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TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS FOR
FISCAL YEAR 1981

GOVERNMENT
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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
NINETY-SIXTH CONGRESS
SECOND SESSION

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

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JOSEPH P. ADDABBO, New York
EDWARD R. ROYBAL, California
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PART 2

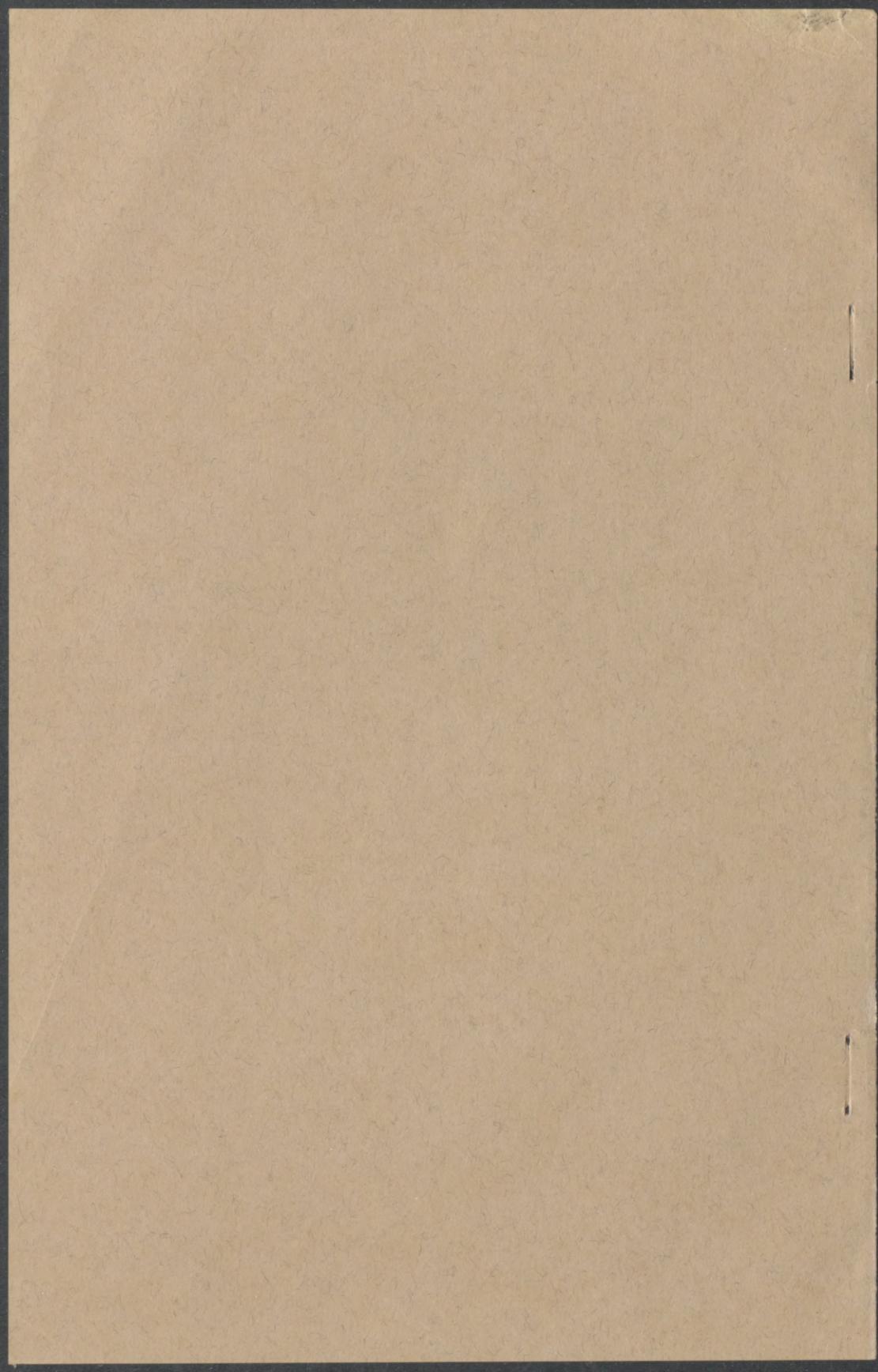
UNITED STATES POSTAL SERVICE

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GOVERNMENT APPROPRIATIONS FOR
FISCAL YEAR 1981**

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**TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS FOR FISCAL
YEAR 1981**

MONDAY, MARCH 17, 1980.

UNITED STATES POSTAL SERVICE

WITNESSES

WILLIAM F. BOLGER, POSTMASTER GENERAL
JAMES V. P. CONWAY, DEPUTY POSTMASTER GENERAL
**JIM FINCH, SENIOR ASSISTANT POSTMASTER GENERAL, FINANCE
GROUP**
**C. NEIL BENSON, SENIOR ASSISTANT POSTMASTER GENERAL, OPER-
ATIONS GROUP**
**CARL C. ULSAKER, SENIOR ASSISTANT POSTMASTER GENERAL, EM-
PLOYEE AND LABOR RELATIONS GROUP**
LOUIS A. COX, GENERAL COUNSEL, LAW DEPARTMENT

Mr. STEED. The committee will be in order.

The committee is in session today to take up budget matters for fiscal year 1981 for the U.S. Postal Service.

The appropriation to date for fiscal year 1980 is \$1,676,810,000. The budget estimate for fiscal year 1981 is \$1,593,217,000, a decrease from 1980 of \$83,593,000.

We are very pleased to have our good friend, the Postmaster General, Mr. Bolger. If you would like to identify your colleagues for the record, we will be pleased to have your statement regarding this request.

Mr. BOLGER. I have with me James Conway, Deputy Postmaster General; C. Neil Benson, Senior Assistant Postmaster General, Operations Group; Jim Finch, Senior Assistant Postmaster General, Finance Group; Carl Ulsaker, Senior Assistant Postmaster General, Employee and Labor Relations; and Louis Cox, our General Counsel.

I have a brief statement I would like to read into the record.

Mr. STEED. Go ahead.

Mr. BOLGER. Mr. Chairman, we are here today to go over the Postal Service appropriation request for fiscal year 1981.

The Postal Service and the President are requesting an appropriation to the Postal Service of \$1,593,217,000 for fiscal year 1981. This is \$83,593,000 less than the amount appropriated for fiscal year 1980.

I am pleased to report that the Postal Service is doing much better than we did in the previous period of double-digit inflation back in 1974. Our net \$470 million operating income last year gave us the first year in the black since 1945. Through the first 20 weeks

of fiscal year 1980, we had a net income of \$157.2 million. During February, however, we were back in the red. The cost-of-living clauses in our labor contracts, together with rising energy and other costs, will result in an operating deficit when the final returns are in for the current fiscal year. We presently expect it to be about \$593 million.

These new deficits mean that later this spring we will have to initiate a request for our first general rate adjustment since May 1978. It would not take effect until early in calendar year 1981. By that time we will have kept general rate levels steady for nearly 3 years, a remarkable achievement for the postal system in these tremendously inflationary times.

Our appropriation request this year covers the usual three elements: public service costs, revenue forgone for free and reduced-rate postage, and transitional costs left over from the activities of the former Post Office Department.

PUBLIC SERVICE APPROPRIATION

The public service appropriation authorized for fiscal year 1981 is \$736 million. This is the second step down from the \$920 million which we received during the 1970's. Present law provides for this appropriation to level off at \$460 million beginning in fiscal year 1984, unless the Postal Service determines it is no longer needed.

The public service appropriation is intended as a general supplement to postal revenues in light of the many public services which the Postal Service performs. In receiving the benefits of a universal postal system serving low-volume areas as well as high-volume areas, our customers are not always expected to pay dollar for dollar for the costs of the services they use.

In fiscal year 1972, this authorization covered about 10 percent of the Postal Service budget. For fiscal year 1981 it will be less than 3½ percent.

REVENUE FORGONE APPROPRIATION

The revenue forgone appropriation request for fiscal year 1981 is \$789,108,000. This is about \$7 million more than was received for fiscal year 1980.

One purpose of the revenue forgone appropriation is the continued phasing or spreading out of previously approved rate increases for preferred-rate mailings. These cover within-the-county, nonprofit, and classroom publications; not more than 5,000 copies of regular-rate publications sent outside the county; bulk-rate, nonprofit, third-class material; and library-rate material. The phasing subsidies presently are scheduled to end in 1987.

The second purpose of the appropriation is to cover certain costs which by law the preferred-rate mailings are permanently excused from covering. Unlike the unsubsidized categories, these mailings are to be charged only their "attributable" costs, and do not contribute to overhead.

The revenue forgone request also includes \$111,208,000 as a reconciliation adjustment, following the practice initiated last year. This substitutes final audited volume figures for the preliminary volume estimates on which revenue forgone requests and appropri-

ations were initially made. The requested adjustment picks up final audits for all years not covered last year, through fiscal year 1978. This multi-year adjustment would enable next year's adjustment request to cover only the fiscal year 1979 audited figures, which will become available during the present calendar year.

TRANSITIONAL COSTS

A third section of the fiscal year 1981 request covers transitional costs for the year, for the continuing unfunded liabilities of the former Post Office Department. The two aspects of this item are workers' compensation based on injuries before July 1, 1971, and unfunded and unused annual leave accrued before the same date. These liabilities for the year amount to \$68,109,000, an increase of about \$1,500,000 in the workers' compensation amount from last year.

I might add, Mr. Chairman, the annual leave thing is a bargain for the taxpayers and for the Congress. It is being priced back to us at 1970 annual leave figures, not only the hours but the price of annual leave. The price of the average hour of annual leave since that time has just about doubled.

BORROWING LIMITATION

This year's appropriation language submitted by the President includes a request for new language to limit gross borrowing by the Postal Service during fiscal year 1981 to no more than \$1 billion. Under present legislative authority, the Postal Service may increase its net borrowing for operating purposes by up to \$500 million and for capital purposes by up to \$1½ billion in a fiscal year. (39 U.S.C. 2005(a)).

We do not see this limitation as a practical problem for fiscal year 1981, since we have had no intention of incurring debt obligations during the fiscal year in excess of \$1 billion. The planning on which our fiscal year 1981 budget submission is based contemplates no borrowing during the fiscal year for either operating or capital purposes. There is a chance that we may borrow for capital purposes, but probably not more than \$500 million. Thus, the limitation seems unnecessary.

Although not a problem for fiscal year 1981, the limitation should not become a recurring provision in future postal appropriations legislation. If it were to recur annually, it would in the future impair needed flexibility for prudent refinancing of capital debt, and undercut the ability of the Postal Service to stand on its own financial feet.

This concludes the prepared statement and we will try to answer your questions.

Mr. STEED. What is the genesis for the request for this limitation?

Mr. BOLGER. I think it is probably to limit all the borrowing. We go to the Treasury for money and I think that is probably the reason for it. They want to limit the borrowing so we will not further incur increases in the national debt. The Treasury allows us to go out into the open marketplace for funds. Frankly, it is no concern to me whatever for fiscal year 1981. We have not borrowed

for operating purposes for a number of years and as far as I am concerned I will never borrow for that purpose.

FINANCIAL CONDITION

Mr. STEED. Give us a brief summary along this line. What is your overall financial condition at the moment, and what do you project in the foreseeable future?

Mr. BOLGER. In fiscal year 1980, we are at \$157 million profit for the first part of the year. We expect to go to a deficit of close to \$600 million before the end of the year, primarily because of the cost-of-living adjustments we have to make for craft employees and other employees in the Postal Service.

We are going to have to ask for a rate increase which will go into effect early in the calendar year of 1981; we cannot go any longer without considering a rate increase.

As I see it, the Postal Service probably should stay in a black situation from fiscal 1981 out. We made a determination that we would not ask for a rate increase to go into effect in fiscal year 1980, and we are going to operate at a deficit position because of it. Our cash balance of about \$4 billion will allow us to tolerate this loss for fiscal year 1980. We figured it would help us to further increase our volume, help us by increasing our productivity, and we decided it would be prudent for the Postal Service to take the loss in 1980 and then increase our rates in 1981.

Inflation is eating us up as it is everybody else. If we can keep our productivity up, I see a healthy Postal Service. Not that we will not need increases; we will as long as we have this inflation in our economy. But I see a strong Postal Service, one with infrequent rate increases. The fact we will hold our rates in line for 3 years despite double-digit inflation is a pretty good record. We need increased productivity in the Postal Service and we are going to get it. So far, we are operating better than 3 percent the first part of 1980. Our volume is growing both in presorted and first class, which does not take a lot of time. If we can increase our productivity, we will have a pretty stable Postal Service.

POSTAL RATES AND RATE OF INFLATION

Mr. STEED. Going back 5, 10, 15 years, have you made comparative studies as to what has happened to postal rates in comparison to what inflation has done to other costs?

Mr. BOLGER. It is difficult to make that comparison. But going back, I would say we are in the right trend as far as keeping postal rates in line with the CPI. I would say, and I am not ready to disclose today just what the rate increases will be that will go into effect early next calendar year, but the projection I have seen, shows that a first-class stamp would be at least a penny or penny and a half lower than the rate of inflation we are now experiencing and what is projected for that period of time.

