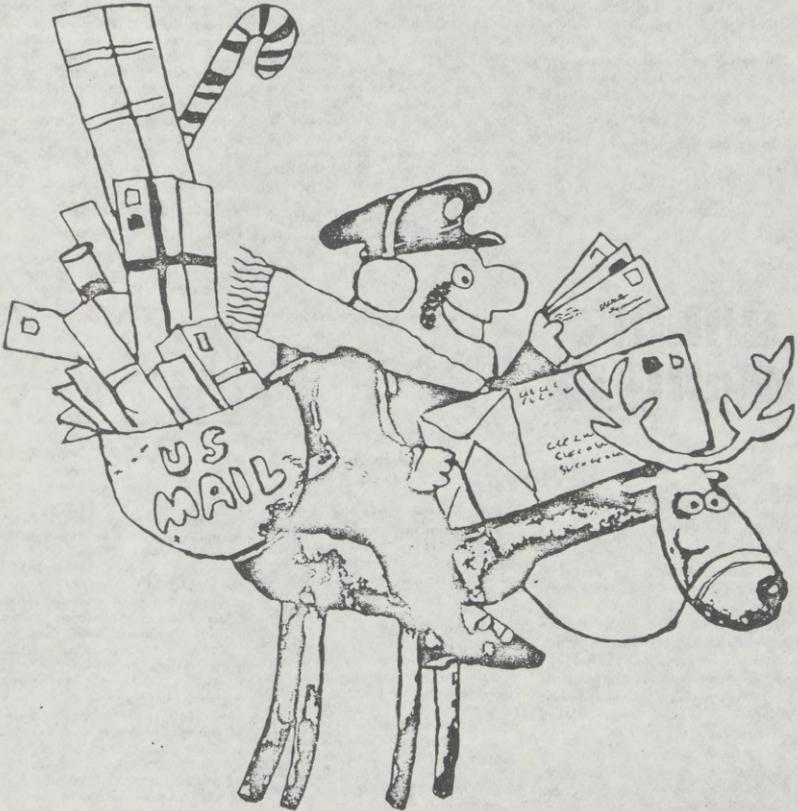
Copies of second-class publications mailed by the public and copies mailed by the publishers or registered news agents which are *not commingled* with the regular mailing of subscribers' copies will be subject to a new transient rate of 10¢ for the first two ounces and 6¢ for each additional ounce or fraction thereof, or the appropriate fourth-class rate, whichever is lower. Postage for such noncommingled copies will be payable *only* by adhesive or meter stamps or by permit imprints. Form 3541 is not to be used for mailings made at the noncommingled transient rate.

Section 132.13, *POSTAL SERVICE MANUAL*, will be amended.—*Rates & Classification Dept.*, 6-16-77.



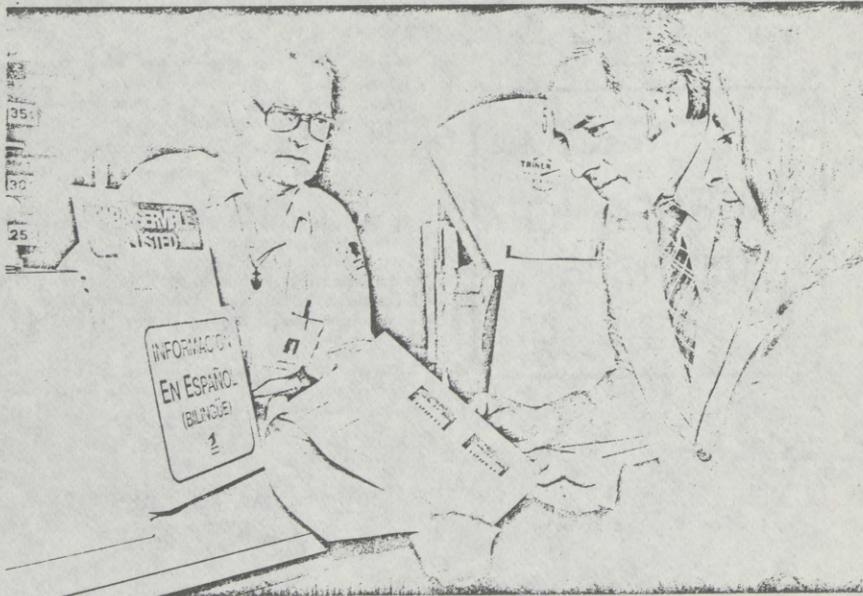
bulletin

No. 203 • November 7, 1977



The Seasonal Surge Begins, Page 2
District Leaders, Page 3
// Podemos Ayudar, Page 9 //

Test Program Offers New Help to Spanish-Speaking Customers



Customers who are most comfortable in Spanish are due for new and effective help in clarifying the services they need when they visit postal lobbies. Photo above shows Ruben Romero, team leader of the Western Region group who put together Spanish/English kits which will assist screenline clerks to know exactly what is wanted. Elizabeth Comer was the first customer served by Clerk Car Ebert as test went into operation at San Jose in early November.

Western Region post offices, which are already using bilingual Spanish/English signs explaining various types of postal services available, are due to expand the help available to Spanish-speaking customers, through a new program illustrated here.

A team of bilingual postal people, representing post offices and the Regional office, has developed a nine-page set of Spanish/English postal materials that will assist monolingual clerks to understand the needs of Spanish-speaking customers and will also enable Spanish-speaking customers to convey their requirements, in an accurate and precise way, by filling out

Spanish-language sheets that have parallel English language translations.

The team in charge of the project was headed by Ruben Romero of the Customer Services group at Regiona Hdq.

He was assisted by a group of volunteer bilingual postal people that included Arnold Elias (Postmaster Tucson), Joseph Caraveo (Postmaster, Stockton) and Jose Cantu (Special Assistant to the District Manager Golden Gate).

Over a four-month period, the task force devised easy to-read Spanish versions of a number of postal forms

PARA SERVIRLE A USTED

HOW CAN WE HELP YOU?

How can we help you? How can we help you?
 How can we help you? How can we help you?
 How can we help you? How can we help you?

¿COMO PODEMOS AYUDAR A USTED?

¿Cómo podemos ayudar a usted? ¿Cómo podemos ayudar a usted?
 ¿Cómo podemos ayudar a usted? ¿Cómo podemos ayudar a usted?
 ¿Cómo podemos ayudar a usted? ¿Cómo podemos ayudar a usted?

INFORMACION EN ESPAÑOL (BILINGÜE)



Colorful red and blue dispenser calls attention to new program to postal lobbies

designed to assist Spanish-speaking customers to understand how to fill out the official forms, which are principally in English.

A special countertop dispenser was designed to help Spanish-speaking customers to obtain the new bilingual kits.

Parallel with this development work, the Regional Customer Services Department prepared the way for a pilot program in three locations, where actual day-to-day use of the bilingual materials will be tested.

A key aspect of the test will involve training of English-speaking clerks to use the new bilingual materials, on a volunteer basis.

The program places strong reliance on the principle that "postal people are good neighbors" and are anxious to help any customer, once they have a clear understanding of what is needed. This principle is emphasized on the cover of the new bilingual kit, as reproduced in actual size on an adjacent page of this Bulletin.

The post offices scheduled to utilize the new system first will be Hillview Station and Station D in San Jose and Fruitvale Station in Oakland.

FAVOR DE INDICAR EL SERVICIO QUE NECESITE PARA SERVIRLE A USTED
ESTAMPILLAS

STAMPS

- First Class
- Air Mail
- Quantity _____

GIST

Bilingual forms and information sheets are shown at right

FORMULARIO DE CAMBIO DE DOMICILIO

LETRA DE BOLDE (Apellido, Nombre, Inicial)

EN AUTORIZA toda correspondencia a casa y negocios

ABO FAMILIA INDIVIDUAL

CIUDAD, ESTADO Y CODIGO POSTAL

NUMERO, CALLE

DIAS-ES ARANTIZADO INMITE PAGAR REVIS: NOL SI

TIPO DE RECEPCION

ITE Complete numbers 1, 2
 Escríbale su dirección
 "RETURN TO"

¿COMO PODEMOS AYUDAR A USTED?

muéstrales en el Servicio Postal con sus boques
 en ayudarle con "bilingüe"

Mr. BOLGER. During FY-77, a Hispanic Program Policy statement was issued, which was published servicewide in the Postal Bulletin, reaffirming the Service's commitment to a positive result-orientated Hispanic Program. On behalf of the Postal Service, Mr. Bailar stressed, "I wish to reemphasize the Postal Service commitment to fully utilize the skills and talents available within the Hispanic Community. Managers and supervisors at all levels must be sensitive to the concern of the Hispanic Community and determine if there are operational barriers to equal employment opportunity inherent in our employment and supervisory practices and to take prompt, positive steps to correct any deficiencies." This policy statement concludes, "An effective and efficient Postal Service requires that we must all be firmly committed to assure that the Hispanic Program receives the proper attention and support." This policy statement is more than a verbal commitment, it is a call to action which statistics show has been adapted by field postal managers and supervisors in their day to day administration and execution of their duties and responsibilities.

In addition, a staffing matrix for the Hispanic Program has been developed and field implemented to aid and continue the progress of the past year. This matrix establishes an organizational structure of 160 Ad Hoc Hispanic Program coordinators, servicewide.

To ensure that the Hispanic Program Coordinators are aware of their role and how to perform their function properly, a training course has been developed, and has been presented to the Hispanic Coordinators. It is an intensive course of 40 hours of study involving practical and theoretical learning.

Postal entrance examinations are being opened nationwide during FY-78 and extensive community outreach in the Hispanic communities is being initiated. Interested applicants are being trained on how to take the Postal Entrance Examination in the most effective manner.

Mr. STEED. Gentlemen, it has been a very interesting morning and we are very delighted to have had our first presentation with you, sir.

Mr. BOLGER. Thank you, Mr. Chairman.

Mr. STEED. We want to thank you and congratulate you on the justification material you provided us this year. We are very pleased with it. I think it is to your advantage, and ours, too, because it gives an easy and quick summary of what it is all about.

So, we wish you well and will be here to help you whenever we can. Feel free to call on us whenever the need arises.

Mr. BOLGER. Thank you, Mr. Chairman. I will need your understanding and support all the way.

FISCAL YEAR 1979 BUDGET
Congressional Submission

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PART I
APPROPRIATION REQUEST

PART I

U. S. POSTAL SERVICE
 APPROPRIATION REQUEST
 FY 1977 - 1979
 (in thousands of dollars)

ITEM	FY 1977	FY 1978	FY 1979
Appropriations Requested	1,766,170	1,695,540	1,829,994
President Recommended	1,458,804	1,695,540	1,829,994
Requested funding for Public Law 93-328	307,366	...	...
Supplementals requested:			
Postal Reorganization Act Amendments of 1976 (PL 94-421).....	500,000	...	...
Reduced-rate mail	5,900	...	...
Revenue forgone - new rates effective June, 1978.....	...	90,959	...
Expenses of Commission on Postal Service (PL. 94-421).....	...	1,000	...
Total Supplementals.....	505,900	91,959	...
Deficit.....	- 5,900	...	...
Total Appropriations	2,266,170	1,787,499	1,829,994

1/18/78

APPROPRIATION REQUEST

U. S. POSTAL SERVICE

Federal Funds

General and special funds:

Payment To The Postal Service Fund

For payment to the Postal Service Fund for public service costs and for revenue foregone on free and reduced rate mail, pursuant to 39 U.S.C. 2401 (b) and (c), and for meeting the liabilities of the former Post Office Department to the Employees' Compensation Fund and to postal employees for earned and unused annual leave as of June 30, 1971, pursuant to 39 U.S.C. 2004, \$1,829,994,000.

Program and Financing
(in thousands of dollars)

	1977 <u>Actual</u>	1978 <u>Estimate</u>	1979 <u>Estimate</u>
<u>Program by activities:</u>			
<u>Payment to the Postal Service fund for:</u>			
Previous nonfunded liabilities of the Post Office Department.....	54,104	64,791	65,632
Public service costs.....	920,000	920,000	920,000
Free and reduced-rate mail.....	792,066	710,749	844,362
Postal Reorganization Act Amendments of 1976..	<u>500,000</u>	<u>...</u>	<u>...</u>
Total payment to the Postal Service fund (costs-obligations) (object class 41.0)...	2,266,170	1,695,540	1,829,994
<u>Financing:</u>			
Budget authority (appropriation).....	2,266,170	1,695,540	1,829,994

1/13/78

APPROPRIATION-LANGUAGE

U. S. POSTAL SERVICE
Federal Funds
Program and Financing Cont'd.
(in thousands of dollars)

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Relation of obligations to outlays:			
Obligations incurred net.....	2,266,170	1,695,540	1,829,994
Adjustments in expired accounts <u>I/</u>	<u>1,279</u>	<u>...</u>	<u>...</u>
Outlays.....	2,267,449	1,695,540	1,829,994

This appropriation is for the purpose of reimbursing the U. S. Postal Service for public service costs and loss in revenue associated with revenue foregone on free and reduced-rate mail, pursuant to 39 U.S.C. 2401 (b) and (c).

The \$65,632 thousand requested for previously unfunded liabilities of the former Post Office Department provides \$34,632 thousand to cover payments to the employees' compensation fund in 1979 for injuries to postal employees which occurred prior to July 1, 1971, and \$31 million to cover one-twelfth of the \$372,796,423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

The transactions of the U. S. Postal Service appear in Part IV of the Appendix under Annexed Budgets.

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

2/13/78

APPROPRIATION - LANGUAGE Cont'd

APPROPRIATIONS
JUSTIFICATIONS

Previous nonfunded liabilities of the Post Office Department, \$65,632,000

Unfunded Annual Leave \$31,000,000:

The Postal Reorganization Act provided that all liabilities of the former Post Office Department remain as liabilities of the U. S. Government. As of June 30, 1971, there was a liability for accrued annual leave earned but not taken of \$372,796,423 which was recorded on the books of the Postal Service as of July 1, 1971. Accordingly, funds of \$31,000,000 are requested each year through the appropriation process to cover one-twelfth of the earned and unused annual leave liability carried forward at July 1, 1971, and considered to be a liability of the U. S. Government.

A schedule for funding the postal employees' annual leave balance from June 30, 1971 is as follows (in \$000):

	<u>Funded</u>	<u>Unfunded</u>
June 30, 1971	...	372,796
June 30, 1972	9,624	363,172
June 30, 1973	40,625	332,171
June 30, 1974	71,625	301,171
June 30, 1975	102,625	270,171
June 30, 1976	133,625	239,171
Sept. 30, 1976	141,375	231,421
Sept. 30, 1977	172,375	200,421
Sept. 30, 1978	203,375	169,421
Sept. 30, 1979	234,375	138,421
Sept. 30, 1980	265,375	107,421
Sept. 30, 1981	296,375	76,421
Sept. 30, 1982	327,375	45,421
Sept. 30, 1983	358,375	14,421
Sept. 30, 1984	372,796	...

2/13/78

APPROPRIATIONS - Cont'd

APPROPRIATIONS - Cont'd

Workers' Compensation - \$34,632,000:

An annual amount is requested to fund compensation paid to postal employees for injuries which occurred prior to July 1, 1971, while employed under the Post Office Department which remain liabilities of the U. S. Government. The Postal Service annually requests an appropriation to cover the amount billed by the Department of Labor for compensation payments made in the latest fiscal year. The amount appropriated is then reimbursed to the Department of Labor.

A schedule providing the number of cases and costs of compensation by fiscal year follows:

Actual Year	Budget Year	Number of Cases	Costs (\$000)
1972	1974	26,357	30,096
1973	1975	10,429	24,451
1974	1976	9,340	27,913
1975	1977	8,407	30,805
1976	1978	7,571	33,791
1977	1979	6,898	34,632

Public Service Costs, \$920,000,000

The objectives of the U. S. Postal Service are:

- To provide postal services that bind the Nation together through the personal, educational, literary, and business correspondence of the American people.
- To promote the general welfare.
- To advance the national economy through a network of services and facilities for the communication and dissemination of information.
- To advance education and culture in contribution to the national economy and public welfare.

2/13/78

APPROPRIATIONS - Cont'd

APPROPRIATIONS - Cont'd

The funds requested for public service costs will:

- Provide a maximum degree of effective and regular postal service to rural areas, communities, and small towns where post offices are not self-sustaining.
- Provide effective postal services to all citizens of both urban and rural communities in compliance with Title 39 U.S.C., the Postal Reorganization Act as amended.
- Enable the Postal Service to accomplish its public service functions while working toward becoming self-sustaining.

In compliance with Title 39 U.S.C., public service appropriations are authorized to the Postal Service for fiscal years 1972 through fiscal year 1979 amounting to 10 percent of the sum appropriated to the former Post Office Department for fiscal year 1971. Beginning with fiscal year 1980, the percentage drops one percentage point per year through fiscal year 1984, after which the Postal Service may request further reductions including a reduction to zero.

Free and reduced-rate mail, \$844,362,000

An appropriation of \$844,362,000 is requested for revenue forgone on free and reduced-rate mail which enable postage rates to be set below the full rates determined through postal rate proceedings for certain second-class, third-class, fourth-class, and controlled circulation publications. Funds are requested to permit phasing of rate increases for eligible categories over a period of years, and also to provide continuance of reduced rates for certain preferred rate mail as authorized by Title 39 U.S.C. § 3626.

2/10/78

APPROPRIATIONS - Cont'd

APPROPRIATIONS - Cont'd

-- Phased rates, regular rate mail, \$148,017,000.

Of the total requested for free and reduced-rate mail, \$148,017,000 will provide funds to continue the 8-year phasing of rate increases applicable to regular 2nd-class mail, controlled circulation publications, and special rate 4th-class mail as prescribed in 39 U.S.C. 3626 (a) (2). The 8-year phasing is scheduled to terminate in fiscal year 1979.

-- Phased rates, preferred mail, \$367,771,000.