Mr. STEED. Since something in excess of 80 percent of your costs are wages, and since wages react probably as quickly as anything else to inflation, obviously the inflation rate if it goes unabated will cause you to be constantly faced with this very large increase in your operating expenses. You might be able to stall around on

some items where the increase has hit you and delay it, but you cannot very well do it with people, can you?

Mr. BOLGER. We have a twice-yearly increase. Most of our labor contracts and cost-of-living increases are geared to the CPI. We reimburse at about 63 to 65 percent of the CPI in our cost-of-living adjustments to the majority of craft employees. We have to keep the proper ratio of supervisory salaries to what the craft workers are getting. This has been a killer.

We tried in the 1978 contract to negotiate a cap on the cost-of-living adjustment. Unfortunately, the matter went to arbitration and the cap was taken off.

The CPI, as far as the Postal Service is concerned, really is not appropriate. It is not proper. As a matter of fact, Mr. Conway testified before a committee of the House on this subject just recently. I do not have the testimony with me today, Mr. Chairman, but I think it would be of interest in considering postal appropriations, if the committee had the benefit of reading the views of the Postal Service as expressed by Mr. Conway. I would like to send a copy to be entered into the record.

Mr. STEED. Fine; we would be glad to have it.

[The information follows:]

STATEMENT OF JAMES V. P. CONWAY, DEPUTY POSTMASTER GENERAL

Mr. Chairman, I am James V. P. Conway, Deputy Postmaster General. With me here is Mr. Bob Pope, Manager of our Pay Administration Branch. We appreciate the opportunity to comment briefly today on the Consumer Price Index and the possibility of making changes in the present method of computation.

The current Consumer Price Indexes for Urban Consumers (CPI-U) and for Urban Wage Earners and Clerical Workers (CPI-W) measure changes in the price of certain goods and services which represent important expenditures for urban consumers. These indexes are important because in one way or another they affect almost every member of our society. A change in these indexes directly affects individuals who receive wages or benefits which have a cost of living adjustment provision tied to the CPI. For example, employment contracts with Postal Service collective bargaining employees are tied to the Urban Wage Earners and Clerical Workers Index, whereas social security beneficiaries and civil service retirees receive cost of living raises based on the Urban Consumer Index. Increases in these indexes can also have an indirect effect on all consumers as higher labor costs are translated into higher prices for goods and services.

The Postal Service, as an employer and a consumer, is affected both directly and indirectly by changes in the CPI. Each additional one-point increase in the CPI-W index now costs the Postal Service and the postage buying public about \$28 million per year. The Service believes that a thorough examination and probably revision or expansion of the index is warranted. Because current techniques measure the prices of products and services and not the real cost of living, the CPI does not always faithfully portray current economic conditions. For example, the index is based on buying habits from 1972-73, and does not take into account the rapidly changing purchasing patterns which result as prices go up turbulently and consumers seek less expensive substitutes. The failure of the index accurately to assess the health of the economy can actually contribute to the illness by causing higher prices and labor costs, and thus boosting inflation.

The problem of price versus cost of living and the effect on the CPI is most pronounced in the home ownership and medical care categories of the index. Home ownership costs make up nearly one-fourth of the CPI. Under the current measurement method, the purchaser of a house is treated as consuming the total purchase price and all financing costs in the year of purchase. In other words, the entire "consumption" of the purchase price and financing costs is attributed to the year of purchase. Although this approach reflects increases in the price of housing, it ignores the fact that only a small percentage of consumers purchase a home in a given year. Thus, the index reflects increased living costs that simply do not exist for most Americans, who purchased homes in previous years at lower rates.

In an era of rapidly rising interest rates and other housing expenses, such as we are now experiencing, this method of computation could add as much as one to two percent a year to the overall index. This could prove costly for the Postal Service and others affected by fluctuations in the CPI. For example, a one percent increase in the current CPI-W (which stood at 227.6 for November, 1979) amounts to 2.3 points on the index. Since the Postal Service must pay its collective bargaining employees one cent per hour for each four-tenths of a point increase in the index, a one percent increase would cost the Service 5 cents per hour in cost-of-living adjustments. This would add up to approximately \$57 million in additional annual salary costs. A two percent increase would cost twice that amount, or \$114 million. The unions characteristically demand in new negotiations that these supplemental wages be rolled in as a "floor" to increased wage demands. This type of roll-in increase in the base rate currently costs the Postal Service an additional 7.2 cents in benefit costs for each dollar rolled in, as well as 13.6 cents in unfunded pension liability payments.

These figures illustrate the need to implement a more realistic method of measuring the cost of owner-occupied housing. Two alternatives were suggested by Julius Shiskin, the late Commissioner of Labor Statistics. The first is a rental equivalence technique, the basis of which is the rental value of the house on the open market. The second method, a user-cost function, adopts the major cost components that a home owner incurs as the basis of measurement. Among the factors that would be considered are mortgage and equity financing costs, maintenance expenses, and taxes. The Postal Service believes that these and other possible alternatives should be investigated.

Medical care costs present similar measuring problems. Since the CPI is based solely on expenditures, it does not reflect the consumption of noncash items such as job related fringe benefits. Thus, although the Postal Service currently pays an average of 75 percent of the medical insurance coverage for its employees, the index reflects the full increase in medical costs for the urban wage earners and clerical workers. These additional costs are then reflected in the total index increase and result in more cost-of-living adjustments. The result is the Postal Service must bear a portion of these twice. For example, the relative importance, or weight, assigned to medical care costs by the CPI-W index is 4.5 out of a possible 100. Based on an average increase in health costs of 10 percent per annum, there will be an addition of 3.2 points (about 1.35 percent) to the index over the period of a three year contract. This increase would result in an additional cost of eight cents per employee under the Postal Service's cost of living adjustment formula. Since three-fourths of this figure has already been absorbed by the Postal Service through its employee health benefit programs, it is in effect paying a six cents an hour increase twice. By the end of the three year agreement, this would amount to about 68 million dollars in additional cost each year to the Postal Service and the public.

Beside attention to these measurement problems, the Postal Service believe that the scope of the index should be expanded further. For although the new urban consumer index, which was introduced in January, 1978, was a step in the right direction, it has had no effect on escalator clauses in labor contracts. Consideration should be given to including non-metropolitan areas in the index. Many workers, retirees, annuitants, food stamp recipients and other people affected most directly by the CPI either work or live in non-metropolitan area. It would be advantageous to have a total index including non-metropolitan areas with sub-groupings arranged according to urban work, urban consumers, etc.

The Postal Service recognizes that the job of producing an indexing system that will accurately reflect the many forces affecting consumer price levels is a difficult one. We do think that some improvements in the present system would be useful, and need further attention. This Task Force is to be commended for its work in exploring ways to make the index better serve the many important purposes for which it is used.

Mr. Chairman, this completes my formal testimony. However, I will be pleased to try to answer any questions you may have.

EFFECT OF CPI

Mr. STEED. Here is what I am leading up to: What other corporations, public or private, have anything approaching the payroll factor and trying to cope with inflation, that you have?

Mr. BOLGER. Fortunately, I think most of the major corporations have a cost-of-living adjustment built into their contracts. A lot of

their labor agreements, though, are geared to productivity increases that are spelled out in the contracts, which is not the case in ours. We do not have any real definite productivity factors spelled out in our contracts, but a number of major industries are in the cost-of-living spiral that we are in, geared to the CPI.

I think the whole CPI issue is being and has to be addressed by the Congress. For instance, in a lot of our CPI adjustments today, it is geared to real estate transactions and high interest rates. Realistically, about 507,000 Postal Service workers reimbursed for the CPI are not involved in real estate transactions at all. They are just not involved. Most of our employees do not move each year. It is not factual. These things have to be addressed.

The CPI as presently designed may have had its moment in the sun a few years ago, but the way our economy is running today, it does not make any sense.

Mr. STEED. Well, with the energy problem and the inflation problem being what it is, there is a lot of movement under way now to, I suppose what some economists would call, "bite the bullet" and see what we can do without. We can only make do up to a point. Then finally it is where you have to start doing without some things in order to cut down your need for funds.

ELIMINATION OF SMALL OFFICES AND DELIVERY SERVICES

What sort of things do you think about when you get into the area of eliminating post offices or cutting out Saturday delivery. What could be done or might have to be done to meet these crises?

Mr. BOLGER. The elimination-of-the-small-post-office question keeps repeating itself time and time again. Realistically, to embark on a massive program, starting today, to discontinue say 10,000 small post offices and put substitute service in within the next year, in the final analysis we would probably have a gain of 100 and some odd million dollars or about 1 cent on the letter rate. It is a contribution and you have to get small dollars before building it up to millions, but that would take a lot of time and I am not sure of the final results whether we would gain that much.

The small post offices are needed, at least we think they are, and we are trying to find ways to make them more productive.

The question of eliminating a day of delivery, first of all, without some major change in legislation, that will not come quickly. You could save as much as probably up to \$600 million, \$500 to \$600 million a year, or half a cent on the letter rate, by eliminating a sixth day of delivery.

If we made the decision today to pursue that course under our current law, it would be a major change in service. The plan would have to be filed with the Postal Rate Commission; it would be a hundred days before we could even start getting it into effect. It would take over a year before you start realizing the benefits. You just do not do these things overnight. That is if everything goes perfect, without getting a lawsuit on our hands and without a major labor contract dispute, the results would be after a full year of operation about a half billion dollars a year savings and more importantly, a savings of about 21 million gallons of gasoline a year by cutting down by one day.

Mr. STEED. What would be the negative side of it, public unhappiness?

Mr. BOLGER. I think there would be as much static from employees in-house as from the reaction of the public. Anytime we have asked the public how they feel about this, 80 percent of the people who respond say they could do without a day delivery and could exist on 5-day delivery, but then you ask the next question are you willing and so forth, the reaction has been no, while 47 percent say they are willing to. That is quite a change.

I think the American people understanding what we are trying to do, understanding the need to cut down on Federal expenditures and the size of Federal payroll, I think they could accept this, but at the moment I do not think they are ready at this time.

EFFECT OF REDUCED DELIVERY SERVICES

Mr. STEED. How far back could you really go, if worst came to worst, a 3-day delivery?

Mr. BOLGER. We could go that far.

Mr. STEED. Would the volume choke you to death?

Mr. BOLGER. Yes, it would, there is a period of adjustment, it would choke us. Frankly, at this period in time I do not know if we could absorb a good part of that volume over the 5-day period with the present work force, but also, we would have to change our service standards. There would be some deterioration of service, at least temporarily. Beyond that, I would think we would have to add some additional routes to go from a 6 to 5-day delivery because the routes we now have in place in some areas could not absorb that volume.

Mr. STEED. You have some areas where Saturday delivery is of no consequence anyway. So you can make savings in that area, you have already done that, with businesses.

You say you do not deliver on Sunday. If you cut out Saturday, that would mean you would have 2 days' accumulation in your mailroom. If you tried to have 5-day delivery and you took away a weekday instead of Saturday then you would be delivering on Saturday when it is not wanted instead of when it was. So it does not lead to any easy curtailment in that regard, does it?

Mr. BOLGER. No, sir. I want to make sure everybody understands, as we approach this as a possibility we are not talking about eliminating Saturday service, we are talking about eliminating a sixth day. It is possible you might have a 5-day delivery area in the business area, it may be Monday through Friday are proper days for pure business sections, but that may not be so for residential sections. Looking at the thing realistically, at the moment, 80 percent of all our volume is generated by business. They generate Monday through Friday. About 40 percent of all our mail volume stays for delivery in the area where it originates. What we would be doing if we automatically made the judgment that Saturday was the day to eliminate for business and residential areas, there would be an added day of delay built in for mail generated on Friday. Considering the value of managing money today and remittances being delayed an additional day, this could have an adverse effect on the economy one way or another.

ADDITIONAL SERVICES

Mr. STEED. Thinking of the future and what could be done to protect the mail service, of course you know one of my fanciful ideas has been that we ought to use the Post Office for more than we use it for. It is there and we spend a lot of taxpayers' money in a way that the Postal Service could do in a more economical manner. What do you think could be done for the Postal Service that could enable it to be concerned with the services it has given and make it easier on everyone?

Mr. BOLGER. The gas rationing, we could do that and we volunteered to do this with the Energy Department. We are working on the planning of a program for draft registration with the Selective Service. We have an agreement with them as to registration of people in the future. The Post Offices will be used for this purpose. I think it is particularly significant in our small towns and cities. We are there, we are a representative of the Federal Government. We are doing a lot of work with the Census Bureau. We are working on some thoughts that we may do even more, not only this year, but certainly in the future when we do the update in 1985 and 1990.

There is one small telephone company, for instance, they do not have all the business they need to keep replacement phones on order. They are a competitor, really, but we have talked with them about the idea of storing replacement phones in our post offices in this rural area where they are operating. For a fee, we would have the phones there and their customers would come in and pick the phones up and we would get a fee.

We have gone out to State and local governments inviting them to use our services.

I have gone to the Secretary of Agriculture and suggested we could be very useful to them as we have to the Department of Justice in aiding in registration programs and with forms made available by IRS. I have talked to these agencies of government and suggested we can be very useful to them and want to be.

This is what I mean by keeping the small post offices which do not necessarily generate revenue. They are essential to keep operating. Rather than close them, I would rather find a way to make them more profitable.

Mr. STEED. Part of this stems from the fact that I got exposed for several years to the Postal Service, then I got exposed to the Paperwork Commission. It is amazing how much of the taxpayers' money we spend in paperwork, especially in questionnaires and gathering of information. It seems to me, a government which needs and thirsts for as much information as ours does should have a way to get all the facts together through a central agency. Everybody would then have a better source of information. It would be a more up-to-date source of information, more reliable, and it would eliminate tons of paperwork and honestly billions of dollars worth of cost that goes into this gathering of information that we are faced with right now.

There is no other part of the Government which could fill this gap except the Postal Service, as I see it. I do not know what has to be done to get the powers that be to wake up to this, but I would

think with all this high-power conferring about balancing the budget, somebody would think not only about today but about the next 10 or 20 years. If something could be started, it would not take too long to get it into full flower, then we would have real savings.

Do you find much reaction throughout the Government in the area of possibilities this offers?

Mr. BOLGER. I think the possibilities are there; the response has been slow in coming. Sometimes I think some of the heads of the various agencies believe some of the inaccurate remarks which have been made about the Postal Service. I think they have been a little bit wary as to whether or not we can produce what they want. Our employees are getting this census information, and we will probably prove a point better than ever before this year, that we can be a valuable asset. It is a question of getting together more frequently with these agencies. When we do, we usually find we can do things for them they did not dream we could do. Our capacity is growing along that line, our use of computers for information has been generally geared for postal and financial activities. We have not used the computers to full advantage in helping ourselves.

In a couple of years, we will have more of a capacity to aid not only government bodies, but commercial bodies with their needs for information on towns, and other areas. Our expanded zip code, will help us to identify accurately various sectors of a city and even of a neighborhood. All this information, I think, can be used properly by other government agencies and even commercial interests.

CENSUS PROGRAM ENUMERATION

Mr. STEED. I am getting worried about this census business. Down where I come from there are some problems mostly because of amateurish ineptness on the part of those selected to operate the program. Also the inability to find enough work force to do some of the chores that the census imposes. I hope that it does not end up a colossal mess, which it well might. This will be the fourth census I have lived through since I got into the political field. It is the only one I am not particularly concerned about. But, as I understand it, it plays such an important part for the next 10 years in the municipality, the communities and in the individual lives of people. It is going to be an unforgettable tragedy if it is allowed to end up in a mess. I still say the mistake was made when they did not contract with the Postal Service to do this in the beginning.

We may have to come back to you and get your census, which you keep up all the time. To straighten it out and find out how many people we really have. I have never figured out how you are going to deliver the mail to me until you know I am alive and where I am. Since this applies to everybody in the country, it seems silly that we spend all this time and money trying to find out where everybody is, when you already know.

Mr. BOLGER. We have had one request where they might be having a shortage of getting qualified enumerators to do the job. The Postal Service for this one particular State may take on the

whole job. It is a pilot operation for the 1980 census. I do not know if it will come about or not. If we are requested to do so, I think we can put it together. The plan given to me over the weekend, I feel confident—I do not mean we will not have stumbling blocks along the way—but I believe we can do a credible job on it. Mr. Benson and his staff have furnished me the papers and I will talk with people. This would have us do one State, it is not the biggest or smallest State in the Nation, it has a couple million people, it has rural areas as well as city areas. We are ready to do it if requested to do so.

Mr. STEED. Big districts such as mine have many dormitories and sorority houses where students live. The question comes up, if you mail these census forms out to everybody in one of those dormitories, how do they ever find out they were all returned or not? If they find out they all were not returned, how will they go into the place and find those who did not return them?

Now the university has come up with a suggestion that I passed on to other institutions. The way to cope with that is that the university would take it on itself by appointing a captain in each house who would take the responsibility of seeing that everybody in that house did fill out the return. They would be glad to do that, just because it is important to them to have an accurate count.

It took some doing to persuade a fellow to get him to understand this did not cost the taxpayers anything and it would make the job he was responsible for more effective.

Whenever people will not let you help them when they obviously need it so badly, it gets a little bit puzzling to me. I hope that is not universal, but surely there are some things of this sort that would not happen if the Postal Service were doing it. The same mailman who knows where every one of those students is every day of the year will know where they are. It would not be a problem. But a stranger going there for his first and only time may not consider it is any of his business. In any event, we have this problem and you have a problem. I hope this is the beginning of a development to make people in responsible positions understand we have a great potential in the Postal Service. We need to get our minds set to realizing the Postal Service is capable of doing a lot of things besides delivering mail. You must have an organization to do anything at all so why not make it a truly different service organization. That way it would generate new revenues and you would get a bigger return on your investment in your fiscal investment, as well as manpower.

I think it is going to be good common sense in the future. Otherwise, it could come to the point where the cost of delivering the mail would become so prohibitive that people could not afford to have mail any more and I do not think that would be good for the public interest.

Mr. BOLGER. In years to come, that would be the worst thing to happen to the American public.

PUBLIC SERVICE

Mr. STEED. Could you provide for the record a little summary of the ingredients that go into the way you determine the figures on these three items of the public service clause?

Mr. BOLGER. Yes, we sure can.

[The information follows:]

PUBLIC SERVICE COSTS—BASIS FOR THE ESTIMATE

The basis and the computation for the \$736 million for public service appropriation in Fiscal Year 1981 represents 8 percent of the total sum appropriated by Act of Congress for use of the Postal Service in Fiscal Year 1971.

The Postal Reorganization Act, Section 2401(b)(1), provides for an annual appropriation to the Postal Service "as reimbursement . . . for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide in communities where post offices may not be deemed self-sustaining . . ."

The Act further provides that the annual appropriation will be a percentage of the total sum appropriated to the United States Post Office Department for its use in Fiscal Year 1971.

The applicable percentages and estimated amounts are as follows:

[In millions of dollars]

| Fiscal year | Percent of 1971 appropriations | Amount |
|---------------------|--------------------------------|--------|
| 1972-1979..... | 10 | \$920 |
| 1980..... | 9 | 828 |
| 1981..... | 8 | 736 |
| 1982..... | 7 | 644 |
| 1983..... | 6 | 552 |
| 1984 and after..... | 5 | 460 |

¹ After 1984, the Postal Service may ask for 5 percent or less, depending on the need for this appropriation at the time.

REVENUE FORGONE—BASIS FOR THE ESTIMATE

The basis for the "revenue forgone" appropriations of \$789 million estimated for Fiscal Year 1981 as the payment to the Postal Service Fund for free and reduced-rate mail represents (1) the difference between full rates to be charged preferential rate mailers (i.e., nonprofit organizations, matter for the blind), and the rates they would pay if they were regular commercial mailers, plus (2) an amount for the revenue forgone attributable to sixteen-year phasing of certain reduced rates (i.e., second- and third-class nonprofit, and library-rate fourth-class). These appropriations are authorized in Title 39 U.S.C. 2401(c).

POD TRANSITIONAL LIABILITIES—BASIS FOR THE ESTIMATE

A. Unfunded annual leave

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.

B. Employees' compensation-reimbursed to the Department of Labor

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 Postal 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.

Mr. STEED. It might be well to have that information if the question comes up.

POSTAL RATES NEEDED TO BREAK EVEN

I think I know the answer to this, but maybe we had better clear it up. When you talk about raising the postal rates you talk in terms of breaking even, what it takes to stay solvent.

Mr. BOLGER. Living within our income. We are talking about our projected costs; our projected appropriation is included in our income. When we build this rate case, we are assuming the legislative authority is going to stay in place, and if we can justify our appropriations each year, we will have some of these funds coming back to us.

NON-POSTAL SERVICES

Mr. STEED. Going back to what we have been talking about, you give service in many areas. For instance, registration of aliens in January of each year, selling special stamps and things like that. You make some money out of these. Mostly though, you convenience the people and save the Department that needs this information an exorbitant cost than if they had to perform it for themselves.

Mr. BOLGER. That is right. Actually, we get reimbursed. For instance, we handle the food stamps for the Department of Agriculture, but we get reimbursed on what we set as the price for each of these transactions. But we do provide a service which is convenient to the people. We have 40,000 retail outlets, post offices, stations and branches, of which 30,000 are post offices.

Mr. STEED. The alternative to that being done any other way means the costs become exorbitant.

Mr. BOLGER. Not only exorbitant, but I am not sure they can get it done. They tried to do a lot of food stamp activity in banks, but they were unsuccessful, because there is not a bank in every town, hamlet. They found out they could not do it so they had to come to us. Then they had areas where the banks, after they installed the program, did not want the business for one reason or another. It interfered with the regular banking activity, and caused lines. So the Post Office was their avenue of last resort to do this work for them. We may be an independent agency of the U.S. Government, but we are proud of the Government. If the Government needs some help in getting their job done, we should be willing to do it, and we are.

Mr. STEED. One other question, when it comes to gathering spot-type information, we hear commentators talking every day about polls. They get excited about that, but I think any politician had better have something more solid to go on than a poll. But it makes good reading, I guess.

Actually with your section 21 center, if you were asked to obtain certain information that would require your rural or city carriers or any other part of your work force to gather bits and pieces of information over a wide area, you could. Through the telecommuni-

cations system maintained by GSA, you could gather that information, and transfer it, very rapid, if you need it?

Mr. BOLGER. We can. It would take some planning to do each chore, but yes, we could. We can gather information on a daily basis for any given area and it would be transmitted through our own TWX system. We have a TWX connecting all our region centers together.

Mr. STEED. This system is not overloaded, you could add to it?

Mr. BOLGER. No, as a matter of fact through our TWX system and wide area phone system provided by GSA, we are paying for it 24 hours a day, 7 days a week. The normal use is during business hours, and there is plenty of time when the TWX system is available.

Mr. STEED. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

I can see from the material I have here, and your remarks, that you are handling a lot of mail. It came to 100 billion pieces.

Mr. BOLGER. Yes, and it is growing, it will be 104 billion.

Mr. MILLER. And it is the first time in the black since 1945.

Mr. BOLGER. Yes, sir.

Mr. MILLER. That is remarkable, and you people are to be complimented for that.

Mr. BOLGER. Thank you.

ENERGY CONSUMPTION

Mr. MILLER. You spoke a little while ago about rising energy costs, consumption, and the possibility that you may be able to save more. I read somewhere in the material that you proposed to cut gas consumption by 5 percent.

Mr. BOLGER. All forms of energy, including gasoline.

Mr. MILLER. It brings up the question of how many points of attack you have, such as the post offices themselves. Do you have the figures as to how many post offices are in the Postal Service?

Mr. BOLGER. 30,450, give or take a few. We also, of course, have about 10,000 stations and branches. They are buildings, too, they consume energy, and some are under contract.

Mr. MILLER. How many employees?

Mr. BOLGER. 663,000.

VEHICLES

Mr. MILLER. How about automobiles?

Mr. BOLGER. We use about 203,000 vehicles; 122,000 we own, and about 81,000 under contract. I will supply accurate figures on that. [The information follows:]

U.S. Postal Service vehicles

| | |
|---------------------------|---------|
| Government owned | 121,850 |
| Commercial Leases..... | 13,676 |
| Leased from carriers..... | 12,001 |
| Rural routes..... | 35,000 |
| Highway contracts..... | 16,732 |
| Drive-out agreements..... | 4,177 |
| Total | 81,586 |

Mr. MILLER. Are they large trucks or small vehicles?

Mr. BOLGER. They run the gamut from a 45-foot trailer to a subcompact car.

Mr. MILLER. Do you have any foreign automobiles, or is it strictly "Buy American"?

Mr. BOLGER. We buy American vehicles; we do have some foreign vehicles that are under lease to us. For instance, we have some driveout agreements with letter carriers, and those may include a foreign car. We have had a few British electric vehicles available to us. The only reason we bought those at the time is there were no American electric delivery vehicles available to us.

Mr. MILLER. And you find they are available now?

Mr. BOLGER. We are getting more cooperation in developing electric vehicles for us, yes.

Mr. MILLER. I was interested in this and we talked about it last year. The GSA and Postal Service were combining their efforts in attempting to purchase a large volume. They could buy at the right time and come up with a better price for the taxpayers. You are still doing that?

Mr. BOLGER. We are doing more. One of the reasons we were not getting a better price on vehicles was that our specifications were apparently too restrictive, so we are trying to buy more off-the-shelf, if you will, vehicles. Our experiences along that line have dictated it is the right way to go, we can take the vehicles for minimal costs after we adapt them for postal need without too much trouble and expense.