Of the total requested for free and reduced-rate mail, \$367,771,000 will provide funds to continue the extended 16-year phasing of rate increases applicable to 2nd- and 3rd-class mailings of nonprofit organizations, classroom publications, in-county publications, and certain library mailings as prescribed in 39 U.S.C. 3626 (a) (1).

-- Continuing revenue forgone, \$328,574,000.

Included in this appropriation request for free and reduced-rate mail, is \$328,574,000 to fund the difference between full unphased rates charged to preferential rate mailers (non-profit organizations, matter for the blind and other handicapped persons as defined in 39 U.S.C. 3403 (a) (1)) and the full unphased rates they would mainly pay if they were regular commercial mailers. Funds for this appropriation request are authorized by 39 U.S.C. 2401 (c).

2/17/78

APPROPRIATIONS - Cont'd

7

APPROPRIATIONS - Cont'd.

Characteristics of Free and Reduced-Rate Mail

- Second-class mail consists of:
 - Small circulation newspapers, in-county mailings and other preferred newspapers and periodicals.
 - Publications issued by and in the interest of organizations and associations not organized for profit and none of the net income of which benefits any private stockholder or individual. Examples would be publications issued by religious, educational, philanthropic, agriculture, and veterans organizations.
 - Publications designed specifically for use in school classrooms or in religious instruction classes.
 - 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.
 - b. Any looseleaf page or report which is designed as part of a looseleaf reporting service concerning developments in law or public policy.
- Controlled circulation consists of:
 - Publications containing at least 24 pages; contain at least 25 percent non-advertising; be issued at regular intervals of four or more times a year; and not be owned and controlled by individuals or business concerns conducted as an auxiliary to and essentially for the advancement of the main business or calling of those who own or control them.

APPROPRIATIONS - Cont'd

- Third-class, Bulk-rate mail consists of:
 - Mailings by organizations or associations not organized for profit, none of the net income of which benefits any private stockholder or individual. Mailings must consist of identical pieces as to size and weight, each piece must be separately addressed, and consist of not less than 200 pieces or 50 pounds.
- Fourth-class consists of:
 - Books, films, printed music and related material; printed educational reference charts permanently processed for preservation; looseleaf pages and binders consisting of medical information and distributed to doctors, hospitals, medical schools and students.
 - Free for the Blind and Other Handicapped:
 - Matter for use by the blind or other persons who cannot use or read conventionally printed material because of a physical impairment is mailable free of postage. In order to qualify, there must be no charge, rental, subscription or other fee required for such matter.
 - Items mailable free by a qualifying person include unsealed letters, sound reproductions, braille writers or typewriters, and educational or other materials or devices specifically designed or adapted for use of a handicapped person.

APPROPRIATIONS - Cont'd

U. S. POSTAL SERVICE

Estimated Revenue Forgone Appropriations, FY 1979 1/
(in thousands of dollars)

Class of Service	Continuing Appropriations	Phasing WITH P. L. 93-328	Total Revenue Forgone
Second class:			
In county.....	19,259	30,216	49,475
Nonprofit.....	30,367	105,413	135,780
Classroom.....	5,587	1,581	7,168
Regular rate.....	7,668	98,232	105,900
Total.....	<u>62,881</u>	<u>235,442</u>	<u>298,323</u>
Controlled circulation.....	...	14,294	14,294
Third class:			
Bulk nonprofit.....	234,911	205,616	440,527
Fourth class:			
Special rate.....	...	35,491	35,491
Library rate.....	20,056	24,945	45,001
Total.....	<u>254,967</u>	<u>280,346</u>	<u>535,313</u>
Free for the blind, etc.....	10,726	...	10,726
GRAND TOTAL.....	<u>328,574</u>	<u>515,788</u>	<u>844,362</u>

1/ Reflects proposed rates requested by the Postal Service in Postal Rate Commission Docket R77-1.

Estimated Revenue Forgone Appropriations, FY 1979

2/10/78

Analysis of Fiscal Year 1979 Revenue Forgone Subsidy -- By Class of Mail
(in thousands of dollars)

Service Category	Total Postal Income	Source of Income		Subsidy as a Percent of Total Income		
		Postage Revenue	Revenue Forgone	Phasing	Continuing	
Second-Class Mail:						
Within-the-county.....	71,231	21,756	30,216	19,259	42.4	27.0
Outside-the-county:						
Non-Profit Publications..	199,540	63,760	105,413	30,367	52.8	15.2
Classroom Publications...	9,670	2,502	1,581	5,587	16.3	57.8
Regular-Rate Publications	560,112	454,212	98,232	7,668	17.5	1.4
Controlled Circulation Publications.....	81,447	67,153	14,294	...	17.6	...
Third-Class Mail:						
Bulk Rate Non-Profit.....	639,792	199,265	205,616	234,911	32.1	36.7
Fourth-Class:						
Special Rate Matter.....	269,467	233,976	35,491	...	13.2	...
Library Rate Material.....	64,480	19,479	24,945	20,056	38.7	31.1
Free Mail for Blind and Handicapped.....	10,726	...	...	10,726	...	100.0
Total.....	\$1,906,465	\$1,062,103	\$515,788	\$328,574	27.1	17.2

FY 1979 Revenue Forgone

2/10/78

PART II
SUPPLEMENTAL APPROPRIATIONS
TO BE REQUESTED

PART II

U. S. POSTAL SERVICE
FEDERAL FUNDS

Analysis of Additional Funds Requested
(in thousands of dollars)

	<u>FY 1978</u> <u>Appropriation</u>	<u>Revised</u> <u>Estimate</u>	<u>Proposed</u> <u>Supplemental</u>
<u>Transitional Expense:</u>			
POD Annual Leave Liability	31,000	31,000	...
POD Liability for Workers' Compensation	33,791	33,791	...
Total	<u>64,791</u>	<u>64,791</u>	...
<u>Public Service Costs</u>	<u>920,000</u>	<u>920,000</u>	...
<u>Revenue Forgone:</u>			
Continuing (P.L. 91-375)	296,642	314,864	18,222
Phasing (P.L. 93-328)	414,107	486,844	72,737
Total	<u>710,749</u>	<u>801,708</u>	<u>90,959</u>
<u>Postal Reorganization Act</u> <u>Amendments of 1976</u>			
(P.L. 94-421) .....	...	1,000	1,000
Total Appropriation	<u>1,695,540</u>	<u>1,787,499</u>	<u>91,959</u>

This request will provide funds to cover the additional revenue forgone by the Postal Service as a result of rate changes proposed to be implemented on June 1, 1978. Also included is \$1 million to reimburse the Postal Service for expenses incurred by the Commission on Postal Service as authorized by Public Law 94-421.

2/10/78

Analysis of Additional Funds Requested

Supplemental Requested, Existing Legislation
 U. S. POSTAL SERVICE
 Payment to the Postal Service Fund
 Program and Financing (in thousands of dollars)

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Program by activities:			
Payment to the Postal Service fund (costs- obligations).....	...	1,000	...
Financing:			
Budget authority (supplemental now requested).....	...	1,000	...
Relations of obligations to outlays:			
Obligations incurred, net.....	...	1,000	...
Outlays.....	...	1,000	...

This supplemental appropriation, authorized by Public Law 94-421, will provide reimbursement for expenses incurred by the Commission on Postal Service in carrying out its functions. These expenses were initially paid out of the Postal Service Fund.

2/10/78

SUPPLEMENTAL REQUESTED

Supplemental Requested, Existing Legislation
 U. S. POSTAL SERVICE
 Payment to the Postal Service Fund
 Program and Financing (in thousands of dollars)

	<u>1977</u> Actual	<u>1978</u> Estimate	<u>1979</u> Estimate
Program by activities:			
Payment to the Postal Service fund (costs- obligations).....	...	90,959	...
Financing:			
Budget authority (supplemental now requested).....	...	90,959	...
Relations of obligations to outlays:			
Obligations incurred, net.....	...	90,959	...
Outlays.....	...	90,959	...

This supplemental appropriation is requested to cover the additional revenue forgone by the Postal Service as a result of rate changes proposed to be implemented on June 1, 1978. The amount requested is equal to the difference between the revenues the Postal Service would have received at the new rate levels and what it actually receives for carrying certain classes of mail at free and reduced rates pursuant to section 2401 (c) of Public Law 91-375.

SUPPLEMENTAL REQUESTED

U. S. POSTAL SERVICE
FY 1978
REVENUE FORGONE SUBSIDY
(in thousands of dollars)

<u>Mail Category</u>	<u>Presently Available</u>	<u>Revised Request</u>	<u>Proposed Supplemental</u>
<u>Second-Class Mail:</u>			
Within-the-county.....	38,453	44,745	6,292
Outside-the-county.....			
Nonprofit publications.....	104,312	113,229	8,917
Classroom publications.....	5,053	6,414	1,361
Regular-rate publications.....	124,441	145,571	21,130
Controlled Circulation Publications.....	9,557	11,318	1,761
<u>Third-Class Mail:</u>			
Bulk Rate Non-Profit.....	353,237	388,187	34,950
<u>Fourth-Class Mail:</u>			
Special Rate Matter.....	42,892	44,533	1,641
Library Material.....	21,008	36,301	15,293
Free Mail for Blind and Handicapped.....	<u>11,796</u>	<u>11,410</u>	<u>-386</u>
Total.....	<u>710,749</u>	<u>801,708</u>	<u>90,959</u>

2/10/78

REVENUE FORGONE SUBSIDY

15

Analysis of Fiscal Year 1978 Revenue Forgone Subsidy -- By Class of Mail
(in thousands of dollars)

Service Category	Total Postal Income	Source of Income			Subsidy as a Percent of Total Income	
		Postage Revenue	Revenue Forgone Phasing	Subsidy I/ Continuing	Phasing	Continuing
Second-Class Mail:						
Within-the-county.....	62,952	18,207	32,408	12,337	51.5	19.6
Outside-the-county:						
Non-Profit Publications.....	162,864	49,635	97,826	15,403	60.1	9.5
Classroom Publications.....	8,904	2,490	1,783	4,631	20.0	52.0
Regular-Rate Publications...	491,763	346,192	138,192	7,379	28.1	1.5
Controlled Circulation Publications.....						
	67,128	55,810	11,318	...	16.9	...
Third-Class Mail:						
Bulk Rate Non-Profit.....	543,795	155,608	138,643	249,544	25.5	45.9
Fourth-Class:						
Special Rate Matter.....	248,893	204,360	44,533	...	17.9	...
Library Material.....	51,680	15,379	22,141	14,160	42.8	27.4
Free Mail for the Blind and Handicapped.....	11,410	...	...	11,410	...	100.0
Total.....	1,649,389	847,681	486,844	314,864	29.5	19.1

I/ Includes \$90,959,000 supplemental appropriation requested; \$72,737,000 for phasing; and \$18,222,000 for continuing.

2/13/78

FY 1978 Revenue Forgone

PART III
PROGRAM AND FINANCING

PART III

U. S. POSTAL SERVICE

The Postal Reorganization Act of 1970, Public Law 91-375, converted the Post Office Department into the United States Postal Service, an independent establishment within the Executive Branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing patrons with reliable mail service at reasonable rates and fees.

The U. S. Postal Service is governed by an 11-member Board of Governors, including 9 Governors appointed by the President, a Postmaster General who is selected by the Governors, and a Deputy Postmaster General who is selected by the Governors and the Postmaster General.

Decisions on changes in domestic rates of postage and fees for postal services are recommended to the Governors of the Postal Service by the Independent Postal Rate Commission after a hearing on the record under the Administrative Procedure Act. The Commission also recommends decisions on changes in the domestic mail classification schedule to the Governors.

Decision of the Governors on rates of postage, fees for postal services, and mail classification are final, subject to judicial review.

Programs included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and financing.

Financing - The activities of the U. S. Postal Service are financed from the following sources: (1) Mail and services revenue, (2) reimbursements from Federal and non-Federal sources, (3) proceeds from borrowing, (4) interest from U. S. securities and other investments, and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in obligations and securities.

2/10/78

PROGRAM AND FINANCING

U. S. POSTAL SERVICE

The 1979 program for the U. S. Postal Service is based on an anticipated mail volume of 96.0 billion pieces compared to 93.0 billion estimated for 1978, and 92.2 billion for 1977.

Since 1973, transactions of the Postal Service Fund and the assets and liabilities of the U. S. Postal Service no longer appear within the totals of the U. S. Budget. The schedules presented here reflect summary data on postal operations.

Section 2005 of the Postal Reorganization Act authorizes borrowing authority of \$10 billion with a yearly limitation of \$2 billion, of which not more than \$500 million may be used to cover operating expenses. As of September 30, 1979, it is expected that indebtedness outstanding pursuant to this borrowing authority will amount to \$3.6 billion-\$3.4 billion for notes payable and \$250 million for bonds payable. Operating - Estimated receipts will total \$17.7 billion in 1979. This includes \$15.8 billion from mail and services revenue, \$131.8 million from investment income, \$1.8 billion from appropriations including \$65.6 million to cover unfunded liabilities of the Post Office Department, and miscellaneous other income of \$17.7 million.

2/10/78

PROGRAM AND FINANCING- (Cont'd)

U. S. POSTAL SERVICE
Program and Financing
(in thousands of dollars)

ITEM	1977	1978	1979
	Actual	Estimate	Estimate
Program by activities:			
Direct operating costs, funded:			
Postal field operations.....	11,843,275	12,600,397	13,205,446
Transportation.....	969,593	1,014,466	1,005,786
Supplies and services.....	216,815	245,695	260,660
Administration and Regional operations.....	1,738,362	1,951,213	2,433,329
Building occupancy.....	421,654	457,370	494,155
Research and development.....	13,729	24,690	59,000
Servicewide expenses.....	122,318	102,212	103,177
Contingency.....		664,144	710,963
Subtotal.....	<u>15,325,746</u>	<u>17,060,187</u>	<u>18,270,516</u>
Adjustments for prior year obligations:			
(a) Workers' compensation.....	23,104	33,791	34,632
(b) Employees' earned and unused annual leave.....	31,000	31,000	31,000
(c) Other transactions.....	3,483		
Total direct operating costs, funded.....	<u>15,383,333</u>	<u>17,124,978</u>	<u>18,336,148</u>
Change in selected resources (undelivered orders)1/.....	1,921		
Total direct operating obligations.....	<u>15,385,254</u>	<u>17,124,978</u>	<u>18,336,148</u>
Reimbursable program:			
Operating services.....	96,470	107,503	118,661
Total operating obligations.....	<u>15,481,724</u>	<u>17,232,481</u>	<u>18,454,809</u>

2/10/78

PROGRAM AND FINANCING- (Cont'd)

U. S. POSTAL SERVICE
Program and Financing
(in thousands of dollars)

ITEM	1977 Actual	1978 Estimate	1979 Estimate
Capital investment funded:			
Capital investment.....	437,620	509,607	537,128
Adjustment for prior year obligations.....	- 2,204	..*	..*
Change in selected resources (undelivered orders)2/.....	- 77,763	- 2,478	- 64,393
Total capital obligations.....	<u>357,653</u>	<u>507,129</u>	<u>472,735</u>
Total obligations.....	15,839,377	17,739,610	18,927,544
Financing:			
Receipts, other income and reimbursements from:			
Federal Funds:			
Receipts from other Government agencies for mail and other postal services.....	- 611,228	- 759,637	- 857,780
Other income and reimbursements.....	- 112,610	- 121,013	- 132,313
Public service and transitional subsidies.....	- 1,766,170	- 1,787,499	- 1,829,994
Postal Reorganization Act Amendments of 1976:			
Operating indebtedness	- 500,000	..*	..*
Receipts from investments.....	- 104,728	- 94,823	- 129,648
Liquidation of Post Office Department liabilities.....	- 1,279	..*	..*
Non-Federal sources:			
Mail and other postal services.....	- 12,370,255	- 13,366,386	- 14,929,042
Other income and reimbursements.....	- 24,394	- 31,975	- 37,155
Receipts from investments.....	- 27,011	- 6,377	- 2,152
Unobligated balance available, start of period:			
Authority to borrow.....	- 5,808,182	- 5,486,480	- 3,914,580
Fund balance.....	- 165,772	- 187,783	- 187,783

2/10/78

PROGRAM AND FINANCING--(Cont'd)

U. S. POSTAL SERVICE
Program and Financing
(in thousands of dollars)

ITEM	1977 Actual	1978 Estimate	1979 Estimate
Unobligated balance available, end of period:			
Authority to borrow.....	5,486,480	3,914,580	2,905,120
Fund balance.....	187,783	187,783	187,783
Adjustment in unobligated balance.....	-22,011	.....	.....
Budget authority.....	.....	.....	.....
Relation of obligations to outlays:			
Obligations incurred net.....	321,702	1,571,900	1,009,460
Obligated balance, start of period:			
Authority to borrow.....	2,214,156	2,082,520	2,721,420
Fund balance.....	693,818	1,320,297	1,438,146
Obligated balance, end of period:			
Authority to borrow.....	-2,082,520	-2,721,420	-3,484,880
Fund balance.....	-1,320,297	-1,438,146	-1,684,909
Outlays.....	-173,141	815,151	-763

1/ Selected resources at end of period are as follows:

	T.Q	1978 Estimate	1979 Estimate
	Actual		
Inventories.....	35,765	43,462	43,462
Unpaid, undelivered orders.....	125,028	119,248	119,248
Total at end of period.....	160,793	162,710	162,710
Prior year adjustments.....	4	.....	.....
Adjusted balance.....	160,789	162,710	162,710
Change in selected resources.....	1,921	.....	.....