Recently, for instance, we put out a bid for 1,500 1-ton trucks for delivery vehicles, the heavier delivery vehicles for delivery of parcel post. By getting off-the-shelf equipment and with some modifications, it takes about \$500 to modify each vehicle, the cost went down from an estimated cost per vehicle, and I think we finally signed a contract for \$8,300, with the exception of the State of California, where we had to install emission controls.

Mr. MILLER. The reason I asked about "Buy American," was because when GSA was in, they indicated they purchased one-quarter-ton foreign-made trucks because they were not available in the United States. Do you have that kind of problem?

Mr. BOLGER. We have not had that problem. Right now we are in the process of buying additional vehicles. We are talking about subcompact delivery vehicles, American made. We have had in the past small delivery vehicles. We have had one bidder. I see an awful lot of interest from American manufacturers to provide vehicles.

Mr. MILLER. The specs were such that other manufacturers could not meet the specs?

Mr. BOLGER. They could meet the specs, but not with profit. They set up the assembly lines for those specifications. We might be ordering 1,500 vehicles, but that is a drop in the bucket. To tool up for that type operation will not be worthwhile.

So what you have is usually one or two interested bidders who say, all right, we will do it. The Postal Service has to pay what I thought was an exorbitant rate for delivery vehicles compared to other people with delivery activities around the country.

Mr. MILLER. When you and GSA get together to hit the street with an offer to bid—how do you handle that?

Mr. BOLGER. We determine what we need by surveying around the country, analyzing our projected growth, then we write up a request for procurement and GSA does the actual advertising and they get competitive bids for us and handle that part of the transaction.

Mr. MILLER. Do they charge you for that service?

Mr. BOLGER. No, not directly.

BORROWING LIMITATIONS

Mr. MILLER. I notice in the statement that you say that under borrowing limitations, you were interested in increasing from \$1 billion to \$1½ billion.

I can understand the operating purposes, but what would you be borrowing for, capital purposes?

Mr. BOLGER. We can borrow up to \$10 billion, total borrowing, but that is limited by law to \$2 billion in any one fiscal year, \$1½ billion for capital purposes and \$500 million for operating purposes. So really this proposal is a downturn to limit our borrowing capacity to \$1 billion instead of \$2 billion. I do not intend to borrow in fiscal year 1980 or 1981.

There is only one caveat on that. We might borrow for capital purposes. We might find it prudent depending on the interest rates to take our long-range capital expenditures, such as new buildings or equipment for the Postal Service, and borrow instead of having an immediate effect on our cash position. It all depends on the interest rates at the time and our cash position. To borrow for operating purposes is just revolting to us, and it should be. That is like buying your groceries on credit. I think it is poor business management to borrow.

Mr. MILLER. We find we now have a national debt of about \$800 billion. I believe that I am in a position to be able to complain about that because I have offered amendments on most of the appropriation bills, and had we been able to slow down a little spending over the years, from 2 to 5 percent. I believe we could have handled it. Now we are against a concrete wall. I am not sure how this will work. But we have borrowed the same way and have put the taxpayers in debt, not only for today, but the next generation or so. I can understand about the borrowing for the processing equipment that you speak of, but when it comes to borrowing for capital improvement or expansion or new construction of facilities, then how does that work out? I am trying to tie it together as to how GSA works because you people do have the authority to have

your own buildings and so many other agencies must go through GSA.

Mr. BOLGER. Our borrowing for capital purposes would be like taking out a mortgage and then amortizing that mortgage over a period of years. So, that is what I mean when I say to borrow for capital purposes other than equipment, that is not a bad technique depending on interest rates. We also have the ability to manage our own cash investment program. We can earn interest on our cash balance. Just borrowing is distasteful to me in any business activity, whether for capital and particularly for operating purposes. As far as capital purposes, I would have to make a judgment as to whether to ask the Board of Governors. I am looking at the current fiscal year and projecting as near as I can what the financial outlook will be in a few years ahead.

BUILDING-SPACE CHARGES

Mr. MILLER. Would you operate like the GSA in using a SLUC fund and charge agencies x amount of dollars per square foot of building space? Do you prorate this out to post offices or is it just one bulk charge for space?

Mr. BOLGER. No, sir. We charge for the square footage they use, including GSA. We pay GSA each year for space we are occupying and in reverse, GSA reimburses us at a flat rate nationwide, for other Government agencies using our facilities.

Mr. MILLER. With GSA they were given the authority, as a matter of fact, mandated, to have a new type of building program and a new type of renting, the standard level user charge. GSA would notify the agency as to square footage they had and that agency would have to put it in their particular budget. And they would come to Congress to collect. GSA would try to make them mindful of what space costs were and maybe they could come down in space requirements or at least not request something larger. But it has not worked that way. It has not seemed to work at all. Whatever GSA charges the particular agency for the standard level user charge, that is the amount put in the budget, and we also have the agencies coming over to other committees requesting that amount. It did not make people mindful that space cost money and to say, therefore; let us work with what we have. Has that worked by you charging the various areas for post office space, are those people mindful they are paying x amount of dollars per square foot?

Mr. BOLGER. The agencies that rent space from the Postal Service, we do get reimbursed from the GSA. I do not know whether it is having that type effect or not. I would hope it would be because we charge the going rate for that square footage. As far as we are concerned, it is an expenditure from their budget. As far as our own people, the utilization and expansion of space is an important budget item to us. If the postmaster wants a new building or somebody wants additional space in headquarters, they have to prove at least a 15-percent return on that investment. You must prove your point to the Capital Investment Committee that there is return on investment. We do an examination after the space is

made available and I can assure you if we do not get a return on investment, we do something about it.

We are not trying to build the Postal Service as far as number of employees, buildings, stations and branches. We are trying to accommodate more volume with fewer people and also keep in mind to provide the service, universal service.

INVESTMENT INCOME

Mr. MILLER. Before we get too far away from what we were talking about a few moments ago, as to having a cash balance and the board determining whether to pay or borrow, how much interest were you able to collect on that last year and what would it be invested in?

Mr. FINCH. In fiscal 1979 our investment income was \$349 million. The law provides that the Postal Service can invest that money. The Secretary of the Treasury has authority under the statute to limit what we can invest it in. We have permission to invest in Treasury notes and bills. We had about \$4.2 billion invested in Treasury notes and bills. Our operating plan for fiscal year 1980 anticipates we will earn investment income of about \$332 million.

Mr. MILLER. \$349 million?

Mr. FINCH. Yes, sir.

Mr. MILLER. Because of the interest rate dropping?

Mr. FINCH. Because of our cash position as we get further away from our last rate increase, which was in 1978, and our cost increase simultaneously, we will have less cash.

Mr. MILLER. I thought maybe you knew something we didn't, and would have a little lower interest rate coming up.

Mr. FINCH. That number is also predicated on the prognostication from several economic firms that we subscribe to as to what the interest rates will be.

Mr. BOLGER. They were not projected to be the current interest rate continuing through this fiscal year; the current interest rate, as you know, is 15.3 and 14.6. We are not geared in our thinking to projected earnings. I might add while that \$4.2 billion sounds like a huge cash flow portfolio, which it is, everybody has to keep in mind that our payroll every two weeks is \$480 to \$500 million, every two weeks. That is something you have to keep in mind. While that looks like a big cushion, it really isn't.

ELECTRONIC FUND TRANSFER AND ELECTRONIC MAIL

Mr. MILLER. You talked a little of electronic fund transfer and electronic mail. If you could bring us up to date with a little more information on that. We discussed that at some length last year. You people were concerned as to the electronic mail, and whether it means that fewer people and businesses would be buying postage stamps and whether you would be involved in electronic mail and especially electronic fund transfer, Social Security, and other agencies had tests going as to whether they should use the electronic fund transfer. That, in turn, would mean less business for the Postal Service.

Do you have any additional information or facts that you could convey to us now?

Mr. BOLGER. In gross terms, we do. We know that despite the fact that the electronic funds transfer is probably having some impact on us, it is not having a real one at the moment, because we are still growing in first-class volume. The checkless society did not happen in 1980 and isn't about to happen for some time to come, if at all.

Our concern is this: Frankly, we have a large conventional Postal Service operating today, and despite all the chatter and all the ruckus on electronic transactions, electronic mail, we are going to have a large conventional Postal Service operating in the year 2000 and beyond that too, in my judgment.

Mr. MILLER. In the year 2000 are we going to have post offices where people will buy stamps and do their mailing, and the other end where the mail will be gathered and delivered, but will we moving this bulk between one section of the country and the other or will we also be using electronic mail between the two points?

Mr. BOLGER. I think we will have a combination of the two, and the vast majority of the mail volume and the hard core will still be moved in conventional physical means that we have available to us today, hopefully improved but nevertheless available. Somewhere along the line, I don't know just when it is going to happen, there is so much regulatory debate going on, that I would expect the Postal Service will play an appropriate and proper role in the use of the technology of electronic transmission of messages from one point to another. This will really help us in our productivity and help us move the volumes of mail that we have now.

We are adaptable to that form of technology, moving it faster and cheaper, keeping our postage rates down. I don't know what the role of the Postal Service is finally going to be in this, but we are trying to identify that role working with all the other institutions of government.

I think this technology ought to be used by the Postal Service, in partnership with our current telecommunications companies. I don't think the Postal Service should have a monopoly of messages electronically, but as long as there is a need of those for delivery by a third party, I think the Postal Service should be the third party.

We should use that technology like we used all the other advancing technologies of this country, as we have improved the Postal Service to serve people wherever they are. That is how I see the Postal Service and its role. I think it is just a misjudgment on anybody's part to think the conventional Postal Service is going to go into a state of collapse over the next 5 to 10 years if we don't get involved in the use of that technology.

Mr. MILLER. I didn't think we were going to go into that state of collapse. I have heard such things. As long as people will need to get the letter in a box and somebody has to deliver it at the other end, and it has to be processed, you have almost as many people as you have right now. But you can visualize that with tons and tons being shipped all across the country, in all directions, and using the energy that we are using to move it along, that the time has come with the technology to transfer electronically, and perhaps then to put it back in an envelope, and send it on.

Our energy problem has forced this. I can visualize people being interested in selling that type of equipment and taking advantage by saying what a big problem we have in energy, and how much we could cut down if we do it this way. It seems the Postal Service should be a part of that, not only in the pickup and delivery, but in the exchange between the two points.

Mr. BOLGER. I couldn't agree with you more, Congressman Miller. I think we should be a definite part of it. I think that the sooner that decision is made of what our role should be we are going to be in the planning process. So when the time comes 5 or 10 years out, where this technology must be used, we will be ready to use it. Now, we still are the people that are everywhere serving everyone, and I think it is important to take advantage of a system that is already in place, not that we should have any competitive advantage over anybody in the private sector. We should not.

The electronic transmission services should be purchased by the Postal Service and not put up by the Postal Service. We don't need another telecommunications company in this country. We have sufficient numbers, but we can work properly in partnership with these telecommunication companies, one of them or all of them and do, I think, a very effective job on a long-range basis for the people of this country.

INTERNATIONAL ELECTRONIC MESSAGE TRANSMISSION

Mr. MILLER. How about the international electronic companies, where you are working with other countries, with that very system? As I understand it, you are apparently sending it so it can be delivered in a matter of two days; is it working out?

Mr. BOLGER. It is not working. We haven't gotten off the demonstration grounds. It can work, and I feel a little bit, I might even use the term ashamed, that the originating country hasn't been able to make more progress in getting this accomplished than we have. Shortly after I was privileged to get this job, in March of 1978, we signed a contract with Comsat, and we negotiated with them and several other countries to get involved in a demonstration approach, and then some type of one-year commercial approach on the electronic transmission of messages internationally, through a facsimile process.

Other than putting up a demonstration approach, which still operates when we want it to between here and Great Britain, we know it is workable. Because of the delay caused in the regulatory process that tried to get tariffs approved so telecommunications companies could provide us the telecommunications ability to go from country to country, we haven't done a darn thing. Unfortunately, after gearing up all this interest in these other nations, it looks to me right now like these nations, and Western Europe particularly, in connections through Canada, are going to go ahead with the system, and we will be left out. I just don't understand that at all.

Mr. MILLER. Why would we be left out? Who keeps making the decision? Has money been requested to an appropriation committee to carry this through?

Mr. BOLGER. Not a dime, and we don't expect to request any appropriations or any subsidy for this purpose. What we have been trying to do is get some tariffs from the Federal Communications Commission for communications companies who are going to provide the telecommunications service for us. We haven't been successful in doing it. There has been all types of regulatory delay on this. I think it is a pity that we don't get involved in this at least on the experimental basis.

If it has to be limited for a 3- to 5-year time period, fine, if that has to be the case. I think it is important that we have this ability, and I think the telecommunications services should be provided so that we can exchange this electronic transfer of messages between and among these foreign countries. I think it is critical.

WEB OF REGULATIONS

Mr. MILLER. We seem to be caught in our own web, then, with regulations. Is that what you are saying?

Mr. BOLGER. That is the way I look at it, Mr. Miller.