U. S. POSTAL SERVICE
 Program and Financing
 (in thousands of dollars)

2/ Selected resources at end of period are as follows:

	T. Q Actual	1977 Actual	1978 Estimate	1979 Estimate
Unpaid, undelivered orders.....	399,601	315,115	292,470	232,077
Mortgages payable.....	32,266	36,784	56,951	52,951
Total at end of period.....	431,867	351,899	349,421	285,028
Prior year adjustments.....	-2,205	***	***	***
Adjusted balance.....	429,662	351,899	349,421	285,028
Change in selected resources.....	-77,763	-77,763	-2,478	-64,393

PART IV
U. S. POSTAL SERVICE
PROGRAM BUDGET

PART IV

BUDGET HIGHLIGHTS
Fiscal Year 1979

The Postal Service's budget for Fiscal Year 1979 reflects the following assumptions and objectives:

- Mail volume will reach 96,007 million pieces, an increase of 1,008 million pieces or a 1.06 percent increase over Fiscal Year 1978.
- Clerk and Mailhandlers productivity in 1978 will increase 2.4 percent over 1977 and increase 3.7 percent in 1979 over 1978.
- City carrier productivity, based on possible deliveries, will increase 1.1 percent in 1978 and increase 3.0 percent in 1979.
- Over-all productivity, based on total workyears and pieces delivered, will increase 2.9 percent in 1978 and 3.0 percent in 1979.
- End-of-year employment for 1978 to be 656,114, an increase of 938 from 1977, and by end of Fiscal Year 1979 to be 643,765.
- Borrowing of \$933 million net in 1978 and \$246 million net in 1979 is included in the budget. Outstanding borrowing as of the end of 1979 is estimated to be \$3,610 million.
- Contributions to the fund deficit of the Civil Service Retirement and Disability Fund involving postal pay raises since July 20, 1971, included in the budget amount to \$448,778,000 in 1977, \$509,289,000 in 1978, and \$551,934,000 in 1979.
- Includes contingencies of \$664 million in FY 1978 and \$711 million in FY 1979.
- Includes provision for Workers' Compensation in FY 1977 of \$629 million, \$823 million in FY 1978, and \$1,200 million in FY 1979.

BUDGET HIGHLIGHTS

BUDGET HIGHLIGHTS - Cont'd

- Total revenues and subsidy appropriations for 1979 are estimated to be \$17.7 million.
- Accrued costs are estimated to be \$18.5 billion for 1979 - an increase of \$1.2 billion or 7.1 percent over Fiscal Year 1978.
- An operating deficit is estimated to be \$784 million in 1979.
- A capital investment program for 1979 of \$473 million in commitments, down \$34 million from 1978. Major components include \$291 million for building construction, purchases and improvements; \$53 million for mail processing equipment; \$76 million for vehicles; and \$53 million for customer services and other equipment.
- The President's Budget treatment of the Postal Service reflects its independence from Federal control. Only the Federal payment to the Postal Service is now included in the budget totals. Information on postal operations is shown in the annexed section of the Budget appendix.

1/24/78

BUDGET HIGHLIGHTS - Cont'd

BUDGET HIGHLIGHTS
1977 - 1979

ITEM	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
Filled positions (end of year).....	655,176	656,114	643,765
Workyears	667,688	668,644	656,059

Mail volume (millions of pieces).....	92,224	94,999	96,007
Mail volume (percent change over previous year).....	2.7%	3.0%	1.1%
Workyears (percent change over previous year).....	-2.3%	0.1%	-1.9%
Over-all productivity (percent change over previous year).....	5.2%	2.9%	3.0%
(\$000)			

Revenue and operating receipts.....	14,841,678	15,966,609	17,700,671
Direct accrued costs.....	15,529,527	17,267,740	18,485,026
Net income or loss (-).....	<u>-687,849</u>	<u>-1,301,131</u>	<u>-784,355</u>

Capital commitments (\$000).....	357,653	507,129	472,735

U. S. POSTAL SERVICE
STATEMENT OF REVENUE AND EXPENSE
(in thousands of dollars)

ITEM	1977	1979
	Actual	Estimate
Revenue and operating receipts:		
Mail and service revenues.....	12,981,483	15,786,822
Investment income.....	131,739	131,800
Other income.....	16,390	17,687
Revenue other than subsidies.....	13,129,612	15,936,309
Total appropriations.....	2,266,170	1,829,994
Less: POD transitional costs.....	-54,104	-65,632
P.L. 94-421.....	- 500,000	
Net appropriations <u>1/</u>	<u>1,712,066</u>	<u>1,764,362</u>
Total revenues.....	<u>14,841,678</u>	<u>17,700,671</u>

Operating expenses:

Payable from the Postal Service Fund, funded:		
Postal field operations.....	11,843,275	13,205,446
Transportation.....	969,593	1,005,786
Supplies and services.....	216,815	260,660
Administration and regional operations.....	1,738,362	2,433,329
Building occupancy.....	427,654	494,155
Research and development.....	13,729	59,000
Service-wide expenses.....	122,318	101,177
Contingency.....		664,144
Total accrued costs.....	<u>15,325,746</u>	<u>18,270,516</u>

Other operating expenses (nonfunded):

Depreciation and amortization of fixed assets.....	206,695	232,467
Expendable equipment and charge-offs.....	4,520	290
Amortization of debt discount and expense.....	55	55
Total other operating expenses (nonfunded).....	<u>211,270</u>	<u>232,812</u>
Total operating expenses (deduct).....	<u>15,537,016</u>	<u>18,503,328</u>

2/3/78

STATEMENT OF REVENUE AND EXPENSE

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U. S. POSTAL SERVICE
STATEMENT OF REVENUE AND EXPENSE-Cont'd.
(in thousands of dollars)

ITEM	1977	1978	1979
	Actual	Estimate	Estimate
Net operating income or loss (-) for the period...	- 695,338	-1,313,273	- 802,657
Proceeds from sale of assets.....	24,144	28,807	33,120
Net book value of assets.....	- 16,655	- 16,665	- 14,818
Net income or loss (-) for the period.....	<u>- 687,849</u>	<u>-1,301,131</u>	<u>- 784,355</u>
Additional revenue requirements for recovery of prior period losses:			
Prior period losses.....	2,776,148	3,463,997	4,765,128
Less: P. L. 94-421.....	-1,000,000	-1,000,000	-1,000,000
Unrecovered prior period losses.....	<u>1,776,148</u>	<u>2,463,997</u>	<u>3,765,128</u>
Current period change.....	687,849	1,301,131	784,355
Balance, end of period.....	<u>-2,463,997</u>	<u>-3,765,128</u>	<u>-4,549,483</u>

1/ The net appropriations include (in \$000):

	1977	1978	1979
	Actual	Estimate	Estimate
Public service costs.....	920,000	920,000	920,000
Free and reduced-rate mail.....	792,066	801,708	844,362
Commission on Postal Service expense reimbursement	...	1,000	...
Total.....	<u>1,712,066</u>	<u>1,722,708</u>	<u>1,764,362</u>

STATEMENT OF REVENUE AND EXPENSE- (Cont'd)

2/3/78

U. S. Postal Service
Statement of Financial Condition
(in thousands of dollars)

<u>Assets</u>	<u>T. Q.</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Current Assets:				
Cash.....	968,254	312,198	301,247	318,010
Investments.....	1,431,200	1,271,200	1,400,000	1,630,000
Accounts Receivable:				
U. S. Government agencies.....	118,338	153,179	168,200	169,500
Foreign countries.....	20,600	26,681	29,500	30,700
Other.....	23,166	15,461	17,600	18,400
Total.....	<u>162,104</u>	<u>195,321</u>	<u>215,300</u>	<u>218,600</u>
Less: Allowance.....	-8,874	-9,094	-9,200	-9,450
Accounts Receivable net.....	<u>153,230</u>	<u>186,227</u>	<u>206,100</u>	<u>209,150</u>
Inventories.....	35,765	43,461	43,461	43,461
Advances and Prepayments.....	11,056	9,986	10,097	10,197
Total Current Assets.....	<u>2,599,505</u>	<u>1,823,072</u>	<u>1,960,905</u>	<u>2,210,818</u>
Other Assets.....	1,120	1,065	1,010	955
Property and Equipment-net.....	3,704,710	3,917,219	4,210,688	4,496,241
Deferred Retirement Costs.....	5,676,953	6,550,356	7,305,834	7,809,354
Total Assets.....	<u>11,982,288</u>	<u>12,291,712</u>	<u>13,478,437</u>	<u>14,517,368</u>
Liabilities				
Current Liabilities:				
Outstanding Money Orders.....	164,027	188,324	188,324	188,324
Accrued Payroll.....	409,702	61,209	72,400	90,700
Payroll taxes and civil service retirement including amounts withheld.....	363,587	460,169	480,275	505,900
Workers' Compensation l/.....	87,480	126,076	164,000	227,000
Accounts payable to other Government agencies.....	185,720	172,238	199,734	221,584
Other accounts payable and accrued expenses.....	229,661	390,461	406,125	326,125

2/10/78

STATEMENT OF FINANCIAL CONDITION

U.S. Postal Service
Statement of Financial Condition
(in thousands of dollars)

	T. Q. Actual	1977 Actual	1978 Estimate	1979 Estimate
Current Liabilities (cont'd)				
Notes payable - FFB 2/.....	592,000	67,000	254,000	543,000
Mortgages Payable.....	1,772	2,200	4,000	4,000
Prepaid permit mail and box rentals....	176,129	191,507	197,900	201,000
Estimated prepaid postage in hands of the public.....	460,000	526,000	614,000	621,000
Total Current Liabilities.....	2,670,078	2,185,184	2,580,758	2,928,633
Long-term Debt:				
Notes payable - FFB 2/.....	2,656,000	2,114,000	2,860,000	2,817,000
USPS bonds payable.....	250,000	250,000	250,000	250,000
Mortgages payable.....	30,494	34,584	52,951	48,951
Total Long-term Debt.....	2,936,494	2,398,584	3,162,951	3,115,951
Other Liabilities:				
Employees accumulated leave 3/.....	455,406	481,654	505,550	530,800
Workers' Compensation 1/.....	725,233	1,233,000	1,892,000	2,865,000
Other claims.....	22,525	126,000	5,000	5,000
Amounts payable for retirement benefits.....	5,601,382	6,454,824	7,189,843	7,683,004
Total other Liabilities.....	6,804,546	8,295,478	9,592,393	11,083,804
Total Liabilities.....	12,411,118	12,879,246	15,336,102	17,128,388
Government Equity				
Undelivered Orders:				
Operations.....	125,028	119,248	119,248	119,248
Capital Investment.....	399,601	315,115	292,470	232,077
Total Undelivered Orders.....	524,629	434,363	411,718	351,325
Uncommitted balances:				
Authority to borrow.....	5,808,182	5,486,480	3,914,580	2,905,120
Total unexpended balance.....	6,332,811	5,920,843	4,326,298	3,256,445
Undrawn borrowing authorizations.....	-6,502,000	-7,569,000	-6,636,000	-6,390,000
Total funded balance.....	- 169,189	-1,648,157	-2,309,702	-3,133,555

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STATEMENT OF FINANCIAL CONDITION

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U.S. Postal Service
Statement of Financial Condition
(in thousands of dollars)

	T. Q. Actual	1977 Actual	1978 Estimate	1979 Estimate
Government Equity (cont'd)				
Receivable established for future appropriation.....	31,000	31,000	31,000	31,000
Investment in property, equipment and inventories, net.....	-290,641	1,029,623	421,037	491,535
Total Government Equity/ Deficiency (-)...	<u>-428,830</u>	<u>-587,534</u>	<u>-1,857,665</u>	<u>-2,611,020</u>
Total Liabilities and Equity.....	<u>11,982,288</u>	<u>12,291,712</u>	<u>13,478,437</u>	<u>14,517,368</u>

Analysis of changes in Government
Equity:

Non-interest-bearing capital:				
Start of period.....	-955,358	-428,830	-587,534	-1,857,665
Transfers and adjustments <u>4</u> /.....	511,358	529,145	31,000	31,000
Net income or loss (-) for period.....	15,170	-687,849	-1,301,131	-784,355
Total.....	<u>-428,830</u>	<u>-587,534</u>	<u>-1,857,665</u>	<u>-2,611,020</u>

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars)

1/ Workers' compensation amounts reported for 1977 through 1979 are funded through the operations process (for post-June 30, 1971 injuries). The amounts reported for workers' compensation under the other liabilities section of the balance sheet reflect full accrued costs for injuries in the year in which they occur.

2/ Notes payable transactions in thousands of dollars:

	Issued	Retired	Outstanding		
			Total	Current	Long-term
Sept. 30, 1976, Balance	...	...	3,248,000	592,000	2,656,000
Sept. 30, 1977	...	1,067,000	2,181,000	67,000	2,114,000
Sept. 30, 1978	1,000,000	67,000	3,114,000	254,000	2,860,000
Sept. 30, 1979	500,000	254,000	3,360,000	543,000	2,817,000

3/ At the beginning of 1972, the Postal Service carried a liability of \$372,796 thousand from the former Post Office Department for earned and unused annual leave of postal employees. This liability is being funded over a period of 12 years through the appropriation process.

Employees' accumulated annual leave in thousands of dollars:

	Total	
	Unfunded	Funded
9/30/76	231,421	223,985
9/30/77	200,421	281,233
9/30/78	169,421	336,129
9/30/79	138,421	392,379
		Total
		455,406
		481,654
		505,550
		530,800

STATEMENT OF FINANCIAL CONDITION (in thousands of dollars)

1/18/78

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars)-Cont'd

4/ The transfers and adjustments reflected in total in the Analysis of Changes in Government Equity are as follows:

	<u>T.Q</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Previous unfunded liability of the Post Office Department-annual leave balance of June 30, 1971	7,750	31,000	31,000	31,000
Capital contributions or withdrawals (-):				
Postal Reorganization Act Amendments of 1976.....	500,000	500,000	...	...
Other.....	3,608	- 1,855	...	...
Total transfers and adjustments.....	<u>511,358</u>	<u>529,145</u>	<u>31,000</u>	<u>31,000</u>

U. S. POSTAL SERVICE

Sources and Application of Funds
(in thousands of dollars)

	1977 <u>Actual</u>	1978 <u>Estimate</u>	1979 <u>Estimate</u>
<u>Sources:</u>			
Net profit or loss (-) from operations.....	-687,849	-1,301,131	-784,355
Charges not requiring current outlay of working capital:			
Depreciation, amortization, non-fund costs.....	211,270	219,695	232,812
Increase, decrease (-) in provision for non-current workers' compensation claims.....	507,767	659,000	973,000
Increase, decrease (-) in provision for other claims.....	103,475	- 121,000	...
Increase in employees' accumulated annual leave.....	26,248	23,896	25,250
Subtotal from operations.....	<u>160,911</u>	<u>- 519,540</u>	<u>446,707</u>
Decrease, increase in working capital 1/.....	816,111	68,941	-191,038
Proceeds of notes payable.....	...	1,000,000	500,000
Increase in mortgages payable.....	4,518	22,367	...
Appropriations for POD liabilities.....	54,104	64,791	65,632
Appropriation to be applied against accumulated operating indebtedness.....	500,000	16,665	...
Assets sold-net book value.....	...	...	14,818
Increase in non-current amounts payable for retirement benefits.....	853,442	735,019	493,161
Total.....	<u>2,405,741</u>	<u>1,388,243</u>	<u>1,329,280</u>

1/ Current portion of notes and mortgages payable excluded.

1/16/78

SOURCES AND APPLICATION OF FUNDS

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U. S. POSTAL SERVICE

Sources and Application of Funds - Cont'd
(in thousands of dollars)

	1977 Actual	1978 Estimate	1979 Estimate
<u>Application:</u>			
Capital additions.....	440,379	529,774	533,128
Reduction of mortgage payable.....		2,200	4,000
Payment of notes payable.....	1,067,000	67,000	254,000
Payment of POD liabilities.....	23,104	33,791	34,632
Additions to deferred retirement costs.....	873,403	755,478	503,520
Withdrawals/transfers of Government equity.....	1,855		
Total.....	<u>2,405,741</u>	<u>1,388,243</u>	<u>1,329,280</u>

SOURCES AND APPLICATION OF FUNDS - Cont'd.

1/16/78

FY 1979 BUDGET DESCRIPTION

The budget of the Postal Service for FY 1979 reflects operating costs on a cost segment basis in lieu of a program or quasi-cost segment basis with changes in costs from the previous year identified with reference to cost level changes, mail volume effect, non-volume workload, productivity improvement programs, other programs, and total change.

The information being presented is in compliance with guidelines established by the Office of Management and Budget. Information being presented is also on a comparable format that may be crosswalked to requested rate changes filed with the Postal Rate Commission.

Cost Level Changes:

Cost level changes reflect the impact on costs of price level changes for goods and services purchased and changes in personnel compensation and benefits resulting from known pay increases, estimated cost of living changes, and known changes in personnel benefits.

FY 1979 BUDGET DESCRIPTION

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1/11/78

FY 1979 BUDGET DESCRIPTION-Cont'd

Mail Volume Effect:

Mail volume effect reflects the impact on costs due to changes in mail volume.

Non-Volume Workload:

Non-volume workload reflects changes in costs due to variations in measurable workload other than mail volume.

Productivity Improvement Programs:

Productivity improvement programs reflect the net effect on costs of programs implemented or to be implemented with the objective of reducing costs.

Other Programs:

Other programs reflect the cost impact of non-operating programs. Examples are the research and development effort, accounting and reporting changes, and adjustments to base data or prior year costs.

Total Change:

Total change reflects the total change in operating costs on a cost segment basis between fiscal years.

1/13/78

FY 1979 BUDGET DESCRIPTION-Cont'd

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CATEGORY SUMMARY
OPERATING EXPENSES
FY 1977 - 1979
(\$000)

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	655,176	656,114	938	0.1	643,765	-12,349	-1.9
2. Workyears	667,688	668,644	956	0.1	656,059	-12,585	-1.9
CATEGORY							
I. Postal Field Operations.	11,843,275	12,600,397	757,122	6.4	13,205,446	605,049	4.8
II. Transportation.....	969,593	1,014,466	44,873	4.6	1,005,786	- 8,680	-0.9
III. Supplies and Services	216,815	245,695	28,880	13.3	260,660	14,965	6.1
IV. Administration and Regional Operations....	1,738,362	1,951,213	212,851	12.2	2,433,329	482,116	24.7
V. Building Occupancy.....	421,654	457,370	35,716	8.5	494,155	36,785	8.0
VI. Research and Development	13,729	24,690	10,961	79.8	59,000	34,310	...
VII. Servicewide Expenses....	122,318	102,212	-20,106	-16.4	101,177	- 1,035	-1.0
VIII. Capital Investment.....	357,653	507,129	149,476	41.8	472,735	-34,394	-6.8
IX. Contingency.....	...	664,144	664,144	...	710,963	46,819	7.0
X. Depreciation and Other Costs.....	211,270	219,695	8,425	4.0	232,812	13,117	6.0
Subtotal.....	15,894,669	17,787,011	1,892,342	11.9	18,976,063	1,189,052	6.7
Less Capital Investment.	- 357,653	- 507,129	- 149,476	-41.8	- 472,735	34,394	6.8
Total Accrued Costs.....	15,537,016	17,279,882	1,742,866	11.2	18,503,328	1,223,446	7.1

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CATEGORY SUMMARY - OPERATING EXPENSES

2/10/78

CATEGORY I
POSTAL FIELD OPERATIONS
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977	1978		1979		Change		
	Actual	Estimate	Estimate	Estimate	Amount	Pct.	Amount	Pct.
RESOURCES:								
1. Positions.....	642,855	643,570		631,221	-12,349	0.1	-12,349	-1.9
2. Workyears.....	655,293	655,860		643,275	-12,585	0.1	-12,585	-1.9
EXPENSES (\$000):								
1. Postmasters.....	561,235	588,247		614,445	26,198	4.8	26,198	4.5
2. Supervisors and Technicians	958,317	980,071		995,057	14,986	2.3	14,986	1.5
3. Clerks and Mailhandlers								
CAG A-J.....	5,184,849	5,552,749		5,805,736	252,987	7.1	252,987	4.6
Clerks, CAG K.....	51,513	55,174		57,576	2,402	7.1	2,402	4.4
Mobile Unit Clerks.....								
6&7 City Delivery Carriers.....	3,279,290	3,494,390		3,682,730	188,340	6.6	188,340	5.4
8. Vehicle Drivers.....	118,216	126,346		133,790	7,444	6.9	7,444	5.9
9. Special Delivery Messengers	64,603	68,835		71,957	3,122	6.6	3,122	4.5
10. Rural Carriers.....	864,096	925,852		1,002,299	76,447	7.1	76,447	8.3
11. Custodial (Maintenance)								
Service.....	508,651	540,876		564,745	23,869	6.3	23,869	4.4
Motor Vehicle Service.....	203,543	217,300		223,461	6,161	6.8	6,161	2.8
13. Miscellaneous Costs.....	48,962	50,557		53,650	3,093	3.3	3,093	6.1
Total Accrued Costs....	11,843,275	12,600,397		13,205,446	605,049	6.4	605,049	4.8

Description

This category includes all activities covering postal field operations. Activities performed include window services, processing of mail, administration and support functions, delivery of mail-city delivery, rural delivery, and special delivery-maintenance of equipment and facilities, maintenance of motor vehicles, and miscellaneous non-mail processing activities.

2/16/78

CATEGORY I - POSTAL FIELD OPERATIONS - RESOURCE SUMMARY

COST SEGMENT I
POSTMASTERS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	29,097	28,798	-299	-1.0	28,460	-338	-1.2
2. Workyears	30,647	30,628	-19	-0.1	30,300	-328	-1.1
EXPENSES (\$000):							
Personnel salaries and benefits	559,723	586,772	27,049	4.8	612,877	26,105	4.4
Travel and transportation of persons	1,260	1,273	13	1.0	1,353	80	6.3
Transportation of things	252	202	-50	-19.8	215	13	6.4
Total Accrued Costs	561,235	588,247	27,012	4.8	614,445	26,198	4.5
SOURCES OF CHANGE:							
Cost level .....	...	...	29,087	5.2	...	32,832	5.6
Mail volume effect .....	...	...	850	0.1	...	894	0.2
Non-volume workload .....	...	...	-2,925	-0.5	...	-3,541	-0.6
Productivity improvement programs .....	...	...	...	...	...	-3,987	-0.7
Other programs .....	...	...	...	...	...	...	...
Total change .....	...	...	27,012	4.8	...	26,198	4.5

Description

This cost segment includes the administrative activities of all postmasters. Expenses include personnel salaries and benefits of postmasters, salaries

of personnel serving as postmaster during a postmaster's absence, travel and transportation of household effects.

COST SEGMENT 2
SUPERVISORS AND TECHNICIANS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions.....	36,239	42,074	5,835	16.1	40,157	-1,917	-4.6	
2. Workyears.....	46,396	44,748	-1,648	-3.6	42,754	-1,994	-4.5	
EXPENSES (\$000):								
Salaries and benefits.....	953,864	975,368	21,504	2.3	990,057	14,689	1.5	
Travel and transportation of persons.....	4,218	4,515	297	7.0	4,799	284	6.3	
Transportation of household effects.....	235	188	-47	-20.0	201	13	6.9	
Total Accrued Costs.....	958,317	980,071	21,754	2.3	995,057	14,986	1.5	
SOURCES OF CHANGE:								
Cost level.....	...	...	60,535	6.3	...	61,398	6.3	
Mail volume effect.....	...	...	11,535	1.2	...	11,792	1.2	
Non-volume workload.....	...	...	1,876	0.2	...	1,917	0.2	
Productivity improvement programs.....	...	...	-52,192	-5.4	...	-60,121	-6.2	
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	21,754	2.3	...	14,986	1.5	

Description

This cost segment includes activities of personnel classified as supervisors or technical support personnel covering activities of accounting, nursing, adminis-

trative support, and first-line super-
vision.

Costs include personnel compensation and benefits, personnel related travel, and transportation of household effects.

COST SEGMENT 3
CLERKS AND MAILHANDLERS
CAG A-J POST OFFICES
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	285,233	283,509	-1,724	-0.6	276,113	-7,396	-2.6
2. Workyears.....	299,736	301,524	1,788	0.6	293,965	-7,559	-2.5
EXPENSES (\$000):							
Salaries and benefits.....	5,184,616	5,552,449	367,833	7.1	5,805,417	252,968	4.6
Travel.....	192	265	73	38.0	281	16	6.0
Transportation of things.....	41	35	-6	-14.6	38	3	8.6
Total Accrued Costs.....	5,184,849	5,552,749	367,900	7.1	5,805,736	252,987	4.6
SOURCES OF CHANGE:							
Cost level.....	...	...	411,179	7.9	...	360,216	6.5
Mail volume effect.....	...	...	87,511	1.7	...	92,467	1.7
Non-volume workload.....	...	...	386	...	...	408	...
Productivity improvement programs.....	...	...	-131,176	-2.5	...	-200,104	-3.6
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	367,900	7.1	...	252,987	4.6

Description

This cost segment includes the compensation and benefits of clerks and mailhandlers at CAG A through J post offices and sectional centers.

Activities include mail processing, both incoming and outgoing, window services, administrative support, and platform operations.

1/25/78

COST SEGMENT 3 - CLERKS AND MAILHANDLERS CAG A-J POST OFFICES

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COST SEGMENT 4
CLERKS-CAG-K OFFICES
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	13,727	13,560	-167	-1.2	13,307	-253	-1.9
2. Workyears.....	2,878	2,843	-35	-1.2	2,790	-53	-1.9
EXPENSES (\$000):							
Salaries and benefits.....	51,510	55,172	3,662	7.1	57,574	2,402	4.4
Travel and transportation of persons.....	3	2	-1	-33.3	2		
Total Accrued Costs.....	51,513	55,174	3,661	7.1	57,576	2,402	4.4
SOURCES OF CHANGE:							
Cost level.....	...	...	3,877	7.5	...	3,395	6.2
Mail volume effect.....	...	...	704	1.4	...	744	1.3
Non-volume workload.....	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	-920	-1.8	...	-1,737	-3.1
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	3,661	7.1	...	2,402	4.4

Description

Costs of this segment include the compensation and benefits for clerks assigned to CAG-K post offices. CAG-K offices are small in size and are staffed by a postmaster with a few having one additional clerk.

When required, a clerk may serve as a substitute for the postmaster on leave.

1/25/78

COST SEGMENT 4 - CLERKS - CAG K OFFICES

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COST SEGMENTS 6 & 7
CITY DELIVERY CARRIERS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	183,060	181,559	-1,501	-0.8	179,282	-2,277	-1.3
2. Workyears.....	191,856	193,097	1,241	0.6	190,875	-2,222	-1.2
EXPENSES (\$000):							
Salaries and benefits.....	3,279,235	3,494,329	215,094	6.6	3,682,665	188,336	5.4
Personnel travel and transportation of household effects.....	55	61	6	10.9	65	4	6.6
Total Accrued Costs.....	3,279,290	3,494,390	215,100	6.6	3,682,730	188,340	5.4
SOURCES OF CHANGE:							
Cost level.....	...	...	263,245	8.1	...	228,493	6.5
Mail volume effect.....	...	...	49,482	1.5	...	52,001	1.5
Non-volume workload.....	...	...	39,634	1.2	...	41,652	1.2
Productivity improvement programs.....	...	...	-137,261	-4.2	...	-133,806	-3.8
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	215,100	6.6	...	188,340	5.4

Description

This segment includes costs for city delivery carriers involved in the delivery and preparation of mail.

Activities cover the casing of mail for delivery, sweeping of cases as required, and the delivery and collection of mail.

COST SEGMENT 8
VEHICLE DRIVERS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Amount	Pct.
RESOURCES:								
1. Positions.....	6,144	6,151	7	0.1	6,117	-34	-0.6	
2. Workyears.....	6,615	6,542	-73	-1.1	6,513	-29	-0.4	
EXPENSES (\$000):								
Salaries and benefits.....	118,210	126,339	8,129	6.9	133,782	7,443	5.9	
Travel and transportation of persons.....	6	7	1	16.7	8	1	14.3	
Total Accrued Costs.....	118,216	126,346	8,130	6.9	133,790	7,444	5.9	
SOURCES OF CHANGE:								
Cost level.....	...	...	8,966	7.6	...	7,866	6.2	
Mail volume effect.....	...	...	469	0.4	...	494	0.4	
Non-volume workload.....	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	-1,305	-1.1	...	-916	-0.7	
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	8,130	6.9	...	7,444	5.9	

Description

Costs of this segment include the compensation and benefits of vehicle service drivers. Vehicle drivers provide transportation of mail between

inter-city stations, branches, post offices, and other postal facilities driving USPS-owned or leased trucks.

COST SEGMENT 9
SPECIAL DELIVERY MESSENGERS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change		
			Amount	Pct.		Amount	Pct.	
RESOURCES:								
1. Positions.....	3,086	3,451	365	11.8	3,379	-72	-2.1	
2. Workyears.....	3,735	3,670	-65	-1.7	3,598	-72	-2.0	
EXPENSES (\$000):								
Salaries and benefits.....	63,967	68,093	4,126	6.5	71,165	3,072	4.5	
Special delivery fees.....	531	629	98	18.5	668	39	6.2	
Equipment maint. allowance..	105	113	8	7.6	124	11	9.7	
Total Accrued Costs.....	64,603	68,835	4,232	6.6	71,957	3,122	4.5	
SOURCES OF CHANGE:								
Cost level.....	...	...	5,263	8.2	...	4,546	6.6
Mail volume effect.....	...	...	-1,031	-1.6	...	-1,424	-2.1
Non-volume workload.....	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	...	...	...	...	...
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	4,232	6.6	...	3,122	4.5

Description

Included in this cost segment are costs covering activities of special delivery messengers.

Costs cover personnel salaries and benefits, equipment maintenance allowance, and special delivery fees.

1/24/78

COST SEGMENT 9 - SPECIAL DELIVERY MESSENGERS

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COST SEGMENT 10
RURAL CARRIERS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	51,879	52,094	215	0.4	53,004	910	1.8
2. Workyears.....	38,308	38,467	159	0.4	39,139	672	1.7
EXPENSES (\$000):							
Personnel salaries and benefits.....	729,467	782,606	53,139	7.3	844,584	61,978	7.9
Travel and transportation of household effects.....	7	8	1	14.3	10	2	25.0
Equipment maintenance allowance.....	134,622	143,238	8,616	6.4	157,705	14,467	10.1
Total Accrued Costs.....	864,096	925,852	61,756	7.1	1,002,299	76,447	8.3
SOURCES OF CHANGE:							
Cost level.....	...	...	63,876	7.4	...	61,947	6.7
Mail volume effect.....	...	...	7,019	0.8	...	7,472	0.8
Non-volume workload.....	...	...	7,366	0.8	...	7,841	0.9
Productivity improvement programs.....	...	...	-16,505	-1.9	...	-813	-0.1
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	61,756	7.1	...	76,447	8.3

Description

This cost segment includes the activities of rural carriers providing collection and delivery service to rural patrons. Activities also include the selling of stamps, money orders, and other postal services normally provided at post offices.

Costs include personnel compensation and benefits of all rural carriers, associated travel of persons and transportation of household effects, and the payment of an equipment maintenance allowance to offset the costs of using privately owned automobiles for prompt handling in delivery of the mail.

2/10/78

COST SEGMENT 10 - RURAL CARRIERS

COST SEGMENT 11
CUSTODIAL (MAINTENANCE) SERVICE
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	28,743	26,893	-1,850	-6.4	26,256	-637	-2.4
2. Workyears.....	29,269	28,602	-667	-2.3	27,954	-648	-2.3
EXPENSES (\$000):							
Salaries and benefits.....	489,819	519,630	29,811	6.1	542,306	22,676	4.4
Personnel travel and transportation of household effects.....	385	433	48	12.5	460	27	6.2
Contract job cleaners.....	19,714	20,813	1,099	5.6	21,979	1,166	5.6
Total Job commitments.....	509,918	540,876	30,958	6.1	564,745	23,869	4.4
Reimbursements.....	-1,267	...	1,267	...	...	...	...
Total Accrued Costs.....	508,651	540,876	32,225	6.3	564,745	23,869	4.4
SOURCES OF CHANGE:							
Cost level.....	...	...	41,637	8.2	...	36,206	6.7
Mail volume effect.....	...	...	1,028	0.2	...	1,078	0.2
Non-volume workload.....	...	...	9,216	1.8	...	9,665	1.8
Productivity improvement programs.....	...	...	-19,656	-3.9	...	-23,080	-4.3
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	32,225	6.3	...	23,869	4.4

Description

This segment includes activities of personnel providing cleaning and protection, services, and maintenance of equipment and buildings.

Costs cover compensation and benefits, personnel related travel, transportation

of household effects, and contract job cleaners.

Reimbursements are for services performed for other Government agencies.

1/24/78

COST SEGMENT 11 - CUSTODIAL (MAINTENANCE) SERVICE

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COST SEGMENT 12
MOTOR VEHICLE SERVICE
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	4,879	4,713	- 166	- 3.4	4,378	- 335	- 7.1
2. Workyears.....	5,127	5,013	- 114	- 2.2	4,661	- 352	- 7.0
EXPENSES (\$000):							
Salaries and benefits.....	93,386	98,357	4,971	5.3	97,284	-1,073	- 1.1
Travel and transportation of persons.....	64	59	- 5	- 7.8	63	4	6.8
Vehicle hire.....	24,410	25,600	1,190	4.9	27,085	1,485	5.8
Vehicle repair and maintenance.....	10,499	11,178	679	6.5	11,748	570	5.1
Electric power for motor vehicles.....	15	9	- 6	-40.0	11	2	22.2
Supplies and materials.....	87,167	82,097	-5,070	- 5.8	87,270	5,173	6.3
Total Commitments.....	215,541	217,300	1,759	0.8	223,461	6,161	2.8
Changes in resources on order	-11,998	...	11,998	...	...	...	...
Total Accrued Costs.....	203,543	217,300	13,757	6.8	223,461	6,161	2.8
SOURCES OF CHANGE:							
Cost level.....	...	...	14,133	7.0	...	13,470	6.2
Mail volume effect.....	...	...	1,085	0.5	...	1,139	0.5
Non-volume workload.....	...	...	1,572	0.8	...	1,667	0.8
Productivity improvement programs.....	...	...	-3,033	-1.5	...	-10,115	-4.7
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	13,757	6.8	...	6,161	2.8

Description

This segment includes activities of vehicle maintenance and supervisory personnel. Costs cover compensation and benefits, personnel travel, con-

tractual auto maintenance, vehicle supplies and materials, operating supplies and materials, and vehicle hire.

COST SEGMENT 13
MISCELLANEOUS COSTS
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	768	768	...	...	768	...	...
2. Workyears.....	726	726	...	...	726	...	...
EXPENSES (\$000):							
Personnel salaries and benefits.....	11,814	12,790	976	8.3	13,684	894	7.0
Other compensation and benefits.....	1,774	2,111	337	19.0	2,111	...	...
Travel and transportation of persons.....	14,111	14,235	125	0.9	15,189	954	6.7
Transportation of things.....	795	928	132	16.6	986	58	6.3
Rental allowance, CAG L.....	2,781	2,946	165	5.9	3,117	171	5.8
Contract stations.....	15,754	16,654	900	5.7	17,620	966	5.8
Other services.....	1,014	1,098	84	8.3	1,159	61	5.6
Total commitments.....	48,043	50,762	2,719	5.7	53,866	3,104	6.1
Reimbursements.....	-139	-205	-66	...	-216	-11	...
Changes in Res. on order.....	1,058	...	-1,058	...	...	...	...
Total Accrued Costs.....	48,962	50,557	1,595	3.3	53,650	3,093	6.1
SOURCES OF CHANGE:							
Cost level.....	...	...	3,054	6.2	...	3,104	6.1
Mail volume effect.....	...	...	89	0.2	...	92	0.2
Non-volume workload.....	...	...	172	0.4	...	177	0.4
Productivity improvement programs.....	...	...	-1,720	-3.5	...	-280	-0.6
Other programs.....
Total change.....	1,595	3.3	...	3,093	6.1

COST SEGMENT 13 - MISCELLANEOUS COSTS

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COST SEGMENT 13
MISCELLANEOUS COSTS
FY 1977 - 1979

Description

This cost segment includes personnel compensation and benefits, travel and transportation of household effects for Mailbag Repair Units and Mail Equipment Shops, and costs for:

- (a) Contract stations providing postal services;
- (b) Rental allowances paid at CAG L post offices;
- (c) Carfare, tolls and ferrriage, including city carriers driveout agreements;
- (d) Training;
- (e) Employee awards; and
- (f) Other miscellaneous costs, such as severance pay, consultants fees and Federal Reserve Bank deposit charges.