Mr. MILLER. Would you spell that out for the record a little more as to what regulations are creating the problem? Maybe we can give it a little advertisement, because if we are going to be part of this world and universe, why, we should be out leading instead of waiting for somebody else to make the decision.

Mr. BOLGER. I couldn't agree with you more. In this country we have the capability of advancing in technology faster than any other country in the world, and that is right. We should be a leader, not a follower, and we should be a full partner with other countries. It is obvious that at our institutions are going to get involved in this thing. It is too darn bad because I think we have something good going here and I think it ought to be done. I will be glad to supply a paper for the record.

[The information follows:]

The following are obstacles hindering the United States from participating fully in Intelpost service.

On August 15, 1979, the Federal Communication Commission's Common Carrier Bureau rejected an interpretation by RCA Global Communications Inc. of its private line tariff that would have enabled RCA to provide certain half-circuits needed by the Postal Service to interconnect its intelpost service computer with intelpost service computers purchased by foreign governments in order to be able to exchange Intelpost mail electronically with the United States.

On October 12, 1979, the same Bureau rejected tariff amendments which had been published by RCA and TRT to remove the tariff obstacles asserted by the FCC staff against the provision of half-circuits to the Postal Service for its use in providing Intelpost service to the public. The basis for rejecting the amendments was a claimed legal flaw which no party had advanced, supported, or had been given an opportunity to comment on.

Neither the Commission nor the Bureau has used its authority to revise the tariffs so as to permit the provision of half-circuits to the Postal Service for Intelpost service. Neither the Commission nor the Bureau has acted on the applications for review filed by the Postal Service, RCA, and TRT, even though the applications have been ripe for review for several months, nor have they taken action on a different tariff amendment filed by RCA on January 14, 1980, which would enable RCA to provide certain needed half-circuits beginning in mid-April.

In summary, the Commission's actions to date have prevented private carriers from cooperating with the Postal Service and providing half-circuits needed for use in providing Intelpost service, a service which the Postal Service firmly believes is desired by its customers. They also create the ironic situations that the Postal Service, which proposed Intelpost in the first place, participated in the development

of the necessary technology, and provided that technology to the participating foreign postal administrations, will be unable to participate in the Intelpost system. The participating foreign postal administrations have expressed their intention to proceed with Intelpost without the Postal Service, thus depriving the United States of operational experience with the system.



UNITED STATES POSTAL SERVICE
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Washington, DC 20260

February 25, 1980

Mr. William J. Tricarico
Secretary
Federal Communications Commission
Washington, D. C. 20554

Re: 1980 INTELPOST Service Field Trials

Dear Mr. Tricarico:

This is to advise that the world-wide INTELPOST service network has been redesigned so that the service can soon be publicly offered without international satellite and cable circuitry provided by American entities. The possibility of such network redesign was indicated in pleadings which we filed with the Commission last year. 1/

The INTELPOST service field trial network which had been scheduled to start operations last year had been designed to operate under the control of a single central postal computer located in the United States. World-wide INTELPOST service field trials were thus entirely dependent upon the provision of international satellite and cable half-circuitry by U. S. international record carriers. When the Postal Service was unable last year to obtain the circuitry it needed for such tests from these carriers, the experimental development of INTELPOST service was temporarily interrupted on a world-wide basis.

In recent months, however, Canada Post, acting in cooperation with Canada's CNCP and Teleglobe, has agreed, with the United States Postal Service and its INTELPOST service partners abroad, to join the INTELPOST network, and to install and operate postal computer facilities duplicating those already installed in the United States. We anticipate that the installation of such postal

1/ TRT Transmittal No. 867, RCA Transmittal No. 4522, Application of United States Postal Service for Review by Commission, November 13, 1979, pages 3 and 9; C.C. Docket No. 79-226, Comments of the United States Postal Service, November 30, 1979, page 4.

computer facilities in Canada will be completed by March or April. As a consequence, any half-circuit telecommunications links needed between North America and Europe for the world-wide INTELPOST network can be provided by Teleglobe; Asian postal administrations served by trans-Pacific communications satellites and cables can be linked to European postal administrations served by trans-Atlantic satellites and cables via Canadian land lines; and the United States Postal Service can initiate its participation in the INTELPOST network via domestic terrestrial circuits or regular postal channels between the United States and Canada.

We further anticipate that a decision will be made next month to modify one or more INTELPOST computer facilities in Europe, so that direct telecommunications links can be established between European postal administrations, between postal administrations in Europe and the Far East, and between postal administrations in Europe and South America. If such a European decision is made in March, we anticipate that the necessary software modifications can be implemented in Europe well before the end of this year.

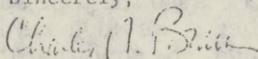
The Postal Service continues to prefer that U. S. international record carriers provide international half-circuits for the forthcoming INTELPOST service field trials, and has accordingly continued to retain at its expense leased postal computer facilities which would be unnecessary if these carriers do not participate. The Postal Service sought the half-circuit services of these carriers for these field trials in May of last year, following open, competitive procurement procedures. Notwithstanding that the procurement was open to all, one IRC altogether refused without explanation to submit a proposal, and another IRC's submission was non-responsive. The circuitry contracts which the Postal Service awarded in July with the two IRC's then willing to agree to provide such services have spawned two tariff proceedings now pending before this Commission, in which tariffs published by one or both of the IRC's awarded contracts by the Postal Service are contested by one or both of the IRC's who did not offer their half-circuit services to the Postal Service last July. ^{2/}

As the matter now stands, unless the Commission acts affirmatively to resolve or help resolve the inter-IRC tariff disputes now pending before it concerning the international half-circuitry in issue, INTELPOST service will be instituted on a field trial basis in the near future without any international circuitry provided by any American entity.

^{2/} TRT and RCA Transmittal Nos. 867 and 4522, rejected by Chief, Common Carrier Bureau, October 12, 1979, applications by RCA, TRT, and USPS for review by this Commission pending and ripe for review; RCA Transmittal No. 4575, effective date April 13, 1980, petition to reject or suspend filed by WUI on February 8, 1980; oppositions by RCA and USPS filed on February 19, 1980.

The Postal Service is willing to meet with representatives of interested parties to discuss ways of resolving the present tariff impasse, if they believe that our presence and participation might be helpful. The present inability of any of the IRC's to provide half-circuitry services to the Postal Service, however, results not from any unwillingness of the Postal Service to purchase the services, but from tariffs filed with this Commission, from interpretations of such tariffs by certain carriers and the Commission's staff, and from litigation by carriers against tariff amendments intended to remove perceived tariff obstacles. These are matters of tariff administration which, while ultimately subject to judicial review, are largely within the control of the Commission and the carriers it regulates, and outside the control of potential customers for the carriers' services. If the Commission wants the IRC's it regulates to participate in the forthcoming INTELPOST service field trials, and if they want to do so, it is up to them to help find a way of making IRC services available for the INTELPOST field trials on a timely basis.

Sincerely,



Charles R. Braun
Assistant General Counsel
Special Projects Division

cc: FCC Chairman and Commissioners

Chief, Common Carrier Bureau

Counsel for participants of
record in referenced proceedings
(RCA, WUI, ITT, TRT, Comsat, and
NTIA)

Mr. MILLER. Just last week I sent a letter to Munich. It did not arrive in time. I had three telephone calls. If the letter had arrived in time, it would have solved my problem because it would have been continued from where it was to be delivered to the proper person, but it just didn't work out. So we have the technology, and I hate to see us sitting back having problems, but not using the technology.

EXPRESS MAIL

Mr. BOLGER. I don't know how you sent the letter in the final analysis, but we do have express mail service between here and West Germany. You probably could have expedited it, not as fast as you could have done electronically, but it could have been expedited. It is a pretty darn good service between Washington, D.C., and West Germany.

Mr. MILLER. I am not complaining about this particular one.

Mr. BOLGER. I realize that.

Mr. MILLER. Because the time span was very short anyway. I was not sure whether it would move fast enough. It was as good as I could expect under the conditions that we have today.

Mr. BOLGER. Yes, sir.

EXPANSION OF ZIP CODE

Mr. MILLER. Is the zip code to be changed from 5 numbers to 9 numbers?

Mr. BOLGER. We are still 5 lettered zip. We expect to go into expanded zip code implementation February 1, 1981, with full implementation of that by the end of fiscal year 1981. The reason for that is to help us to reduce our mail costs by using automation in the processing of letter-sized mail, and we will be developing, and are developing rather, and will have in place, some automated equipment to process this zip code mail.

I want to make one point here. I have been trying to make it wherever I go around the country. The current 5-digit zip code never was made mandatory for the individual user, although we are delighted to see as many people use it as do. The add-on zip code will not be made mandatory, either, for the individual. 80 percent of our volume comes from commercial users of the mail service, and we anticipate that they will be able to computerize addressing methods, and use this add-on zip code, which will help us process the mail faster, cheaper, and more accurately. At the same time we will put some cost incentives in there for these companies that will cooperate.

We will give them discount rates of postage over and above the individual who cannot use it or does not have the volume to warrant using it. But anybody that can use it, has the volume where it would be useful for them and for us to use it, we will certainly pass along the savings in postage rates to them.

CIRCULATING THE NEW DOLLAR

Mr. MILLER. I understand from what I read that the Postal Service was attempting to move the Susan B. Anthony dollar into circulation.

Mr. BOLGER. Yes, we are.

Mr. MILLER. I wasn't sure I had any Anthony dollar with me, but I do, and I try to move them also. I don't know whether it is a losing game, but I tried to move the \$2 bill. It would save the taxpayer quite a bit if we did use the \$2 bill because the \$1 bill, the Treasury tells us, will only last about 18 months. That is another point. Now we do have the Susan B. Anthony dollar.

Your people are probably in a better position, to know whether you have been able to move them. Are we playing a game that we might as well forget? Because right now there are about 800 million of those made, and not half of them in circulation, but will people accept them?

Mr. BOLGER. It is too early to say. We are not forcing them on anyone, nor should we. The Treasury—

Mr. MILLER. It is not mandatory. You are saying if the customer does not want to accept it they can have paper money.

Mr. BOLGER. Paper money, absolutely, and that is their privilege as citizens, and should be. The Treasury Department obviously is having difficulty circulating these, and they came to me and asked if I would go into a cooperative program to see if we could get them into circulation. Of course, we have got 40,000 facilities out there making change for people day in and day out. We have vending equipment which can be adapted without a great deal of expense, adapted to the use of this coin, and so we said yes, we will give it a try.

We just really went into it in the early part of this year. I don't know if it is successful or not. I have had very few complaints about it, I guess mainly because the people aren't being forced to accept these in change if they don't want to.

Mr. MILLER. I guess the purpose of my question was whether you knew what percent of the people would accept them.

Mr. BOLGER. At this point I don't. Jim, do you have anything on that?

Mr. FINCH. No, sir, I don't, but we don't have any return in numbers yet. I keep a little tab of things I hear about in terms of complaints, and believe it or not, I have had more reports of people saying, "I have been wanting to know where I could get some of those coins and the local bank wouldn't give me but a roll of 25." I have actually had cases reported of people coming to the post offices not to buy stamps but to get some Susan B. Anthony coins.

Mr. MILLER. They may go. One will have to keep them in a different pocket so they won't be mixed up with quarters.

Mr. STEED. Will the gentleman yield? I think I read of a post office where somebody had the bright idea of putting up a sign saying "limit 2 to a customer," and a line formed.

Mr. BOLGER. I don't know, I haven't tried that.

Mr. FINCH. I was just handed some numbers. Prior to our involvement in the program, the Treasury's weekly payout of coins was 150,000 a week in January. That jumped to 300,000 after we got in the program, the week ending February 1, and since that time we have put about 2 million of these in circulation per week.

Mr. MILLER. You have got a lot to go.

Mr. FINCH. Yes, sir.

Mr. BOLGER. Quite a few.

Mr. MILLER. I have several other questions, Mr. Chairman.

Mr. STEED. Mr. Roybal.

Mr. ROYBAL. I have about 5 minutes of questions.

Mr. STEED. Go right ahead.

1980 CENSUS

Mr. ROYBAL. Last year I was interested in knowing that you were going to participate in the 1980 census, and that participation was going to be quite extensive. Can you tell us what has happened up to now?

Mr. BOLGER. Actually, we haven't participated yet. We are getting ready to. We have been working with them, and the forms will go into the mail the 28th of March, and we will be delivering all the census forms throughout the country on March 28. Most of the returns will come through the mail.

Some people will be told to keep their form until a census enumerator comes around to pick them up, so basically we did all of our planning with the Census Bureau, Department of Commerce. As far as I know, the material is all distributed out into our post offices ready for delivery. Unfortunately, a few of our people got a little bit ambitious and delivered it already, instead of waiting for the delivery date, but that was in smaller areas so it should not be that much of a problem.

Mr. ROYBAL. Are you employing the postman to go to the door?

Mr. BOLGER. Just to deliver the forms. Unfortunately, I think that we haven't gone further, and I think in future censuses we should. I was describing before you came in that we had a request that I am considering right now to possibly do the entire census, including the enumerators' work, through Postal Service employees in this one state, and even in 1980. I don't know where that is going to go. It is still in the very preliminary planning stages.