CATEGORY II
TRANSPORTATION
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977		1978		1979		Change		
	Actual	Estimate	Estimate	Estimate	Estimate	Amount	Pct.	Amount	Pct.
RESOURCES:									
1. Positions.....	...	...	...	...	...	...	...	...	...
2. Workyears.....	...	...	...	...	...	...	...	...	...
EXPENSES (\$000):									
1. Domestic Airmail.....	342,918	339,236	339,236	339,236	290,127	-49,109	-14.5	-49,109	-14.5
2. Foreign Airmail.....	41,696	49,204	49,204	49,204	47,153	-2,051	-4.2	-2,051	-4.2
3. Railroad Services.....	107,350	119,676	119,676	119,676	129,012	9,336	7.8	9,336	7.8
4. Foreign Water Services.....	15,224	13,463	13,463	13,463	15,727	2,264	16.8	2,264	16.8
5. Domestic Water Services.....	6,673	6,887	6,887	6,887	7,648	761	11.0	761	11.0
6. Inter-city Highway Services.....	290,323	306,401	306,401	306,401	328,154	21,753	7.1	21,753	7.1
7. Intra-city Highway Services.....	82,496	87,463	87,463	87,463	93,255	5,792	6.6	5,792	6.6
8. Terminal-Transit Charges.....	82,913	92,136	92,136	92,136	94,710	2,574	2.8	2,574	2.8
Total Accrued Costs.....	969,593	1,014,466	1,014,466	1,014,466	1,005,786	-8,680	-0.9	-8,680	-0.9
SOURCES OF CHANGE:									
Cost level.....	...	...	...	...	...	84,481	8.7	66,433	6.5
Mail volume effect.....	...	...	...	...	...	10,727	1.1	11,190	1.1
Non-volume workload.....	...	...	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	...	...	...	...	...	...	...
Other programs.....	...	...	...	...	...	-50,335	-5.2	-86,303	-8.5
Total change.....	...	...	...	...	...	44,873	4.6	-8,680	-0.9

Description

This category provides for local, intercity and international transportation of mail. This includes domestic transportation of mail by air, foreign airmail, railroad service, foreign water service, domestic

water service, and highway service. Employee awards for transportation are also included. The costs of military airmail are reimbursed by the Department of Defense and are therefore excluded from total expenses.

1/25/78

CATEGORY II - TRANSPORTATION - RESOURCE SUMMARY

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CATEGORY III
SUPPLIES AND SERVICES
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977 Actual	1978		Change		1979		Change	
		Estimate	Estimate	Amount	Pct.	Estimate	Estimate	Amount	Pct.
RESOURCES:									
1. Positions.....	361	360	- 1	-0.3	360	360	...	...
2. Workyears.....	368	367	- 1	-0.3	367	367	...	...
EXPENSES (\$000):									
Personnel salaries, benefits and related costs.....	6,392	6,889	497	7.8	7,355	7,355	466	6.8	
Supplies and Services:									
ADP.....	15,827	27,164	11,337	71.6	28,228	28,228	1,064	3.9	
Equipment.....	11,405	11,525	120	1.1	12,240	12,240	715	6.2	
Custodial.....	21,850	19,132	- 2,718	-12.4	20,318	20,318	1,186	6.2	
Buildings.....	58,202	63,060	4,858	8.3	66,970	66,970	3,910	6.2	
Printing and reproduction.....	11,120	9,268	- 1,852	-16.7	9,843	9,843	575	6.2	
Accountable paper.....	53,397	54,255	858	1.6	57,912	57,912	3,657	6.7	
Postal supplies and services.....	36,474	54,993	18,519	50.8	58,417	58,417	3,424	6.2	
Total Supplies and Services.....	208,275	239,397	31,122	14.9	253,928	253,928	14,531	6.1	
Reimbursements and other.....	2,148	- 591	- 2,739	...	- 623	- 623	- 32	-5.4	
Total Accrued Costs.....	216,815	245,695	28,880	13.3	260,660	260,660	14,965	6.1	
SOURCES OF CHANGE:									
Cost level.....	...	...	13,396	6.2	...	...	14,658	6.0
Mail volume effect.....	...	...	305	0.1	...	...	307	0.1
Non-volume workload.....	...	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	...	...	...	...	...	...
Other programs.....	...	...	15,179	7.0	...	...	...	...
Total change.....	...	...	28,880	13.3	...	...	14,965	6.1

CATEGORY III
 SUPPLIES AND SERVICES
 RESOURCE SUMMARY
 FY 1977 - 1979

Description

This cost segment includes personnel costs for field activities that are associated with the computerized label printing division, the two supply centers, and the stamped envelope printing agency. It also

includes costs for data processing and other maintenance service contracts, and purchase of materials and supplies for operations.

1/24/78

CATEGORY III - SUPPLIES AND SERVICES - RESOURCE SUMMARY

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CATEGORY IV
ADMINISTRATION AND
REGIONAL OPERATIONS
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Estimate	Pct.
RESOURCES:								
1. Positions.....	11,823	12,048	225	1.9	12,048	...	...	...
2. Workyears.....	11,888	12,278	390	3.3	12,278	...	...	...
EXPENSES (\$000):								
1. Headquarters Administration	99,959	109,385	9,426	9.4	116,222	6,837	6.3	6.3
2. Regional Administration...	63,230	65,407	2,177	3.4	68,926	3,519	5.4	5.4
3. Law Enforcement.....	120,642	134,698	14,056	11.7	142,569	7,871	5.8	5.8
4. Administration of Postal Rates.....	2,294	2,337	43	1.9	2,460	123	5.3	5.3
5. General Administrative.....	1,452,237	1,639,386	187,149	12.9	2,103,152	463,766	28.3	28.3
Total Accrued Costs.....	1,738,362	1,951,213	212,851	12.2	2,433,329	482,116	24.7	24.7
SOURCES OF CHANGE:								
Cost level.....	...	...	16,819	1.0	...	18,380	0.9	0.9
Mail volume effect.....	...	...	5,634	0.3	...	6,010	0.3	0.3
Non-volume workload.....	...	...	2,062	0.1	...	2,199	0.1	0.1
Productivity improvement programs.....	...	...	...	...	...	...	...	...
Other programs.....	...	...	188,336	10.8	...	455,527	23.4	23.4
Total change.....	...	...	212,851	12.2	...	482,116	24.7	24.7

Description

The costs of this segment include compensation and benefits associated with employees at national headquarters, the five regional headquarters, law enforcement offices, and the Postal Rate Commission.

Also included are nationwide personnel related costs for repricing of annual leave, Civil Service Retirement Fund deficit payments, and Workers' Compensation. Remaining costs relate to interest expense and various smaller accounts.

CATEGORY IV
ADMINISTRATION AND
REGIONAL OPERATIONS
FY 1977 - 1979

ITEM	1977 Actual	1978		Change		1979		Change Amount	Pct.
		Estimate	Estimate	Amount	Pct.	Estimate	Amount		
RESOURCES:									
1. Positions.....	11,823	12,048	12,048	225	1.9	12,048	...	...	...
2. Workyears.....	11,888	12,278	12,278	390	3.3	12,278	...	...	...
EXPENSES (\$000):									
personnel salaries and benefits.....	424,599	392,598	392,598	-32,001	-7.5	384,858	-7,740	-2.0	
Service-wide benefits: Contribution to CSC Retirement Fund Deficit. Workers' Compensation....	448,778	509,289	509,289	60,511	13.5	551,934	42,645	8.4	
Adverse Action Contributions.....	629,100	823,000	823,000	193,900	30.8	1,200,000	377,000	45.8	
	1,117	376	376	-741	-66.3	376	...	...	...
Total Compensation and Benefits.....	1,503,594	1,725,263	1,725,263	221,669	14.7	2,137,168	411,905	23.9	
Travel and Transportation of persons.....	13,123	13,768	13,768	645	4.9	14,634	866	6.3	
Transportation of household effects.....	722	464	464	-258	-35.7	493	29	6.3	
Other services.....	3,197	3,351	3,351	154	4.8	3,880	529	15.8	
Supplies and materials....	195	233	233	38	19.5	248	15	6.4	
Rent, communications and utilities.....	8	8	8	...	...	9	1	12.5	
Insurance claims and indemnities.....	45	212	212	167	...	226	14	6.6	
Interest expense.....	218,759	207,914	207,914	-10,845	-5.0	276,671	68,757	33.1	
Audit adjustment.....	599	...	...	599	...	...	...	...
Total GFY Commitments...	1,740,242	1,951,213	1,951,213	210,971	12.1	2,433,329	482,116	24.7	
Resources on order - change	1,880	...	...	1,880	...	...	...	...	...
Total Accrued Costs.....	1,738,362	1,951,213	1,951,213	212,851	12.2	2,433,329	482,116	24.7	

2/15/78

CATEGORY IV-ADMINISTRATION AND REGIONAL OPERATIONS

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CATEGORY IV
A&RO - 1
HEADQUARTERS ADMINISTRATION
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions.....	4,182	4,180	- 2	...	4,180
2. Workyears.....	4,160	4,158	- 2	...	4,158
EXPENSES (\$000):								
Salaries and benefits.....	93,866	103,348	9,482	10.1	109,298	5,950	5.8	
Stamp Advisory Committee...	10	17	7	70.0	18	1	5.9	
Travel and transportation of persons.....	3,321	3,227	-94	-2.8	3,430	203	6.3	
Transportation of house- hold effects.....	206	130	-76	-36.9	138	8	6.2	
Other contractual services.	2,556	2,663	107	4.2	3,338	675	25.3	
Total Accrued Costs.....	99,959	109,385	9,426	9.4	116,222	6,837	6.3	

Description

Headquarters administration includes the costs of all employees at national headquarters with the exception of personnel concerned with the administration of postal rates. These costs cover the Postmaster General and Executive Offices and the four main functional groups, each of which is headed by a Senior Assistant

Postmaster General. The groups are: finance, administration, operations, and employee and labor relations. A number of field activities which report to Headquarters are also included. Examples of the larger field activities are Postal Data Centers, Postal Service Training and Development Institute, and the Los Angeles Test Center.

CATEGORY IV
A&RO - 2
REGIONAL ADMINISTRATION
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	2,270	2,236	- 34	- 1.5	2,236	...	...
2. Workyears.....	2,207	2,173	- 34	- 1.5	2,173	...	...
EXPENSES (\$000):							
Salaries and benefits.....	57,945	59,704	1,759	3.0	62,865	3,161	5.3
Regional Mgt. Selection Brd. Travel and Transportation of persons.....	36	38	2	5.6	39	1	2.6
Transportation of house- hold effects	5,074	5,541	467	9.2	5,890	349	6.3
	175	124	-51	-29.1	132	8	6.5
Total Accrued Costs.....	63,230	65,407	2,177	3.4	68,926	3,519	5.4

Description

Regional administration includes costs associated with the overall regional direction and administration of regional postal operations. These costs cover

the salaries, benefits and other costs related to the field employees who are under the direction of the Regional Postmaster General, including the district administrative staff.

2/15/78

REGIONAL ADMINISTRATION

CATEGORY IV
A&EO - 3
LAW ENFORCEMENT
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change		
			Amount	Pct.		Amount	Pct.	
RESOURCES:								
1. Positions.....	5,292	5,710	418	7.9	5,710	...	...	...
2. Workyears.....	5,441	5,868	427	7.8	5,868	...	...	...
EXPENSES (\$000):								
Salaries and benefits.....	115,194	129,070	13,876	12.0	136,586	7,516	5.8	5.8
Travel and transportation of persons.....	4,711	4,985	274	5.8	5,298	313	6.3	6.3
Transportation of house- hold effects.....	341	210	- 131	-38.4	223	13	6.2	6.2
Communications.....	8	8	...	...	9	1	12.5	12.5
Other services.....	279	142	- 137	-49.1	151	9	6.3	6.3
Supplies and materials.....	64	71	7	10.9	76	5	7.0	7.0
Claims.....	45	212	167	...	226	14	6.6	6.6
Total Accrued Costs.....	120,642	134,698	14,056	11.7	142,569	7,871	5.8	5.8

Description

Law enforcement includes costs associ-
ated with investigative and law enforce-
ment responsibilities of the Postal
Inspection Service pertaining to the
violation of postal laws, prevention and
detection of loss and mistreatment of
mails, and loss of Government funds and
property. Program activities include
cooperative efforts in the national
program to combat organized crime,

activities directed toward crime
prevention within the Postal Service,
security programs for protection of
Postal personnel and property, internal
audit, and administrative functions.
Costs are associated with the following
groups of employees: postal inspectors,
security force, special investigators,
and administrative personnel.

LAW ENFORCEMENT

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CATEGORY IV
A&RO - 4
ADMINISTRATION OF POSTAL RATES
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions.....	79	79	...	...	79	...	...	...
2. Workyears.....	80	79	- 1	-1.3	79	...	...	...
EXPENSES (\$000):								
Salaries and benefits.....	2,277	2,322	45	2.0	2,444	122	5.3	
Travel and transportation of persons.....	17	15	- 2	-11.8	16	1	6.7	
Total Accrued Costs.....	2,294	2,337	43	1.9	2,460	123	5.3	

Description

Administration of postal rates includes salaries, benefits, and other costs associated with employees of the Postal

Rate Commission which is an independent organization headed by five Commissioners appointed by the President.

2/10/78

ADMINISTRATION OF POSTAL RATES

CATEGORY IV
A&RO - 5
GENERAL ADMINISTRATIVE
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	...	...	...	...	...	...	...
2. Workyears.....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Compensation.....	155,271	98,276	-56,995	-36.7	73,608	-24,668	-25.1
Benefits.....	1,078,995	1,332,665	253,670	23.5	1,752,310	419,645	31.5
Other services.....	362	369	7	1.9	391	22	6.0
Supplies and materials.....	131	162	31	23.7	172	10	6.2
Interest.....	218,759	207,914	-10,845	-5.0	276,671	68,757	33.1
Audit adjustment.....	599	...	-599	...	...	...	...
Total Commitments.....	1,454,117	1,639,386	185,269	12.7	2,103,152	463,766	28.3
Changes in resources on order.....	-1,880	...	1,880	...	...	...	...
Total Accrued Costs.....	1,452,237	1,639,386	187,149	12.9	2,103,152	463,766	28.3

Description

General administrative costs are associated with the following items: repricing of annual leave due to salary increases, contribution to the

Civil Service Retirement Fund deficit, contributions for workers' compensation, supplies and services, insurance claims and indemnities, and interest expense.

CATEGORY V
BUILDING OCCUPANCY
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	...	...	...	...	...	...	...
2. Workyears.....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Rents.....	255,687	267,931	12,244	4.8	277,260	9,329	3.5
Fuel.....	28,498	32,877	4,379	15.4	38,359	5,482	16.7
Utilities.....	118,892	137,458	18,566	15.6	158,138	20,680	15.0
Communications.....	34,011	36,120	2,109	6.2	37,814	1,694	4.7
Building Projects Expensed..	8,487	8,487	...	...	8,487	...	...
Moving Expense.....	597	597	...	...	597	...	...
Reimbursements.....	-24,518	-26,100	-1,582	-6.5	-26,500	-400	-1.5
Total Accrued Costs.....	421,654	457,370	35,716	8.5	494,155	36,785	8.0
SOURCES OF CHANGE:							
Cost level.....	...	...	39,305	9.3	...	40,976	9.0
Mail volume effect.....	...	...	...	...	...	...	...
Non-volume workload.....	...	...	-3,589	-0.8	...	-3,921	-0.9
Productivity improvement programs.....	...	...	...	...	...	...	...
Other programs.....	...	...	...	...	...	...	...
Total change.....	...	...	35,716	8.5	...	36,785	8.0

Description

Building occupancy costs cover renting and leasing of postal facilities, reimbursement for owned facilities leased

to others, the cost of fuel, utilities, and communications, building improvement expenses, and moving expenses.

CATEGORY VI
RESEARCH AND DEVELOPMENT
RESOURCE SUMMARY
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions.....	...	...	...	...	...	...	...
2. Workyears.....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Research projects - current year commitments..	7,481	24,690	17,209	...	59,000	34,310	...
Changes in resources on order.....	6,248	...	-6,248	...	...	...	...
Total Accrued Costs...	13,729	24,690	10,961	79.8	59,000	34,310	139.0
SOURCES OF CHANGE:							
Cost level.....	...	...	...	...	...	...	...
Mail volume effect.....	...	...	...	...	...	...	...
Non-volume workload.....	...	...	...	...	...	...	...
Productivity improvement programs.....	...	...	...	...	...	...	...
Other programs.....	...	...	10,961	79.8	...	34,310	139.0
Total change.....	...	...	10,961	79.8	...	34,310	139.0

Description

This segment provides information on research and development programs directed towards improving service, reducing costs and technological

support in development of equipment and systems. Resources are for contractual services, equipment and supplies.