Mr. ROYBAL. I know someone who believes that the Post Office can do the whole thing.

Mr. BOLGER. I agree. I think with the proper planning we could do an extremely good job on it.

Mr. ROYBAL. Then you do agree with this friend of mine who believes that you can do it all?

Mr. BOLGER. I think it would take a great deal of planning, a great deal of cooperation. It all depends what you mean by doing it all. I think we could, working with the Census Bureau, gather the information.

Mr. ROYBAL. That is about 80 percent of the job anyway, isn't it?

Mr. BOLGER. I don't know of all of the uses it gets during the course of the 10-year period and all the data that is used and spewed from the computers. I just don't know how far we could go, but as far as gathering the information, I think with good, careful planning, since we are around everywhere in the country we could do a very credible job.

ELECTRIC VEHICLES

Mr. ROYBAL. Another thing I was interested in is that last year you said something about the use of electric vehicles, and I have always had in mind that perhaps the post office can be used as an

experimental basis of some kind, to experiment with the use of these vehicles. Is that being done now?

Mr. BOLGER. Yes, it is. First of all, in Cupertino, California, we have one of our post offices entirely electrified as far as delivery vehicles are concerned. We only have about 380 electrical vehicles being used in experimental stages. We are in the process of acquiring 750 more, and a couple of years hence we will be in the process of acquiring probably another 1,200.

Also working with the Department of Energy, we are experimenting with some different types of electric vehicles. We have 3 of them at our laboratory in Rockville, Maryland, now, testing them to see what we can do to develop a better electrical vehicle for the Postal Service delivery function. On top of that, we are interested in the General Motors announcement that they have developed or are developing a new storage battery, much lighter in weight, much longer lasting. Our Deputy Postmaster General and other people for the Postal Service visited with GM people. We want to get involved in experimenting on the use of such a battery. We have such a large delivery fleet and are a natural to experiment with these types of activities.

Mr. ROYBAL. That new battery can be used in your California experiment, because I have heard that that is going quite well.

Mr. BOLGER. It is going to be several years, as I understand it, talking to GM, before we are going to get it.

MINORITY BUSINESS

Mr. ROYBAL. What effort do you undertake to see that a fair portion of the goods and services, which you contract for, come from minority businesses?

Mr. BOLGER. We are doing everything we can to get more people from minority businesses. Whether we are talking transportation companies or building, contractors, or service organizations. We make our request for procurement of supplies and real estate transactions available to all minority businesses for bid. I might add we were just successful in getting for the first time one of our bigger facilities a motor vehicle facility in Cleveland, Ohio, a bid by minority contractors. It is the first major one we have had.

MINORITIES IN WORK FORCE

Mr. ROYBAL. I am very pleased to see that the representation of Hispanics in your work force increased from 3.28 percent to 3.7 between June 1978 and October 1979. That is a small increase, but nevertheless it is an increase.

Mr. BOLGER. We are not satisfied that it is as far as we can go.

Mr. ROYBAL. At the end of February, the Office of Government Employment sent a letter to Gene Buckley, the Director of Postal Service's Office of Equal Opportunity, stating that the United States Postal Service had failed to meet EEO directives in submission of affirmative action plan for fiscal year 1980. Then it listed 7 items in which the requirements were not met, that is, items for minorities and women, and then listed 4 categories in which the directives were not met for the handicapped. Are you familiar with each one of these?

Mr. BOLGER. Not as familiar in detail as Mr. Ulsaker, our Senior Assistant Postmaster General, for Employee and Labor Relations. Let me say in general, that we are trying to find ways and means to recruit minorities into the Postal Service. We are trying to find qualified minorities, whether we are talking about blacks, Hispanics or women, for upward mobility in the Postal Service. I think we have been doing an important, credible job. We have a long way to go. We are particularly anxious to work with the handicapped. We have a number of programs we are working in, including one new one with the Veterans' Administration to accommodate in the Postal Service work force more handicapped veterans of the Vietnam War.

Mr. Ulsaker is in better position to go into the details than I am.

Mr. ULSAKER. I don't know exactly what these 7 points were that they were talking about.

Mr. ROYBAL. For minorities and women, number one, was development of a work force profile. Number two, an analysis of the underrepresentation of these groups. Number three, a designation of two target occupations in which minorities and women are currently underrepresented. Four, an analysis of the current policies that adversely affect minorities and women. Five, a projection of the vacancies that would be arising in populous occupations. Six, the establishment of hiring goals. Seven, the development of recruitment strategies. These are the seven areas.

Mr. ULSAKER. We have on-going programs in all of those areas, Mr. Roybal. I am familiar with the differences of opinions they have on what we are doing.

Mr. ROYBAL. The thing is that the letter was sent. What I would like to know is, When do you expect to inform the EEOC that your fiscal year 1980 affirmative action plan is fully ready?

Mr. ULSAKER. We are in the process of doing that right now. I will have to check and see what the exact time is.

Mr. BOLGER. What we can do is take each of these allegations from the EEOC, Mr. Roybal, and respond for the record, where we think we are on each of these programs, and where we are going to go and what our EEO plan is for fiscal year 1980, and when it will be fully available.

Mr. ROYBAL. That also includes, of course, the items with regard to the handicapped.

Mr. BOLGER. Yes.

Mr. ROYBAL. Will you then let us know when you expect to answer—

Mr. BOLGER. Yes, we will.

Mr. ROYBAL [continuing]. The allegations?

Mr. BOLGER. We will indeed.

[The information follows:]



THE POSTMASTER GENERAL
Washington, DC 20260

April 9, 1980

Honorable Edward R. Roybal
House of Representatives
Washington, D. C. 20515

Dear Congressman Roybal:

Enclosed is my response to the request you made at the March 17 hearing of the House Appropriations Subcommittee on Treasury - Postal Service - General Government, for information on our affirmative action plan.

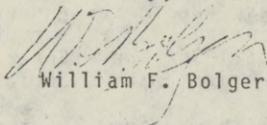
Let me first explain, however, that in 1979 we reached an understanding with the EEOC that allowed us to develop a prototype affirmative action plan that varied considerably from the specific approach required by EEOC guidelines. We had several reasons for proposing a different approach which include:

1. Our policy is to have outside recruitment and selection limited almost exclusively to entry craft union positions - clerks, letter carriers, mailhandlers, and maintenance personnel. Higher level positions are filled from the ranks of postal employees with recruiting done from outside only when we cannot identify an employee with the necessary skills. Our employees have accepted this policy and regard it as a significant means of achieving upward mobility.
2. Our overall representation of minorities and women among the above-mentioned craft positions is quite good. The areas that need the greatest attention in terms of affirmative action and upward mobility are supervisory and managerial positions.
3. We are bound by National Labor Relations Board-recognized union contracts which impose certain legal constraints upon our selection and reassignment of craft employees.
4. We are bound by the Veterans' Preference Act.

We proceeded to develop our experimental plan in 1979 and presented it in a timely fashion to the EEOC. The letter you referred to during the hearing indicated total rejection of our proposed plan by the EEOC. We developed our plan in good faith, and to say that we were surprised by the EEOC response is something of an understatement.

We then sought for several weeks to arrange a meeting with representatives of the EEOC to discuss their letter and our situation. We finally were able to meet with them on March 24, and I believe they now have a much better understanding of the nature and scope of postal operations, and the Postal Service's method of staffing, work tours, and statutory authority. Further meetings will be held, and I am optimistic that we will develop a plan in keeping with the mutual commitments of the Postal Service and the EEOC to fair and equal employment practices and our serious attention to affirmative action.

Sincerely,



William F. Bolger

Enclosure

ENCLOSURE

Responses to Questions Raised in the Hearing:

The following pertains to questions on affirmative action:

1. When do you expect to inform the EEOC that your fiscal year 1980 affirmative action plan is fully ready?

The Postal Service is currently operating under a multi-year affirmative action plan for fiscal years 1979 - 1980. The EEOC has designated 1980 as a transition year. Had they accepted our prototype plan, we would have moved to this plan for the balance of 1980 approximately May 1. Inasmuch as we are again discussing our approach with the EEOC, I doubt we can implement a new 1980 plan until late in the fiscal year. I believe it would be best to continue our efforts under the "79 - 80" plan and be ready with a plan acceptable to us and the EEOC for fiscal year 1981.

2. The allegations and issues raised in the EEOC letter of February 15, 1980.

- a. Develop an agency workforce profile

The prototype plan was centered upon the Philadelphia Management Sectional Center. Had this plan been acceptable to the EEOC, we would then have proceeded to develop the agency workforce profile. During the March 24 meeting, we gave the EEOC representatives the agency workforce profile.

- b. Make determination of underrepresentation by comparing the agency workforce with relevant civilian labor force.

Again, in reaching an agreement for our prototype plan, it was decided that we would conduct an analysis of underrepresentation in grade levels EAS-15 (largest group of initial level supervisors) through the Postal Career Executive Service. (The latter is the pay and benefits system for postal executives comparable to the Senior Executive Service). Our plan provided groupings of grade levels by minority and sex categories within these supervisory - managerial positions as follows:

EAS Level 15 - initial level supervisor
 EAS Level 16 - 19 - 2nd and 3rd level supervisors
 EAS Level 20 - 25 - initial and mid-level management
 EAS 26 - PCES - higher and senior level management

Inasmuch as we were looking internally at supervisory and managerial levels, a comparison with the civilian labor force was not possible. In order to determine where increased minority and female representation is needed in the grade level groups mentioned above, responsible officials were to compare the USPS 1979 Minority Census Report against the USPS 1977 Minority Census Report. Those installations which showed a decrease in any of the four grade level groups since 1977 were to be cited as "Additional Concerns" in the Regional Affirmative Action Plans, with a minimum objective of increasing the minority and female percentage rate to that of 1977. Those grade level groups which had achieved little or no increase in the percentage rate of minority and female representation since 1977 would be mandated to strive for significant increases.

Any installation cited as an "Additional Concern" would be required to develop an individual affirmative action plan describing actions to be taken to increase minority and female representation.

3. Target a minimum of two occupations set forth in 702

The prototype plan that we developed gave consideration to more than the requirements set forth by EEOC, since we were concerned with increasing minority and female representation in all occupational groups in grade levels EAS 15 through PCES I. This covers some 70,000 positions.

4. Analyze those employment policies which adversely affect employment opportunities for the underrepresented

The Postal Service does not knowingly have any employment policies which adversely affect opportunities for the underrepresented group, or any other group. Assessment of testing and selection procedures is done on a continuing basis. When practices are determined to have a potential adverse impact they are dropped. We will be assessing the validity of our selection procedures for initial level supervisors this year.

5. Make a projection of agency vacancies in the most populous occupations

The most populous occupations are Distribution Clerk, Clerk Carrier, and Mailhandler. We have not historically projected vacancies on a national basis because the hiring decisions are the responsibility of the local postmaster. The large number of post offices (some 30,000) makes it impractical to track vacancies at the national level.

The Postal Service has been under a carefully controlled and limited hiring program for several years. Managers are expected to absorb work or find means to handle it without replacing separated personnel on a one-for-one basis. We have seen an increase in the number of women and minorities since 1977 - even with this controlled hiring program.

We will have vacancies projected at the Management Sectional Center level for the groups we have targeted for affirmative action under our prototype plan.

6. Establish numerical hiring goals

Hiring goals cannot be established, as stated above, because of the national labor contracts and the Veteran's Preference act that significantly impact our selection flexibility. Again, on a national basis, representation of women and minorities in total among craft positions is relatively good. We believe that establishing community outreach goals in concert with plans of the postmaster to open a hiring register is a more realistic approach for the Postal Service. We have had a very active community outreach program and believe it is significantly responsible for the over one million persons who took USPS entrance exams in 1978.

7. Develop specific recruitment and staffing strategies

The responses to 5 and 6 are also applicable to this item.

In addition, the EEOC's letter listed four requirements regarding the Handicapped Affirmative Action (HAA) Plan that were not addressed in the prototype affirmative action plan.

1. A separate 501 Plan was to be developed

This was not a part of the agreement reached with the EEOC. We agreed that the prototype plan would include the handicapped Affirmative Action Plan. We can develop a separate HAA Plan and will pursue this.

2. Goals and timetables were to be established for hiring persons with severe disabilities

The Postal Service and the Veterans Administration are conducting a joint pilot study to employ within the Postal Service hospitalized veterans in our automated mail forwarding system.

The purpose of this project is to train and gainfully employ seriously disabled Vietnam era veterans with restricted mobility. The Veterans Administration is developing the selection criteria and the nominees for

the program. A state Vocational Rehabilitation Center is conducting the typing skill training necessary to perform the job, and the Postal Service will provide job opportunities when the training has successfully been completed.

Additionally, the Virginia Department of Vocational Rehabilitation is currently conducting task analysis on five bargaining unit positions to determine what accommodations may be necessary to employ various types of handicaps. These five positions are clerks in the automated computer forwarding system, mailhandlers, typists, custodians and letter sorting machine operators.