2/14/78

CATEGORY VI - RESEARCH AND DEVELOPMENT

CATEGORY VII
SERVICEWIDE EXPENSES
FY 1977 - 1979

ITEM	1977	1978		Change		1979		Change	Pct.
	Actual	Estimate	Amount	Pct.	Estimate	Amount			
RESOURCES:									
1. Positions.....	137	136	- 1	- 0.7	136	...	...	...	...
2. Workyears.....	139	139	...	...	139	...	...	...	...
EXPENSES (\$000):									
Salaries and benefits.....	3,303	3,452	149	4.5	3,651	199	5.8		
Travel and transportation of persons.....	80	84	4	5.0	89	5	6.0		
Instructional assistance....	62	53	- 9	-14.5	56	3	5.7		
Subtotal General									
Management.....	3,445	3,589	144	4.2	3,796	207	5.8		
Unemployment compensation..	55,000	55,000	...	...	55,000	...	...
Back pay claims.....	-7,877	...	7,877	...	...	...	...
Insurance claims and indemnities.....	33,703	34,938	1,235	3.7	34,884	- 54	-0.2		
Other services.....	34,314	6,833	-27,481	-80.1	8,468	1,635	23.9		
Costs of embossed envelopes	6,334	6,733	399	6.3	7,150	417	6.2		
Changes in resources on order.....	2,036	...	- 2,036	...	...	...	...
Reimbursements.....	-4,637	-4,881	- 244	- 5.3	-8,121	-3,240	-66.4		
Subtotal General									
Administrative.....	118,873	98,623	-20,250	-17.0	97,381	-1,242	- 1.3		
Total Accrued Costs.....	122,318	102,212	-20,106	-16.4	101,177	-1,035	- 1.0		

Description

This segment reflects costs that are not identifiable with a specific activity. Included are costs of mail indemnities,

damage claims, unemployment compensation, advertising costs, bad debt expenses, and costs of embossed envelopes.

2/15/78

CATEGORY VII - SERVICEWIDE EXPENSES

CATEGORY VIII
CAPITAL INVESTMENT - RESOURCE SUMMARY
1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions
2. Workyears
COMMITMENTS (\$000):								
A. Facilities	257,673	292,653	34,980	13.6	290,611	- 2,042	- 0.7	
B. Mail Processing Equipment...	70,607	88,634	18,027	25.5	53,289	-35,345	-39.9	
C. Vehicles.....	31,412	62,235	30,823	98.1	75,703	13,468	21.6	
D. Customer Services Equipment.	5,245	16,550	11,305	215.5	18,170	1,620	9.8	
E. Postal Support Equipment.....	24,504	47,057	22,553	92.0	34,962	-12,095	-25.7	
TOTAL COMMITMENTS.....	389,441	507,129	117,688	30.2	472,735	-34,394	- 6.8	
Less prior year adjustments.....	31,788	...	31,788	...	...	...	...
DIRECT COMMITMENTS.....	357,653	507,129	149,476	41.8	472,735	-34,394	- 6.8	
EXPENDITURES.....	437,620	509,607	71,987	16.4	537,128	27,521	5.4	
ACCRUED COSTS.....	...	...	...	...	...	...	...

Description

Facilities
Planned commitments for this category includes acquisition of sites, design and construction of new postal owned buildings, purchase of existing facilities and improvement to existing leased and owned post office buildings. Over 80% of the total facilities category is planned for the construction of new

owned facilities, which will replace and consolidate operations presently being conducted in obsolete and less economical buildings. The remaining 20% is for the purchase of existing facilities to be used for postal purposes and accomplishing improvements to currently occupied buildings.

2/10/78

CATEGORY VIII CAPITAL INVESTMENT - RESOURCE SUMMARY - Cont'd.

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CATEGORY VIII
CAPITAL INVESTMENT - RESOURCE SUMMARY - Cont'd
1977 - 1979

Mail Processing Equipment

This sub-category includes fixed mechanization, non-fixed mechanization and other mail handling equipment. Fixed mechanization is custom-made to meet requirements for a particular mail handling operation and specific building. Non-fixed mechanization consists of automated modules of equipment such as letter sorting machines, portable conveyors, culling machines, cancelling machines, etc. This program is directed towards reducing costs in mail processing operations.

Vehicles

The vehicle program consists of four vehicle requirement categories: carrier motorization, bulk transfer vehicles for delivery and intra-inter city transport of the mails, law enforcement vehicles for postal inspector surveillance, and other vehicles such as those used for the maintenance of vehicles and buildings.

Planned vehicle procurements for replacement and new service in 1978 and 1979 are:

	Number of Units	
Service Requirement:	1978	1979
Replacement Vehicles	8,986	11,354
New Service Vehicles	330	23
Total Procurement	9,316	11,377
<u>Customer Service Equipment</u>		

This equipment supports post office lobby, window and self-service programs. The Postal Service's objective in this program is to attain new and improved services to postal customers in the retail area of post offices.

Postal Support Equipment

Support equipment consists of such items as office machines and furniture, maintenance equipment, and automatic data processing equipment.

CATEGORY VIII - CAPITAL INVESTMENT - RESOURCE SUMMARY- Cont'd

2/16/78

CATEGORY VIII
CAPITAL INVESTMENT
1977 - 1979
(\$000)

ITEM	1977	1978		1979		Change		
	Actual	Estimate	Amount	Pct.	Estimate	Amount	Pct.	
<u>Facilities:</u>								
Construction	181,494	219,704	38,210	21.1	233,668	13,964	6.4	
Building purchase	27,560	3,322	-24,238	-87.9	553	-2,769	-83.4	
Building improvements	48,619	69,627	21,008	43.2	56,390	-13,237	-19.0	
Subtotal	257,673	292,653	34,980	13.6	290,611	-2,042	-0.7	
<u>Mail Processing Equipment:</u>								
Fixed mechanization	37,510	52,795	15,285	40.7	24,517	-28,278	-53.6	
Non-fixed mechanization	23,786	23,923	137	0.6	19,578	-4,345	-18.2	
Other mail handling equipment	9,311	11,916	2,605	28.0	9,194	-2,722	-22.8	
Subtotal	70,607	88,634	18,027	25.5	53,289	-35,345	-39.9	
<u>Vehicles:</u>								
Carrier motorization	24,547	39,487	14,940	60.9	54,091	14,604	37.0	
Bulk transfer	2,366	14,481	12,115	512.0	15,068	587	4.1	
Law enforcement .....	..	535	535	..	342	-193	-36.1
Other vehicles	1,683	4,147	2,464	146.4	1,920	-2,227	-53.7	
Vehicle auxiliary equipments	601	585	-16	-2.7	382	-203	-34.7	
Freight - motor vehicles	2,215	3,000	785	35.4	3,900	900	30.0	
Subtotal	31,412	62,235	30,823	98.1	75,703	13,468	21.6	

1/11/78

CATEGORY VIII - CAPITAL INVESTMENT

CATEGORY VIII.
CAPITAL INVESTMENT - Cont'd
FY 1977 - 1979
(\$000)

	1977 Actual	1978		Change		1979		Change	
		Estimate	Amount	Amount	Pct.	Estimate	Amount	Amount	Pct.
Customer Services Equipment:									
Lobby equipment	141	366	225	159.6	251	-	115	-31.4	
Window service equipment	2,607	2,727	120	4.6	3,151	424	424	15.5	
Self-service equipment.....	2,497	13,457	10,960	438.9	14,768	1,311	1,311	9.7	
Subtotal	5,245	16,550	11,305	215.5	18,170	1,620	1,620	9.8	
Postal Support Equipment:									
Administrative and general... support.....	8,745	9,952	1,207	13.8	6,338	-3,614	-3,614	-36.3	
Maintenance equipment	4,087	8,243	4,156	101.7	4,653	-3,590	-3,590	-43.6	
Automatic data processing....	9,715	26,262	16,547	170.3	21,271	-4,991	-4,991	-19.0	
Freight (other than vehicles)	1,957	2,600	643	32.9	2,700	100	100	3.8	
Subtotal	24,504	47,057	22,553	92.0	34,962	-12,095	-12,095	-25.7	
Total Capital Investment.....	389,441	507,129	117,688	30.2	472,735	-34,394	-34,394	- 6.8	

CATEGORY VIII-CAPITAL INVESTMENT - Cont'd.

2/16/78

CATEGORY IX
CONTINGENCY
FY 1977 - 1979

ITEM	1977 Actual	1978 Estimate	Change		1979		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions.....
2. Workyears.....
EXPENSES (\$000):								
Total Accrued Costs.....	...	664,144	664,144	...	710,963	46,819	7.0	

Description

The Postal Reorganization Act of 1970, Public Law 91-375, provides for the inclusion of a reasonable provision for contingencies in total estimated costs. This segment reflects the estimated con-

tingency amounts required to cover unexpected postal costs equal to four percent of the total accrued costs.

2/16/78

CATEGORY X
DEPRECIATION AND OTHER COSTS
FY 1977 - 1979

ITEM	1977	1978	Change		1979	Change	
	Actual	Estimate	Amount	Pct.	Estimate	Amount	Pct.
RESOURCES:							
1. Positions.....	...	...	...	...	...	...	...
2. Workyears.....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Depreciation	206,695	219,350	12,655	6.1	232,467	13,117	6.0
Expendable equipment and charge-offs.....	4,520	290	-4,230	-93.6	290	...	...
Amortization of debt discount and expense.....	55	55	...	...	55	...	...
Total Accrued Costs.....	211,270	219,695	8,425	4.0	232,812	13,117	6.0

Description

This category provides for the expenses related with depreciation on buildings and equipment, and other write-offs. Write-offs include costs of expendable equipment, gains or losses on sales

of motor vehicles, discounts, amortization of bond commission, uncollectable receivables written off, and lost or damaged property.

1/17/78

CATEGORY X - DEPRECIATION AND OTHER COSTS

PART V
SPECIAL EXHIBITS

PART V

U. S. POSTAL SERVICE
Mail Volume and Revenues
Fiscal Years 1977 - 1978
(In thousands)

Classification	FY 1977 ACTUAL			FY 1978 ESTIMATE			FY 1979 ESTIMATE		
	Pieces or Transactions	%	Postal Revenue	Pieces or Transactions	%	Postal Revenue	Pieces or Transactions	%	Postal Revenue
Operating Revenues									
First class.....	53,654,108	2.97	\$7,831,430	54,148,785	0.92	\$8,369,729	54,270,892	0.23	\$9,377,581
Priority (heavy pieces).....	202,408	5.68	467,602	218,430	7.92	454,916	235,361	7.75	456,364
Second class.....	8,672,330	2.55	362,783	8,682,343	0.11	441,035	8,449,180	2.69	557,329
Controlled circulation publications.....	6,690,255	12.73	52,689	6,702,523	-2.86	56,511	6,692,681	3.30	67,865
Third class.....	24,049,863	6.82	1,747,519	25,882,303	7.62	2,013,169	27,080,972	4.63	2,321,303
Penalty and Official Mail.....	2,962,047	0.09	566,755	3,196,576	7.92	682,889	3,299,881	3.22	737,022
Franked.....	307,030	-27.15	44,473	504,442	64.30	76,739	357,183	-29.19	60,760
International coverings.....	885,056	8.91	492,574	942,676	62.54	524,074	846,762	0.46	528,435
Total Volume and Revenue from Mail.....	92,223,912	2.74	12,310,296	94,998,833	3.01	13,408,888	96,006,494	1.06	15,023,139
Special Services and Other:									
Box rents.....	136,701	...	109,030	5,511	...	113,226	3,851	...	117,938
Money order fees.....	297,153	-23.09	359,322	90,110	14.55	361,428	156,893	...	112,413
Special services.....	...	-9.10	124,338	281,559	5.25	180,928	278,251	-1.17	208,831
Other revenue, net.....	...	...	...	...	...	...	...	...	...
Total Special Services and Other Revenues.....	...	...	657,577	43,14	...	733,833	11,60	...	781,370
Total Operating Revenues.....	...	...	12,997,873	13,83	...	14,142,701	8,81	...	15,804,509
Receipts from Appropriations									
Less: P.O.D. Liabilities.....	...	...	2,286,170	2,85	...	1,787,489	-21,12	...	1,829,984
Other adjustments.....	...	...	-54,104	-8.16	...	-64,791	19.75	...	-65,632
Net Appropriations.....	...	...	-500,000	...	...	1,722,688	...	...	1,764,352
Subtotals.....	...	...	14,709,939	14.13	...	15,825,108	7.86	...	17,588,871
Investment Income.....	131,739	85.77	...	101,200	-23.18	...	131,800
Total Income.....	14,841,678	14.72	...	15,986,609	7.58	...	17,700,671

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MAIL VOLUME AND REVENUES

U. S. POSTAL SERVICE
 Special Services Transactions and Postal Revenue
 For Fiscal Years 1977 - 1979
 (in thousands)

Classification	Actual 1977		Estimated 1978		Estimated 1979	
	Transactions	% Revenue	Transactions	% Revenue	Transactions	% Revenue
Special Services:						
Registry-Paid and Free....	59,376	-19.05	51,603	-13.09	51,431	-0.33
Insurance	85,599	-4.44	74,653	-12.79	71,759	-3.88
Collect-on-Delivery.....	16,496	4.63	13,824	-16.20	13,277	-3.96
Certified.....	81,439	3.05	87,244	7.13	91,466	4.84
Special Delivery.....	54,243	-21.60	54,235	0.01	50,318	-7.22
Stamped Envelopes.....	...	...	...	...	...	...
	...	13,165	...	11,528	...	11,082
Total Special Services..	297,153	-9.10	281,559	-5.25	278,251	-1.17
		339,202		347,266		342,182
		60.10		2.38		-1.46

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SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE

SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE

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TOTAL COMMITMENTS BY OBJECT
 FY 1977 - 1979
 (in thousands of dollars)

ITEM	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
Personnel Compensation:			
Permanent positions	8,456,867	8,983,266	9,419,813
Positions other than permanent	1,320,580	1,419,157	1,495,251
Other personnel compensation	1,996,948	1,050,609	1,096,626
Total personnel compensation	10,774,395	11,453,032	12,011,690
Personnel benefits	2,038,005	2,293,312	2,687,015
Benefits for former personnel	55,099	56,837	56,837
Travel and transportation of persons	33,511	34,721	36,965
Transportation of things	1,136,266	1,185,948	1,193,825
Standard level user charge	25,262	24,180	22,470
Rent, communications, and utilities	405,339	445,504	485,270
Printing and reproduction	20,550	18,306	19,453
Other services	182,718	172,677	213,904
Supplies and materials	178,784	206,846	219,067
Equipment	116,289	214,629	182,287
Lands and structures	237,199	292,653	290,611
Insurance claims and indemnities	33,748	35,150	35,150
Interest on notes and bonds	218,759	207,914	276,671
Interest on civil service unfunded liability	283,520	326,254	367,105
Contingency	3,483	664,144	710,963
Total direct commitments	15,742,907	17,632,107	18,808,883
Reimbursements	96,470	107,503	118,661
TOTAL COMMITMENTS	15,839,377	17,739,610	18,927,544

TOTAL COMMITMENTS BY OBJECT

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U. S. POSTAL SERVICE
SUMMARY OF POSITIONS
FY 1977 - FY 1979

Personnel Category or Cost Segment	1977 Actual	1978 Estimate		Changes		1979 Estimate		Change	
		Estimate	Amount	Pct.	Amount	Pct.	Amount	Pct.	
I. Postal Field Operations:									
1. Postmasters.....	29,097	28,798	- 299	- 1.0	28,460	338	- 1.2		
2. Supervisors & Technicians.....	36,239	42,074	5,835	16.1	40,157	1,917	- 4.6		
3. Clerks & Mailhandlers, CAG A-J.....	285,233	283,509	- 1,724	- 0.6	276,113	7,396	- 2.6		
4. Clerks, CAG K.....	13,727	13,560	- 167	- 1.2	13,307	253	- 1.9		
6&7 City Delivery Carriers.....	183,060	181,559	- 1,501	- 0.8	179,282	2,277	- 1.3		
8. Vehicle Drivers.....	6,144	6,151	7	0.1	6,117	34	- 0.6		
9. Special Delivery Messengers.....	3,086	3,451	365	11.8	3,379	72	- 2.1		
10. Rural Carriers.....	51,879	52,094	215	0.4	53,004	910	1.8		
11. Custodial (Maintenance) Service.....	28,743	26,893	- 1,850	- 6.4	26,236	637	- 2.4		
12. Motor Vehicle Service.....	4,878	4,713	- 165	- 3.4	4,378	335	- 7.1		
13. Miscellaneous Operating Expense.....	642,355	643,570	715	0.1	631,221	12,349	- 1.9		
II. Transportation.....	361	360	- 1	- 0.3	360	...	...
III. Supplies and Services.....	11,823	12,048	225	1.9	12,048	...	...
IV. Administration & Regional Operations.....	...	...	...	...	...	...	...
V. Building Occupancy.....	...	...	...	...	...	...	...
VI. Research and Development.....	...	...	...	...	...	...	...
VII. Servicewide Costs:									
General Management Systems.....	137	136	- 1	- 0.7	136	...	...
VIII. Capital Investment.....	...	...	...	...	...	...	...
IX. Contingency.....	...	...	...	...	...	...	...
X. Depreciation and Other Costs.....		
Total Positions.....	655,176	656,114	938	0.1	643,765	12,349	- 1.9		

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SUMMARY OF POSITIONS

U. S. POSTAL SERVICE
SUMMARY OF WORKYEARS
FY 1977 - 1978

Personnel Category or Cost Segment	1977	1978		1979		Change	
	Actual	Estimate	Amount	Pct.	Estimate	Amount	Pct.
I. Postal Field Operations:							
1. Postmasters.....	30,647	30,628	- 19	-0.1	30,300	- 328	-1.1
2. Supervisors & Technicians.....	46,396	44,748	-1,648	-3.6	42,754	-1,994	-4.5
3. Clerks & Mailhandlers, CAG A-J.....	299,736	304,524	1,788	0.6	293,965	-7,559	-2.5
4. Clerks, CAG K.....	2,878	2,843	- 35	-1.2	2,795	- 2,225	-1.2
6&7 City Delivery Carriers.....	191,856	192,097	1,241	0.6	190,471	- 2,229	-1.2
8. Vehicle Drivers.....	3,733	3,876	143	3.8	3,513	- 220	-6.0
9. Special Delivery Messengers.....	3,733	3,876	143	3.8	3,598	- 278	-7.2
10. Surtaxair Services.....	38,308	38,467	159	0.4	39,139	831	2.2
11. Contract Mail (Maintenance) Service.....	29,269	28,602	- 667	-2.3	27,954	- 648	-2.3
12. Motor Vehicle Service.....	5,127	5,013	- 114	-2.2	4,661	- 352	-7.0
13. Miscellaneous Operating Expense.....	726	5,726	5,000	687.5	4,726	- 1,000	-17.3
Total Field Operations.....	655,293	655,860	567	0.1	643,275	-12,585	-1.9
II. Transportation.....	...	...	...	...	...	...	...
III. Supplies and Services.....	368	367	- 1	-0.3	367	...	...
IV. Administration & Regional Operations.....	11,888	12,278	390	3.3	12,278	...	...
V. Building Occupancy.....	...	...	...	...	...	...	...
VI. Research and Development.....	...	...	...	...	...	...	...
VII. Service-wide Costs:							
General Management Systems.....	139	139	...	...	139	...	...
VIII. Capital Investment.....	...	...	...	...	...	...	...
IX. Contingency.....	...	...	...	...	...	...	...
X. Depreciation.....
Other Costs.....
Total Workyears.....	667,688	668,644	956	0.1	656,059	-12,585	-1.9

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SOURCE OF CHANGE - SUMMARY
 FY 1978 - FY 1979
 (in thousands of dollars)

Personnel Category or Cost Segment	FY 1978 Estimate	Cost Level	Mail Volume Effect	Non Volume Workload	Productivity Improvement Programs	Other Programs	Total Change	FY 1979 Estimate
I. Postal Field Operations:								
1. Postmasters	588,247	32,832	894	- 3,541	- 3,987	...	26,198	614,445
2. Supervisors and Technicians	860,071	61,398	11,792	1,917	- 60,121	...	14,986	995,057
3. Clerks and Mailhandlers - CAG A-J	5,252,474	369,265	92,467	408	-200,104	...	232,987	5,865,736
4. Clerks CAG K	52,174	3,011	52	...	...	...	...	52,174
6&7 City Delivery Carriers	3,494,390	228,483	52,001	41,652	-133,806	...	188,340	3,862,730
8. Vehicle Drivers	126,346	7,866	494	...	...	...	7,444	133,790
9. Special Delivery Messengers	68,835	4,546	1,424	...	...	...	3,122	71,957
10. Rural Carriers	925,852	61,947	7,472	7,841	- 813	...	76,447	1,002,299
11. Custodial (Maintenance) Service	540,876	36,206	1,078	9,665	- 23,080	...	23,869	564,745
12. Motor Vehicle Service	217,300	13,470	1,139	1,667	- 10,115	...	6,161	223,461
13. Miscellaneous Costs	50,557	3,104	92	177	- 280	...	3,093	53,650
Total Field Operations	17,600,397	813,473	166,749	59,786	-434,959	...	605,049	18,205,446
II. Transportation	1,014,466	66,433	11,190	...	...	-86,303	- 8,680	1,005,786
III. Supplies and Services	1,245,695	14,638	307	...	...	...	14,965	1,260,660
IV. Administration and Regional Operations	1,951,213	18,380	6,010	2,199	...	455,527	482,116	2,433,329
V. Building Occupancy	457,370	40,976	...	- 3,921	...	- 270	36,785	494,155
VI. Research and Development	24,690	...	...	...	...	34,310	34,310	59,000
VII. Servicewide Expenses	102,212	1,860	- 1,497	...	...	- 1,398	- 1,035	101,177
VIII. Capital Investment .....	...	...	...	...	...	...	...	...
IX. Contingency	664,144	...	...	...	...	46,819	46,819	710,963
X. Depreciation and Other Costs	219,695	1,214	314	104	- 477	11,962	13,117	232,812
Total Operating Expenses	17,279,982	956,994	183,073	58,168	-435,436	460,647	1,223,446	18,503,328

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SOURCES OF CHANGE - SUMMARY

SOURCES OF CHANGE - SUMMARY

SOURCE OF CHANGE - SUMMARY
 FY 1977 - FY 1978
 (in thousands of dollars)

Personnel Category or Cost Segment	1977 Actual	Cost Level	Mail Volume Effect	Non Volume Workload	Productivity Improvement Programs	Other Programs	Total Change	FY 1978 Estimate
I. Postal Field Operations:								
1. Postmasters.....	561,235	29,087	850	- 2,925	...	...	27,012	588,247
2. Supervisors And Technicians.....	958,317	60,535	11,535	1,876	- 52,192	...	21,754	980,071
3. Clerks and Mailhandlers - CAG A-J.....	5,184,849	411,179	87,511	1,386	-131,176	...	367,900	5,552,749
4. Clerks - CAG K.....	51,513	3,877	49,704	...	...	...	3,661	55,174
6&7 City Delivery Carriers.....	3,279,290	263,265	49,482	39,634	-137,861	...	213,100	3,492,340
8. Rural Carriers.....	64,603	5,283	- 1,031	...	- 1,505	...	4,232	68,835
9. Special Delivery Messengers.....	864,096	63,876	7,019	7,366	- 16,505	...	61,736	925,852
10. Rural Carriers.....	508,651	41,637	1,028	9,216	- 19,656	...	32,225	540,876
11. Custodial (Maintenance) Service.....	203,543	14,133	1,085	1,572	- 3,033	...	13,757	217,300
12. Motor Vehicle Service.....	48,962	3,054	89	1,172	- 1,720	...	1,595	50,557
13. Miscellaneous Costs.....	11,843,275	904,852	158,741	57,297	-363,768	...	757,122	12,600,397
Total Field Operations.....	969,593	84,481	10,727	...	...	- 50,335	44,873	1,014,466
II. Transportation.....	216,815	13,396	305	...	...	15,179	28,880	245,695
III. Supplies and Services.....	1,738,362	16,819	5,634	2,062	...	188,336	212,881	1,951,213
IV. Administration and Regional Operations.....	421,654	39,305	...	- 3,589	...	...	35,716	457,370
V. Building Occupancy.....	13,729	1,795	...	...	...	...	10,861	24,690
VI. Research and Development.....	122,318	...	218	...	...	...	- 21,683	102,212
VII. Servicewide Expenses.....	...	...	...	...	...	...	...	...
VIII. Capital Investment.....	...	...	...	...	...	...	...	...
IX. Contingency.....	211,270	1,484	384	127	- 583	664,144	664,144	664,144
X. Depreciation and Other Costs.....	...	...	...	...	...	7,013	8,425	219,895
Total Operating Expenses.....	15,537,016	1,062,132	175,573	55,897	-364,351	813,615	1,742,866	17,279,882

SOURCES OF CHANGE - SUMMARY

2/16/78

SELECTED OPERATING STATISTICS

	1975	%*	1976	%*	1977	%*	1978	%*	1979	%*
Mail Volume (billions of pieces)										
(GVF).....	89.3	-0.9	89.8	0.6	92.2	2.7	95.0	3.0	96.0	1.1
City Delivery:.....										
Number of routes:.....	128,847	-1.2	125,938	-2.3	124,071	-1.5	124,631	0.5	125,686	0.8
Possible deliveries										
(millions).....	62.7	1.3	63.2	0.8	64.3	1.7	65.4	1.7	66.6	1.8
Special Deliveries (millions of										
pieces).....	75.3	-8.1	69.2	-8.1	54.2	-21.7	54.2	...	50.3	-7.2
Rural Delivery:										
Number of routes (number).....	32,481	1.1	32,616	0.4	32,741	0.4	32,872	0.4	33,003	0.4
Average daily route miles.....	69.9	1.3	69.5	-0.6	68.7	-1.2	69.7	1.5	70.6	1.3
Post Offices:										
CAG A-G.....	5,477	1.3	5,515	0.7	5,614	1.8	5,588	-0.5	5,563	-0.4
CAG H-J.....	7,396	-1.1	7,462	0.9	7,550	1.2	7,532	-0.2	7,517	-0.2
CAG K.....	12,191	-0.3	12,071	-1.0	12,093	0.2	12,047	-0.4	12,001	-0.4
CAG L.....	5,690	-3.3	5,473	-3.8	5,264	-3.8	5,049	-4.1	4,831	-4.3
Total.....	<u>30,754</u>	<u>-0.8</u>	<u>30,521</u>	<u>-0.8</u>	<u>30,521</u>	<u>...</u>	<u>30,216</u>	<u>-1.0</u>	<u>29,912</u>	<u>-1.0</u>
Contract Stations (number).....	3,808	3.6	3,796	-0.3	3,798	0.1	3,542	-6.7	3,592	1.4
Total Active Vehicle Fleet										
(number).....	113,516	6.2	117,170	3.2	118,569	1.2	118,715	0.1	118,913	0.2
Interior Space										
Occupied (thousands of square										
feet).....	170,149	2.0	182,747	7.4	183,046	0.2	184,124	0.6	185,348	0.7

*Change over prior year

1/27/78

SELECTED OPERATING STATISTICS

SELECTED OPERATING STATISTICS

PRODUCTIVITY

TOTAL EMPLOYMENT

FISCAL YEAR	Workyears	Mail Volume (millions)	Average Pieces Per Workyear	Percent Increase or Decrease (-)
1971.....	723,581	86,983	120,212	2.8
1972.....	707,674	87,156	123,158	2.5
1973.....	684,182	89,683	131,079	9.4
1974.....	674,293	90,266	132,764	1.3
1975.....	683,590	89,768	131,318	0.6
Transition Quarter.....	164,902	21,490	130,330	2.0
1977 1/2.....	667,688	92,224	138,124	5.2
1978 (estimate).....	668,644	94,999	142,077	2.9
1979 (estimate).....	656,059	96,007	146,339	3.0

CLERKS AND MAILHANDLERS

FISCAL YEAR	Workyears	Mail Volume (Millions of Pieces)	Average Pieces Per Workyear	Percent Increase or Decrease (-)
1971.....	336,630	86,983	258,383	4.2
1972.....	321,752	87,156	270,879	4.8
1973.....	308,323	89,683	290,874	7.4
1974.....	319,963	90,098	281,589	-3.2
1975.....	316,091	89,266	282,406	0.3
1976.....	307,233	89,768	282,182	3.5
Transition Quarter.....	71,820	21,490	299,220	..
1977 1/2.....	302,614	92,224	304,758	4.3
1978 (estimate).....	304,367	94,999	312,120	2.4
1979 (estimate).....	296,755	96,007	323,523	3.7

CITY DELIVERY CARRIERS

FISCAL YEAR	Workyears	Possible Deliveries (000)	Possible Deliveries Per Workyear	Percent Increase or Decrease (-)
1971.....	217,669	56,385	261.8	1.9
1972.....	216,483	58,404	269.8	3.1
1973.....	205,487	59,986	291.9	8.2
1974.....	208,036	61,897	297.5	1.9
1975.....	199,544	62,683	314.1	5.6
1976.....	195,598	63,243	323.3	2.9
Transition Quarter.....	49,107	63,243	..	..
1977 1/2.....	191,856	64,300	335.1	3.6
1978 (estimate).....	193,097	65,400	338.7	1.1
1979 (estimate).....	190,875	66,600	348.9	3.0

1/ Percent increase over FY 1976

2/13/78

PRODUCTIVITY - TOTAL EMPLOYMENT

FINANCING OF COMMITMENTS INCURRED (\$000)

Item	FY 1977 Actual		FY 1978 Estimate		FY 1979 Estimate	
	TOTAL	Capital	TOTAL	Capital	TOTAL	Capital
Gross commitments - current year.....	15,838,098	15,424,137	17,739,610	17,167,690	18,927,544	18,389,177
Prior year adjustments.....	1,279	3,483	...	...	...	...
Total commitments incurred.....	15,839,377	15,427,620	17,739,610	17,167,690	18,927,544	18,389,177
Sources of financing:						
Retainments, encumbrances & appropriations.....	13,250,226	13,250,226	14,380,211	14,380,211	16,088,090	16,088,090
Notes payable-net.....	2,286,170	1,712,066	1,787,489	1,722,708	1,829,894	1,784,362
Borrowing authority committed during year.....	1,067,000	-500,000	933,000	500,000	2,466,000	-1,071,000
Borrowing authority committed prior year items.....	1,279	3,483	...	...	...	...
Borrowing authority committed during year.....	961,845	961,845	564,771	564,771	703,725	703,725
b) Capital.....	426,857	...	74,129	...	59,735	...
Total.....	15,839,377	15,427,620	17,739,610	17,167,690	18,927,544	18,389,177

Item	Uncommitted		Debt		Financed	
	Borrowing Authority	Outstanding	Borrowing Authority	Outstanding	Borrowing Authority	Outstanding
Total borrowing authority at June 30, 1971.....	10,000,000	...	...	...	...	...
Borrowing authority committed during year.....	...	...	...	...	...	...
June 30, 1972.....	-262,370	250,000	...	...	12,510	...
June 30, 1973.....	-48,269	500,000	...	...	187,606	...
June 30, 1974.....	-1,546,896	1,000,000	...	...	546,896	...
June 30, 1975.....	-1,457,671	1,248,000	...	...	597,961	...
June 30, 1976.....	-337,702	1,067,000	...	...	1,384,702	...
Transition Quarter.....	-1,571,900	933,000	...	...	638,900	...
September 30, 1978.....	-1,009,460	246,000	...	...	783,460	...
Balances at September 30, 1979.....	2,905,120	3,610,000	...	...	3,484,880	...

2/3/78

FINANCING OF COMMITMENTS INCURRED

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS (\$'000)

	T. Q. Actual	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
<u>Details of Gross Receipts</u>				
Balance at beginning of year:				
Accounts receivable and				
advances.....	153,734	131,736	159,116	179,100
Deferred credits.....	-342,377	-336,129	-417,507	-511,900
Total beginning balances....	<u>-188,643</u>	<u>-204,393</u>	<u>-258,391</u>	<u>-332,800</u>
Current year revenues, operating				
receipts and appropriations....	4,015,456	<u>15,517,675</u>	<u>16,167,710</u>	<u>17,918,084</u>
Subtotal.....	3,826,813	15,313,282	15,909,319	17,585,284
Less: Balances at end of year:				
Accounts receivable and				
advances.....	-131,736	-159,116	-179,100	-182,250
Deferred credits.....	336,129	417,507	511,900	522,000
Total at end of year....	<u>204,393</u>	<u>258,391</u>	<u>332,800</u>	<u>339,750</u>
Gross receipts.....	<u>4,031,206</u>	<u>15,571,673</u>	<u>16,242,119</u>	<u>17,925,034</u>
<u>Net Outlay</u>				
Gross expenditures.....	3,232,388	15,342,740	17,057,270	17,924,271
Gross receipts.....	4,031,206	15,571,673	16,242,119	17,925,034
Net outlay (-) from operations	798,818	228,933	-815,151	763
Adjustment to reconcile with				
Treasury Department.....	-72,753	-55,792	..	..
Net outlay (-).....	<u>726,065</u>	<u>173,141</u>	<u>-815,151</u>	<u>763</u>
Net borrowing, repayment (-)...	500,000	-1,067,000	933,000	246,000

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS (\$000)

	T.Q. Actual	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
<u>Details of Gross Expenditures</u>				
Balances at beginning of year:				
Unpaid, undelivered orders:				
Operating.....	122,286	125,028	119,248	119,248
Capital.....	433,613	399,600	315,115	292,470
Total.....	555,899	524,628	434,363	411,718
Current liabilities.....	864,367	1,270,040	1,203,895	1,316,276
Mortgages payable.....	32,383	32,266	36,784	56,951
Other liabilities.....	6,666,997	6,573,125	8,095,057	9,422,972
Deferred costs.....	-5,702,143	-5,676,953	-6,550,356	-7,305,834
Total beginning balances.....	2,417,503	2,723,106	3,219,743	3,902,083
Commitments:				
Operating.....	3,436,943	15,427,620	17,167,690	18,389,177
Capital.....	85,598	357,653	507,129	472,735
Other.....	15,451	54,104	64,791	65,632
Total commitments.....	3,537,992	15,839,377	17,739,610	18,927,544
Subtotal.....	5,955,495	18,562,483	20,959,353	22,829,627
Less balances at end of year:				
Unpaid, undelivered orders:				
Operating.....	-125,028	-119,248	-119,248	-119,248
Capital.....	-399,601	-315,115	-292,470	-232,077
Total.....	-524,629	-434,363	-411,718	-351,325
Current liabilities.....	-1,270,040	-1,203,895	-1,316,276	-1,365,051
Mortgages payable.....	-32,266	-36,784	-56,951	-52,951
Other liabilities.....	-6,573,125	-8,095,057	-9,422,972	-10,945,383
Deferred costs.....	5,676,953	6,550,356	7,305,834	7,809,354
Total ending balances.....	-2,723,107	-3,219,743	-3,902,083	-4,905,356
Gross expenditures.....	3,232,388	15,342,740	17,057,270	17,924,271

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

1/27/78

SELECTED WORKING CAPITAL
(\$000)