When these studies are completed and analyzed, the Postal Service will be in a better position to project goals and timetables for hiring persons with severe disabilities.

3. A special recruitment program for those individuals referred to in (2) above was to be developed and implemented

The response to item 2 above is also applicable to this.

4. A program to make agency facilities accessible to handicapped individuals (removal of barriers) was to be developed

While it was not reflected as an objective in the prototype affirmative action plan, a program to make our facilities accessible to handicapped individuals began in 1969 when the Post Office Department adopted the standards set forth in the Architecture Barriers Act of 1968. In 1971, when the Post Office Department became the U.S. Postal Service, it no longer fell under the Act. However, the Postal Service continued to comply with the act on a voluntary basis until June, 1977, when the Postal Service implemented its own standards regarding facility accessibility. These standards are monitored by our Real Estate and Buildings Department.

Mr. ROYBAL. Thank you very much.

Mr. BOLGER. Thank you, sir.

ANALYSIS OF TOTAL COST

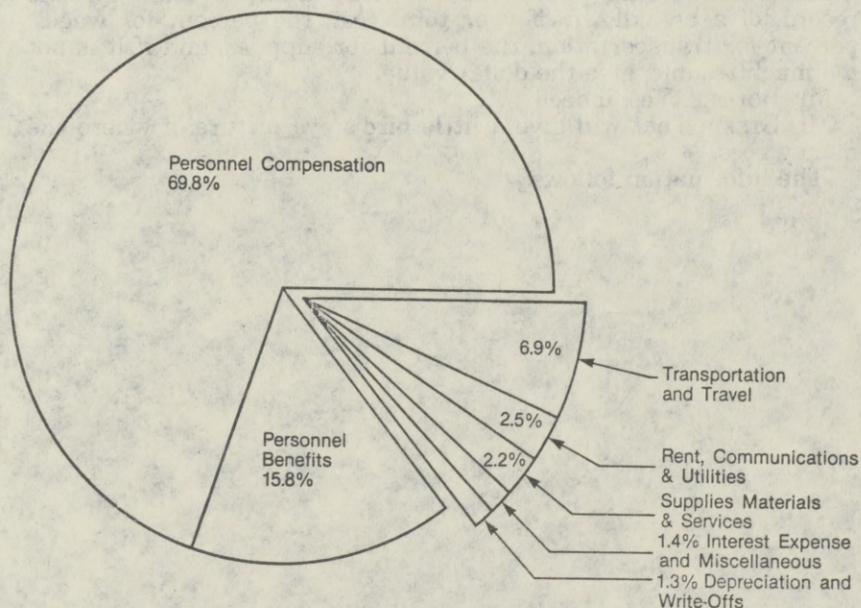
Mr. STEED. Could you furnish a little analysis table for the record, of a breakdown of your total cost, the percent for wages, percent for transportation, the percent for supplies, and if it is not too much trouble, give the dollar value.

Mr. BOLGER. Yes, indeed.

Mr. STEED. That will give a little bird's eye picture of where the money goes.

[The information follows:]

Postal Service Dollar
Fiscal Year 1979



| Amount (millions) | Where It Goes | Cents |
|----------------------|-------------------------------------|--------|
| 12,365 | Personnel Compensation | 69.84 |
| 2,797 | Personnel Benefits | 15.80 |
| 15,162 | Subtotal | 85.64 |
| 1,237 | Transportation & Travel | 6.99 |
| 444 | Rents, Communications and Utilities | 2.51 |
| 390 | Supplies, Materials and Services | 2.20 |
| 175 | Interest Expense | .98 |
| 69 | Miscellaneous Expense | .39 |
| 17,477 | Subtotal | 98.71 |
| 228 | Depreciation | 1.29 |
| 17,705 | Total | Dollar |

CONSTRUCTION PROGRAM

Mr. STEED. I have some other questions that you can submit the answers to for the record that may be of interest to those who like to read about what your operations are.

What is the status of your construction program?

Mr. BOLGER. Over the past eight years, the Postal Service has invested about \$2.4 billion for construction of new postal buildings, purchases of facilities, and building improvements. The average investment for the past eight years of the Postal Service was in the area of \$347 million. Over the next two years, the average investment will be about \$337 million. We anticipate that the average for the succeeding three years for the Facilities Program will be in excess of \$266 million.

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

Mr. BOLGER. No, currently we have 16 major buildings under construction, 10 under design and over 50 planned over the next 5 years. Since the economic analysis, alternatives, decision analysis and internal recommendations have not been completed on the 50 planned projects, it is probable that some of them may never become viable projects.

Mr. STEED. How is that construction funded?

Mr. BOLGER. It is presently anticipated that currently available funds plus fiscal year 1980 and fiscal year 1981 operations will provide adequate funds to finance our capital investment program in 1980 and 1981. However the Postal Reorganization Act of 1970 recognized the need for flexibility in financing the modernization of the Postal Service by providing the Service with \$10 billion borrowing authority with a yearly limitation of \$1.5 billion for capital improvements without having funds immediately available to cover those commitments. When cash is needed to meet delivery or progress schedules, the Service can use operating receipts, if available, or if necessary, obtain financing from notes payable or the sale of postal bonds.

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 of leased space?

Mr. BOLGER. At the present time the Postal Service occupies 28,369 leased buildings containing about 91.9 million interior square feet. An overwhelming number of these buildings are 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.

Mr. STEED. What is the status of your mechanization program? Mail handling equipment? Vehicles?

[The information follows:]

STATUS OF MECHANIZATION DEPLOYMENT PROGRAM

| | Inventory as of end fiscal year 1979 | Planned equipment deployment | |
|---|--|------------------------------|---------------------|
| | | Fiscal year 1980 | Fiscal year 1981 |
| Letter mail equipment: | | | |
| Multiposition letter sorting machines | ¹ 808 | 0 | 86 |
| Single-position letter sorting machines | 460 | 0 | (⁷) |
| Optical character readers | 21 | 0 | ⁵ 15 |
| M-36 facer-canceler systems | 2 | ³ 100 | 99 |
| Mark II facer-cancelers | 934 | 0 | 0 |
| Batch mail processors | 5 | 4 5 | (⁷) |
| Flats equipment: | | | |
| MOD 775 flats sorters | 0 | 9 | (⁶) |
| Single-position flats | ² 22 | 0 | (⁷) |

¹ 96 multiposition letter sorting machines were delivered during fiscal year 1979.

² 22 single-position flats sorting machines were delivered by the end of fiscal year 1980.

³ 200 M-36 facer-cancelers are under contract for delivery beginning in fiscal year 1980.

⁴ These units were deployed for experimental and test purposes; a new procurement will be based on acceptable performance and utilization of fiscal year 1980 buy.

⁵ Fiscal year 1981 purchase will support the expanded ZIP code program.

⁶ Future purchases contingent upon successful test and evaluation of the 9 machines that will be deployed in fiscal year 1980.

⁷ Fiscal year 1981 requirements not finalized.

STATUS OF VEHICLE PROGRAM

The U.S. Postal Service plans for the purchase of vehicles in FY 1981 will be based on the need after we have an opportunity to evaluate the impact demotorization and route pairing will have on our replacement needs. Based on the age of the current fleet, we would require 19,500 vehicles in 1981 to keep the fleet current. We anticipate a requirement in 1981 of less than one-half that number.

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?

Mr. BOLGER. 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 (FFB). The interest rates on funds borrowed from FFB have been one eighth of 1 percent above the new issue rate of marketable U.S. Treasury securities of similar terms and conditions. The repayment terms of recent borrowings have been structured so that loans for operating purposes are repaid over 7 years and loans for capital improvements are repaid over 20 years. The fiscal year 1981 budget reflects no additional borrowings in fiscal year 1979 or fiscal year 1980.

U. S. Postal Service
Borrowing Schedule
As of Sept. 30, 1979
(millions of dollars)

| | Rate | Amount Borrowed | R E P A Y M E N T S | | | | Balance 9/30/79 |
|-----------------------|-------|--------------------|-------------------------------------|------------------------|-------------------------|---------|--------------------|
| | | | Refinanced (10/1/76 & 5/4/77) | PL 94-421 (9/28/79) | Prepayment (9/28/79) | Regular | |
| Capital | | | | | | | |
| Bonds..... | 6.875 | 250 | ... | ... | ... | ... | 250 |
| Notes: | | | | | | | |
| 2..... | 8.20 | 500 | ... | ... | ... | ... | 420 |
| 6..... | 8.075 | 800 | ... | ... | ... | ... | 672 |
| 8..... | 7.80 | 375 | ... | ... | ... | ... | 330 |
| Total Capital..... | | 1,925 | ... | ... | ... | ... | 1,672 |
| Operations | | | | | | | |
| Notes: | | | | | | | |
| 1..... | 9.305 | 500 | 500 ^{1/} | ... | ... | ... | ... |
| 3..... | 7.80 | 500 | ... | 205 | 200 | ... | 95 |
| 4..... | 6.126 | 500 | 500 ^{2/} | ... | ... | ... | ... |
| 5..... | 7.65 | 500 | ... | 300 | ... | ... | 200 |
| 7..... | 7.78 | 700 | ... | 420 | 140 | ... | 140 |
| 9..... | 6.85 | 125 | ... | 75 | 25 | ... | 25 |
| Total Operations..... | | 2,825 | 1,000 | 1,000 | 365 | 295 | 165 |
| Total..... | | 4,750 | 1,000 | 1,000 | 365 | 548 | 1,837 |

^{1/} Repaid with proceeds of Note 4.

^{2/} Repaid with proceeds of Note 5.

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 established a \$10 billion borrowing authority with an annual limitation of \$2 billion of which not more than \$500 million can be used for operating purposes and \$1.5 billion for capital improvements.

Mr. STEED. What is the estimated cost of political mailings in 1979, 1980 and 1981, and how does that compare with the amount appropriated to fund them?

POLITICAL MAIL

[In thousands of dollars]

| Fiscal year | Actual | Appropriation |
|-------------------------------------|--------|---------------|
| 1979..... | 1,052 | 0 |
| 1980 actual thru Feb. 22, 1980..... | 760 | 4,000 |
| 1981..... | | |

A separate estimate of costs for political mailings in fiscal year 1981 has not been made. Consequently, reimbursement for services rendered on political mailings is included with revenue forgone estimates.

Mr. STEED. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Postmaster General, I understand that we had Summer Olympic stamps that were printed and then it was decided to take them off the market. Is that quite a loss to the Postal Service?

Mr. BOLGER. I will tell you, if I had left them on sale two more days after the announcement, the way the lines were forming people thought they were real valuable, it would have been a gain, I guess. I didn't look at it as a loss. Most of our commemorative stamps are new issues stamps. The first few days is when the volume sales take place.

I didn't look upon it as any great loss to the Postal Service in doing this. I thought it was important, though, that the post offices no longer display in lobbies these posters that we had for the Summer Olympic stamps. I think it was important that we remove these things from sale until such time as we find out what we are going to do with regard to participating in the Summer Olympics. The action I took I think was in support of the President's policy, on his statements on the Summer Olympics.

While we are an independent agency of the United States Government, I think we ought to be supporting fully what I regard as a foreign policy issue. I think that is the President's business to conduct the foreign policy of this country, and anything that we should and can do in connection with supporting that foreign policy we should do. That is why I made that decision.

YEAR-END BUYING

Mr. MILLER. I have another question, relating to an end-of-the-year spending spree. One of the articles conveyed the message, as I recall, that the Postal Service spends 22 percent of their money in

the last two months of the year. It amounts to something like \$3.2 billion. Could you give us a little information why this is necessary?

Mr. BOLGER. Mr. Miller, I read that article that morning. I have 11 floors in my building. I was up to the 20th floor at least before I came down again. I don't complain about the media. I think they treat the Postal Service very fairly all the way, but I never saw in all my life such misinformation on Postal Service spending as I saw in that article. Why that was included in there is beyond me, because the vast majority of those expenditures which were cited were for payroll and fringe benefits that we had to pay, and it was just a part of our total yearly operation. Mr. Finch is preparing a reply to that thing for me. I will be very happy to furnish a copy of that reply for the record.

Mr. MILLER. Thank you. This is an opportunity for you to respond and it should be in the record.

Mr. BOLGER. I sure will. I am going to respond to the gentleman that wrote the article.

Mr. ROYBAL. I thought just members of Congress suffered the indignity of a non-truth being printed. I am sorry to know that also applies to the Postal Service.

Mr. MILLER. We have our share but that is the way the system works.

Mr. BOLGER. Yes, sir. I don't complain at all about that. As I say, in general we are very fairly treated. We do get criticized, and on many occasions the criticism is justified, but that is a distortion, and this has to be corrected somewhere on the public record. I will be delighted to supply a copy of the reply to this record.

Mr. MILLER. I guess you need to be thick-skinned, like the members of Congress, if that is the case.

Mr. BOLGER. Yes.