	T. Q. Actual	1977 Actual	1978 Estimate	1979 Estimate
Accounts Receivable and Advances:				
Accounts Receivable:				
U.S. Gov't agencies.....	118,338	153,179	168,200	169,500
Foreign countries.....	20,600	26,681	29,500	30,700
Other.....	23,166	15,461	17,600	18,400
Total.....	<u>162,104</u>	<u>195,321</u>	<u>215,300</u>	<u>218,600</u>
Less: Allowance for doubtful accounts.....	-8,874	-9,094	-9,200	-9,450
Accounts receivable-net...	<u>153,230</u>	<u>186,227</u>	<u>206,100</u>	<u>209,150</u>
Advances and prepayments.....	11,056	9,986	10,097	10,197
Adjustment for reclassifications and unfunded receivables.....	<u>-32,550</u>	<u>-37,097</u>	<u>-37,097</u>	<u>-37,097</u>
Total accounts receivable and advances.....	<u>131,736</u>	<u>159,116</u>	<u>179,100</u>	<u>182,250</u>
Deferred Credits				
Estimated prepaid postage in hands of the public.....	-460,000	-526,000	-614,000	-621,000
Prepaid permit mail.....	-136,171	-157,642	-161,700	-163,500
Box rentals.....	-39,958	-33,865	-36,200	-37,500
Total.....	<u>-636,129</u>	<u>-717,507</u>	<u>-811,900</u>	<u>-822,000</u>
Less: Unfunded postage in hands of the public.....	300,000	300,000	300,000	300,000
Deferred credits.....	<u>-336,129</u>	<u>-417,507</u>	<u>-511,900</u>	<u>-522,000</u>

2/13/78

SELECTED WORKING CAPITAL

SELECTED WORKING CAPITAL
(\$000)

	T.Q. Actual	1977 Actual	1978 Estimate	1979 Estimate
<u>Liabilities</u>				
<u>Current Liabilities:</u>				
Outstanding money orders.....	164,027	188,324	188,324	188,324
Accrued payroll.....	409,702	61,209	72,400	90,700
Payroll taxes and Civil Service retirement:				
Retirement funds.....	229,941	231,770	246,700	262,100
Federal payroll taxes.....	60,649	138,511	139,500	145,500
Social security taxes.....	1,433	500	900	1,100
Life insurance funds.....	8,452	9,587	10,550	11,600
Health insurance funds.....	24,660	23,480	25,125	26,600
State and city payroll taxes.....	38,452	56,321	57,500	59,000
Total.....	363,587	460,169	480,275	505,900
Workers' compensation.....	87,480	126,076	164,000	227,000
Payable to Gov't agencies:				
Trust funds.....	15,590	28,784	28,784	28,784
Savings bond deductions.....	16,592	12,308	12,800	13,300
Interest payable.....	74,688	59,998	83,254	90,546
Procurement and misc. accruals	78,850	71,148	74,896	88,954
Total.....	185,720	172,238	199,734	221,584
Other payables and accrued expenses:				
Carriers of mail.....	56,776	131,998	44,500	52,400
Foreign countries.....	21,040	37,563	39,800	41,200
Union dues, charitable & financial withholding.....	23,027	34,003	31,700	33,800
Misc. undistributed collections	34,113	28,470	30,600	32,400
Misc. accruals and approved invoices.....	91,934	155,672	256,700	163,500
Interest payable - bonds.....	2,771	2,755	2,825	2,825
Total.....	229,661	390,461	406,125	326,125

SELECTED WORKING CAPITAL
(\$000)

	T. Q. Actual	1977 Actual	1978 Estimate	1979 Estimate
Total current liabilities excluding notes payable, prepaid permit mail, box rents, and postage in the hands of the public.....	1,440,177	1,398,477	1,510,858	1,559,633
Less:				
Outstanding money orders and trust funds.....	-170,137	-194,582	-194,582	-194,582
Current liabilities - working capital.....	<u>1,270,040</u>	<u>1,203,895</u>	<u>1,316,276</u>	<u>1,365,051</u>
Other Liabilities:				
Employees accumulated leave.....	455,406	481,654	505,550	530,800
Workers' compensation.....	725,233	1,233,000	1,892,000	2,865,000
Other.....	22,525	126,000	5,000	5,000
Amounts payable for retirement benefits.....	5,601,382	6,454,824	7,189,843	7,683,004
Total.....	6,804,546	8,285,478	9,592,393	11,083,804
Less: Unfunded leave.....	-231,421	-200,421	-169,421	-138,421
Other liabilities - working capital..	<u>6,573,125</u>	<u>8,095,057</u>	<u>9,422,972</u>	<u>10,945,383</u>

SELECTED WORKING CAPITAL

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER
INTERESTED INDIVIDUALS AND ORGANIZATIONS

WITNESS

HON. TOM CORCORAN, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF ILLINOIS

Mr. PATTEN. We have our colleague Tom Corcoran.
Good to see you.

Mr. CORCORAN. Mr. Chairman, I appreciate the opportunity to be here. I was also happy to hear the comments of my predecessor before you this morning, Mr. Latta, in commenting that this is the first time in 20 years that he has come before the subcommittee out of respect for the subcommittee, and certainly what he had to say confirms the reputation that I have heard. That brings me to the point of my appearance.

I would hope that, although this is my first term, I may not have to come back here on postal matters because of an amendment we adopted yesterday in the House, which I think will be of some assistance to the committee, and that is the reason for my appearance.

I have a prepared statement which I would like to submit for the record.

Mr. PATTEN. Without objection, we will put it in the record.
[The information follows:]

STATEMENT OF THE HONORABLE TOM CORCORAN
OF ILLINOIS
BEFORE THE TREASURY-POSTAL SERVICE-GENERAL GOVERNMENT SUBCOMMITTEE
April 7, 1978

Mr. Chairman, Members of the Appropriations Subcommittee, I appreciate the opportunity to testify before you today concerning Postal Service appropriations. My concern lies with the amount of the public service component of Postal Service appropriations and the uses of this portion of the appropriation.

As Mr. Bailar, our past Postmaster General, said in his statement to you last year, "...public support is essential for services of this character...". He also felt, however, that the public service amount authorized, \$920 million, was insufficient to pay the costs of all of these services.

There has been a move by the House to rectify the problem of insufficient appropriations in the form of H.R. 7700, the Postal Service Act of 1978. Mr. Hanley's substitute passed the House yesterday by a vote of 384 to 11. The exact amount by which the appropriation should have been increased in this bill has been highly debatable, however. We have had no way of knowing precisely how much funding the Postal Service requires for the public service functions it performs because, at present, the Postal Service is not required to spell out the uses of this appropriation. We have no method of accurately gauging the amount needed on the basis of past expenditures.

As the label implies, the public service appropriation should be used to maintain the public service functions performed by the U.S. Postal Service. The Commission on Postal Service, in its report of April, 1977, concluded that there are tangible aspects which can be identified and the costs of which can be estimated.

Therefore, I would argue that the Postal Service should be required to delineate these public service functions and account for the public service appropriation expenditures relative to these functions. Presently, we have authorized the appropriation of these funds with no stipulation as to how or where or why they are spent.

This procedure of authorization has led to the guessing game that Congress was playing with H.R. 7700 regarding the question of how much money should be authorized for appropriation to the Postal Service. It has also meant that we have reneged on our obligation to be certain that the taxpayers' money is being spent wisely.

I introduced an amendment yesterday, April 6, requiring the

the Postal Service to delineate by public service function the previous fiscal year's expenditure of public service appropriations, as well as projecting by function the coming fiscal year's appropriation needs. My amendment states that \$920 million plus such sums as are necessary to maintain these public service functions will be authorized to be appropriated, contingent on compliance with this reporting requirement.

This amendment will ensure that the Postal Service receives sufficient but not excessive funds and will enable Congress to determine the appropriation actually needed by the Postal Service. This amendment passed the House by a vote of 203-189. It will enable the members of the Appropriations Subcommittee to exercise thoroughly and properly the oversight function that Congress has the responsibility to perform when we are authorizing the expenditure of public funds.

Thank you very much for your time and attention. I would be pleased to answer any of your questions at this time.

Amendment Offered by Mr. Corcoran
to the Amendment Offered by Mr. Hanley
in the Nature of a Substitute to
H.R. 7700, As Reported

Page 6, strike out line 8 and all that follows through line 17 and insert in lieu thereof the following:

Sec. 3. (a) Section 2401(b) of title 39, United States Code, is amended to read as follows:

"(b)(1) As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, there are authorized to be appropriated to the Postal Service, for each of the fiscal years ending September 30, 1979, through September 30, 1984, an amount equal to \$920,000,000 plus the amount by which the sum of all proposed expenditures of public service funds, as detailed by function under paragraph (2), exceeds \$920,000,000.

"(2) It shall not be in order in either the House of Representatives or the Senate to consider any bill, or amendment thereto, appropriating funds authorized under paragraph (1) of this subsection unless the Postmaster General submits to the Congress no later than February 1 of each year a report detailing by function the expenditure of public service funds during the immediately preceding fiscal year and the proposed expenditure of public service funds, by function, for the fiscal year beginning in the year of the submission of such report.

"(3) Expenditures which may be made by the Postal Service from funds appropriated under paragraph (1) of this subsection shall be limited to expenditures for public service functions identified by the Postmaster General in the report submitted under paragraph (2) of this subsection.

"(4) The provisions of paragraph (2) of this subsection are enacted by the Congress--

"(A) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, and such rules shall supersede other rules only to the extent that they are inconsistent with such other rules; and

"(B) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House."

Page 6, strike out line 18 and insert in lieu thereof "(b) Subsections (d), (e), and (f) of section 2401 of".

And redesignate the following subsections accordingly.

Page 6, strike out line 22 and insert in lieu thereof "subsections '(d)', '(e)', and '(f)'".

Page 6, line 23, strike out "(f)" and insert in lieu thereof "(e)".

Page 7, line 1, strike out "(g)" and insert in lieu thereof "(f)".

Page 7, line 7, by striking out "G" and inserting in lieu thereof "(G)" and by striking out the period at the end thereof and inserting in lieu thereof "and by striking out 'percentage'".

Mr. CORCORAN. Let me go directly to the point of the amendment, which I also have a copy of the amendment too. The purpose of the amendment is to require that the Postal Service, in the preparation of its budget, begin to itemize those public service functions that the Postal Service performs.

Mr. Chairman, let me say just in general that I believe, based on the testimony before our Postal Operations Subcommittee, that we are going to have to put some tax dollars into the Post Office.

The experiment that was begun back in 1971 to try to put the Postal Service on a profit-making basis or maybe even a break-even basis is one which will not square with all of the services that we asked the Postal Service to perform. So at some point we have to, in my judgment at least, continue to put some tax dollars into the Postal Service.

The purpose of my amendment is to provide that every year the Postal Service come forward, by February 1, and point out to the Congress in their report exactly what public service functions they are performing, and the amount of money that it is costing in order to perform those functions. Then I think on that basis we can know where the tax dollars are going and at the same time we can make sure that the basic services, such as the continuation of Saturday mail, such as the continuation of rural delivery, such as the continuation of the practice that benefits the urban areas as well, which is that we locate post offices in an area which is most convenient to the customer, not necessarily the most economical from the standpoint of distributing the mails cross the country, but we do that in order to provide that service.

To the extent that it is a public service, I think we are going to have to subsidize to some extent, but up to now the concern I have with the authorization legislation is that there is no requirement that they spell out what those public service functions are, and my amendment would attempt to correct that.

If you have any questions?

Mr. PATTEN. We do not have time for all the questions I have. You and I can talk an hour about this.

I will give you one however; what do you think some other countries spend for this so-called public service? Do you think there is any relation proportionally? It is 25 times as much.

Mr. CORCORAN. I was going to say I do not know the figure but I know in Britain it is much higher, much higher.

Mr. MILLER. Tom, I will take just a moment.

It is possible to gather information on how the subsidies are used and we have attempted to do that. With the amendment that was approved on the floor in H.R. 7700 we should, of course, be able to follow through and have all of the subsidies line-itemed. That was the intent, I am sure, that you had.

Mr. CORCORAN. Right.

Mr. MILLER. It is very interesting. Are you thinking of the amount of subsidies that each individual corporation may receive on their publications?

Mr. CORCORAN. In the revenue-foregone portion of the budget there is an indication of how much money they get. It is not spelled out as to the amount of money which would go to each publishing company or that sort of thing.

I am concerned in this section just with the public service subsidy, not with revenue-forgone and not with the other, I think, prior obligations, if I recall the designation for Workmen's Compensation and prior liberties that the Postal Service had before the enactment of the 1970 legislation. This deals just with, first, the \$920 million, and then whatever other requests for public funds that the Postal Service would make; that before they could get those public funds and get a continuation of the \$920 million subsidy they would have to justify in that report, due February 1 of each year, exactly where those tax dollars are going.

Mr. MILLER. You are speaking then of the private corporations as far as second-class mail is concerned? You have a revenue foregone-profit organization that would be mailing a magazine or a newspaper. The Postal Service is aware of the volume and they are aware of what the individual corporation would pay per piece, and they are aware of what it would cost to deliver it. I requested that information.

Are you aware that the Wall Street Journal receives a \$9.9 million subsidy.

Mr. CORCORAN. I did not know it was in that amount, but I knew that they did receive at least an indirect subsidy.

Mr. PATTEN. It is worth every penny, too.

Mr. MILLER. Those that are receiving the Wall Street Journal should be able to afford to pay the postage for it.

Mr. PATTEN. It is published in my district.

Mr. MILLER. Another one, and it will be in the record because I requested this. Between Sports Illustrated and Time Magazine, they have about \$11.5 million subsidy coming to them. That is what it would amount to. So this will be in the record of when we held our hearings on the Postal Service.

Mr. CORCORAN. I think that would be very helpful for everybody.

I would just confirm in a sense what the chairman has said, that is, for instance in my district we have a lot of rural newspapers that, if they were required to charge the full economic cost of delivering those newspapers, a lot of people probably would not pay for the actual cost of delivering that newspaper. The effect of that I think would be detrimental to the overall attempt that we are trying to make in this country, to educate, provide information on the news and what have you. I think it is a valuable thing.

My point is that we need to know exactly where those dollars are going. I think that corresponds with your effort, too.

Mr. MILLER. I wanted you to know that some effort has been made. The question was asked; should we attach names and dollar volumes? The Postal Service did have the records and they are preparing some additional records so it will be helpful in what you are attempting to do.

Thank you, Mr. Chairman.

Mr. PATTEN. It is a pleasure to have you.

Without objection, we will insert Mr. Corcoran's amendment right after his statement.

THE AMERICAN LEGION
WITNESSES

JIM O'NEIL
ED LORD

Mr. PATTEN. Jim O'Neil and Ed Lord are next.
Proceed.

Mr. O'NEIL. Thank you, Mr. Chairman.

The American Legion appreciate the consideration it has received from you over the years in its problems relating to The American Legion Magazine and the Postal Service.

We were here a year ago seeking your assistance for the approval of the \$233 million phaseout subsidy as recommended by President Carter in his fiscal year 1978 budget revision to implement Public Law 93-328. Favorable action resulted, and we repeat our thanks to you for your help in this vital matter, which extended the phaseout for nonprofit publications such as The American Legion Magazine from 1980 to 1987.

However, we still have serious problems that involve rising costs for Postal Service. Under the existing schedule our second class postage costs will approximate \$2.160 million a year when the rates are fully phased in 1987. In addition, if the Postal Service's current rate request is granted, our annual costs would be increased an additional \$500,000 to a grand total approximating \$2.664 million per year. In 1970, the year the Postal Reorganization Act became effective, our second class postage bill was \$237,000.

A year ago in our presentation, we estimated our 1977 costs would be \$725,000. Actually, they were \$726,572. For the first two months of 1978, they totaled \$143,351, and, with the phase-out increase applicable July 1, the 1978 billing will exceed \$900,000.

The Postal Service is proposing a change in the charges for editorial content on a zone basis similar to that for advertising pages. If approved, that would add \$138,000 to the above figures.

Mr. PATTEN. Has it not been approved?

Mr. O'NEIL. No, it hasn't been approved, but if it is approved, it is a matter of it would be applicable July 1, if it is approved.

Since qualified nonprofit organizations are exempt from paying institutional costs but are liable for attributable costs, a 60-percent ceiling on these charges has been proposed in legislation which was before the House and we were happy to see the House adopted it yesterday, and we are grateful to the House. It is encouraging to us.

Mr. PATTEN. We had the Kiwanis Club and Rotary Club, Knights of Columbus, the Boy Scout Magazine.

Mr. O'NEIL. I am sure of that. We have joined forces before, as you well know.

If accepted, it would mean a saving to the American Legion Magazine at full phasing.

Despite a recent dues increase, with an allocation of approximately \$1,350,000 to the magazine, and advertising rate rises, our magazine is facing serious financial problems.

The American Legion Magazine represents the only direct contact between the national organization and its members. Its founding fathers, however, very wisely decided, as the years have proven, that the publication should not be a house organ as such. From the outset emphasis has been placed upon general editorial content of interest to others in addition to its membership constituency. Readership is widespread, and it is a publication that has been described as one of interest to every member of a family. Due to the many articles of historical value, student reaction has been excellent.

The pro and con feature appearing in every edition is well and favorably known to the Members of Congress, affording as it does the presentation of our legislators of opposing views without any editing of same. As a matter of fact, we are proud of the fact that some other publications have copied a similar format. We continue to provide Braille editions of our magazine to blinded veterans, without charge, members and nonmembers alike.

We hope that The American Legion will be able to continue its services of disseminating news and help to veterans and the general public through the pages of its magazine. Once again, we enlist your support in our behalf.

Thanks again for the opportunity presented to us today to submit our appeal for your consideration.

We assume, in view of the action of the House yesterday, that eventually a subsidy resolution will be before this committee for consideration.

Mr. PATTEN. Right. I want to recognize Ed Lord being here, too, with you.

It was good to hear you.

Mr. O'NEIL. Thank you very much, Mr. Chairman. We are very grateful.

Mr. PATTEN. The last time I met you, you had a whole gang with you.

Mr. O'NEIL. That is right. I needed a lot of help that day.

Mr. PATTEN. All right, anything on the right?

Mr. MILLER. Yes, Mr. Chairman; I want to recognize Jim O'Neil and Ed Lord. They have been around for some time, have contacted us, brought very good information, and are highly respected. We are glad that you are here, and thank you for your testimony.

Mr. LORD. Thank you very much.

Mr. O'NEIL. Thank you very much. We are grateful to you.

WITNESSES

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