[The information follows:]



THE POSTMASTER GENERAL
Washington, DC 20260

April 10, 1980

Honorable Herbert E. Harris II
House of Representatives
Washington, D. C. 20515

Dear Congressman Harris:

I read Donald P. Baker's article in the March 7 Washington Post that cites a General Accounting Office report, apparently prepared at your request and quoting you. The article implies and asserts several things about the Postal Service that are in error.

The article said the spending practices of seven government agencies added to the Fiscal Year 1979 Federal budget deficit. The Postal Service was cited as one of these culprits and was charged with spending more than 22% of its budget during the last two months of the fiscal year.

The article also implied that the obligations that the Postal Service incurred during August and September 1979 were excessive when compared to earlier months in the year.

While I cannot comment about the other agencies cited in the article, I want to set the record straight regarding the Postal Service, which went on no year-end spending spree and did not contribute to an increased Federal deficit.

As you know from your tenure on the Post Office and Civil Service Committee, the Postal Service -- unlike most other government agencies -- is an "off-budget" agency. That means it is responsible for all its obligations, including all personnel benefits and all operating expenses.

Further, Congressional appropriations do not pay for the vast majority of our obligations. With the exception of appropriations we receive for public services and for carrying certain mail at Congressionally-mandated free or reduced rates, ratepayers pay for the services provided by the Postal Service. In Fiscal 1979, Federal appropriations totaled \$1,785 million.

The article also cited Postal Service obligations of \$3,273 million during August and September 1979. This is incorrect. We obligated that amount during a 79-day period (July 14 - September 30), not the 61 days stated. During the 61-day period, we obligated \$2,572 million, or 17.4%, of the total Government Fiscal Year obligations. This is obviously quite different from the 22.1% expenditure cited in the article.

In addition, I think it is instructive to examine the elements of our obligation for the last two months of the fiscal year. Here is a breakdown:

- 82% for postal salaries (excluding benefits)
- 9% for transportation
- 9% for miscellaneous costs

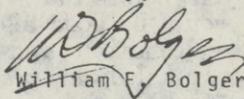
As you know, the National Agreement between the Postal Service and the exclusive bargaining units for 570,000 employees provides for a July increase in basic annual pay and twice-a-year cost of living adjustments based upon fluctuations in the Consumer Price Index. Thus, we pay out more money in salaries toward the end of the fiscal year than we do earlier in the fiscal year.

Yet, even with this large year-end payout, average daily spending during the last 79 days of FY 79 increased only slightly more than 1% over the average daily spending during the rest of the year.

I hope this explanation makes clear that the Postal Service does not "load" its spending toward the end of the year "to use up" surplus money. And, in fact, as you know, the Postal Service in FY 79 reported its first surplus in 34 years: \$470 million.

If you or your staff have any questions about postal finances or procurement practices, please do not hesitate to call on us.

Sincerely,


William F. Bolger

MAIL FRAUD

Mr. MILLER. Could you tell us a little more as to where you stand now as far as mail fraud is concerned, because last year we discussed it, and I think it would be good to clear it up for the record as to where we stand. Is it increasing? Is it decreasing?

Mr. BOLGER. I looked back to see if our Chief Postal Inspector had accompanied me here this morning. He hadn't. I am going to ask his predecessor to comment on this. He is not too far removed from the job. Mr. Benson was just recently Chief Postal Inspector. The incidents of fraud, claimed mail fraud, are increasing, but I think it is because we have taken such an interest with our consumer fraud program, to protect the consumer from fraudulent advertisements and fraudulent activities through the mail service that it is now coming to the fore.

The people say, "Oh, boy, there is somebody that will do something about this, or try to do something about this," so they are surfacing more complaints, so really whether mail fraud is increasing I do not know, but the incidents of complaint are increasing, because we have focused on that. I will let Mr. Benson get into this a little bit more in detail to respond to your question. But we made a conscious decision last year that something had to be done about this, and we had been doing something, but that something more had to be done about it.

We set up special offices in 18 critical geographical points around this country for our inspection service investigative workforce to concentrate on mail fraud and consumer fraud programs, and I will ask Mr. Neil Benson, recently changed over from Chief Postal Inspector, to Senior Assistant for Operations, to give you a little dissertation.

MAIL FRAUD ARRESTS AND CONVICTIONS

Mr. MILLER. While we are into that, you had in the record, as I recall, for the year before last, 2,600 arrests and 2,100 convictions. I believe that was the year before that. If you have that information for the last year, it would be good also to bring that up to date.

Mr. BENSON. Yes, we do have it, and as Mr. Bolger said, I am no longer Chief Inspector, but I do keep an interest in it, and I have spoken to Mr. Fletcher, who is the current Chief Inspector on that. Last year they did establish 18 consumer fraud specialists in addition to the several hundred inspectors who devote all or part of their time to fraudulent schemes. The arrests last year were 2,377, with 2,063 convictions. There were a little in excess of 204,000 fraudulent complaints, and about 5,500 investigations.

MAIL FRAUD

When you consider a fraudulent complaint, we always had thousands more complaints than investigations, because of course you get a number of complaints for each fraudulent scheme. The activity is an extremely important one in the Inspection Service, and they do devote an increasing percentage of their total investigative time to mail fraud. There is a greater interest in the country these days on that particular subject. Almost all the states, the major

cities as well as many government agencies are concerned with consumer protection, and Mr Fletcher's efforts are directed to cooperating with these various agencies and then to make the investigations and to present the cases to the United States Attorney for prosecution.

Mr. MILLER. As a good average of arrests to convictions—

Mr. BENSON. It is an extremely good average. The Inspection Service has consistently maintained the highest convictions to arrests of all the federal law enforcement agencies.

Mr. MILLER. Could you give us a little information about the type of fraud? We have heard quite a bit about it from time to time. Are we talking about just plain fraud or are we talking also about stealing? As an example, the Social Security checks that go out every month, are they involved in what you are talking about in the way of fraud?

Mr. BENSON. No, that is a completely different area. That is what we term mail theft.

Mr. MILLER. First, could you discuss the fraud as to the type of fraud? I had a person complain to me, who was in an association of small business, a machine association. He was from my district. He was the national president of this organization, and the complaint was about so-called paper pirates. They were making telephone calls and soliciting through the mail and then but not delivering. I assume perhaps that would be some of the incidents of fraud that you refer to?

Mr. BENSON. That is correct. Mail fraud, the Inspection Service categorizes mail fraud into about 65 different categories. It can relate to land fraud, for example, as one of those categories, where the misrepresentations in the advertisement is different than what you are going to get. There are financial frauds, loan advance fee schemes, this type of enterprise. There can be frauds where some businesses will take over other business and then fraudulently dispose of the assets.

There can be very simple mail fraud, where you simply answer an ad which says, "We provide work at home for people who are unable to leave their house," and they never do provide the type of material, the type of work that they advertise they can. The variety of mail fraud is quite large, and it can be from relatively simple fraud, the last one I cited, to some very complex financial institutional fraud.

MAIL THEFT

Mr. MILLER. When we talk about into this check-stealing as such, maybe this is a good time to convey the message as to what you are delivering. Apparently, Social Security will send all of those checks the first part of the month; is that right?

Mr. BOLGER. They do a lot of presorting of the checks to our various delivery destinations, and we receive them to be available for delivery the third day of each month, unless the third day of the month is going to be on a Sunday, in which case they deliver it under instructions by Social Security on Saturday. This is how we do it.

Mr. MILLER. If one of those checks is late, we hear about it. I suppose your local postmasters hear about it?

Mr. BOLGER. Yes, sir.

Mr. MILLER. For the record, how many Social Security checks are sent? Do you have some record of that?

Mr. BENSON. I don't have that from my memory, but we could provide that for the record if it would be of interest to the committee.

Mr. MILLER. If you could provide that for the record, also the SSI, the volume of supplemental security income.

Mr. BOLGER. I am not sure that we keep our theft records by type of check. We keep our theft records by either federal check or state check, so we can tell you whether it was a federal check that was lost or a state check. But we do not break down the federal checks into the various types. It is computerized, but I don't believe it is computerized to the point where we could tell you whether it was a supplemental income check or whether it was a Social Security check or IRS refund check.

Mr. MILLER. We would not expect to assign your personnel to start counting checks, but any records that you have that are available to give us for the record as to the volumes of the checks that are sent out in that short period of time, I would appreciate.

[The information follows:]

Monthly volume of checks, February 1980

| Payment: | Volume |
|-------------------------------------|------------|
| Social Security Administration..... | 31,546,066 |
| Supplemental Security Income..... | 4,154,409 |
| Civil Service Commission..... | 1,526,698 |
| Railroad Retirement Board..... | 1,021,415 |
| Veterans' Administration..... | 4,903,696 |
| | 43,152,284 |

Source: Department of Treasury, Bureau of Government Financial Operations, Direct Deposit-Volume Report for February 1980.

CHECK AND OTHER MAIL THEFTS

| | Treasury checks | State checks | Other checks | ATP food stamps | Other thefts | Total |
|--------------|--------------------|-----------------|-----------------|--------------------|--------------|---------|
| Fiscal year: | | | | | | |
| 1976..... | 75,858 | 74,423 | 7,245 | N/A | 42,461 | 199,987 |
| 1977..... | 87,472 | 64,208 | 8,184 | 1,727 | 29,664 | 191,255 |
| 1978..... | 62,632 | 47,150 | 8,043 | 3,621 | 28,669 | 150,115 |
| 1979..... | 43,385 | 45,044 | 7,509 | 11,887 | 30,544 | 140,369 |

Mr. BOLGER. I pride myself in the job done by Postal Service employees, delivering pension checks and Social Security checks. They are very conscious of their responsibilities along this line. They know that people are waiting for these checks that really need them, some of them living from check to check. They can't exist otherwise.

I think, yes, some go astray unfortunately, but the vast majority of them don't. Our employees, every letter carrier in the street, every employee in the office, and anybody else associated with the Postal Service, make a real conscious effort to do this job each month, and it is a tremendous task, and I think they do a very credible job.

Mr. MILLER. Thank you. Thank you, Mr. Chairman.

WORKERS' COMPENSATION—FRAUD

Mr. BOLGER. Mr. Chairman, if I could, on the subject of fraud, which piqued my interest, talk about another part of fraud. We have been talking about Workers' Compensation in the Postal Service, and before the committees of Congress, and of course it is an expensive item for us.

As I mentioned in my testimony, this will cost over \$1 billion in fiscal year 1981 if we don't do something about it. Because I was absent on March 6 in testifying before a subcommittee, Mr. Conway testified before a subcommittee in the House on Federal Worker's Compensation program. I would like to make his testimony, if I could, a part of this record.

Mr. STEED. We will be pleased to have it included at this point in the record.

[The information follows:]

STATEMENT OF JAMES V.P. CONWAY
DEPUTY POSTMASTER GENERAL
BEFORE THE SUBCOMMITTEE ON LABOR STANDARDS
HOUSE COMMITTEE ON EDUCATION AND LABOR

March 6, 1980

Mr. Chairman, I am Deputy Postmaster General James V.P. Conway. With me is Nancy L. George, Assistant Postmaster General for Employee Relations.

The Postal Service appreciates the opportunity to testify today on the Federal Worker's Compensation Program. This is a program which has demanded and is receiving increased attention within the Executive Branch. Over the past five years, the Postal Service has invested substantial efforts to improve management of those parts of the Workers' Compensation Program within our control and to join with the Department of Labor in bringing about improvements in the general administration of this program by DOL. We commend the subcommittee for its interest and hope that these hearings will lay the ground-work for some needed legislation in the days ahead.

Problems of the Federal Workers' Compensation System

The integrity of the workers' compensation system is a crucial factor in the successful operation of any large enterprise, public or private. To work as it should, the system needs the confidence of both employees and managers. Any improper or unnecessary use of the system distracts attention and resources from those whom the program is intended to serve, and detracts from the program's general credibility. These kinds of deficiencies harm the employees who have suffered from occupational injury or

disease and are entitled to be compensated promptly and efficiently. Improper use of the system also hurts all of us, since we have to pay the bills through our taxes and postage.

No human program can be framed to work perfectly. Since the Federal Employees' Compensation Act was amended in 1974, however, the program has suffered from very serious problems which have been identified both within the Executive Branch and by the General Accounting Office. These problems have included --

- | | |
|--|--|
| * skyrocketing costs | * expanding concepts of compensable injuries |
| * unmanageable caseloads, large backlogs, and payment delays | * disincentives to return to work |
| * insufficiently supported awards | * inadequate information systems |

Impact of the Program

When considering how serious these problems may be, it is important to recognize the magnitude of the impact of this program. During FY 1979, over 216,000 new Federal workers' compensation cases were filed. Payments were made during the year in over 242,000 cases. The number of paid postal cases during the year was over 95,000. You and I paid the better part of a penny toward postal workers' compensation expenses each time we mailed a First-Class letter.

Administrative Solutions

The Postal Service has been working hard internally and in conjunction with the Department of Labor to come to grips with the problems that can be corrected administratively.

1. Rehabilitation and Reemployment

One of the essential ingredients is to get people back to work when they are medically able. This requires an effective rehabilitation program. The Postal Service and the Department of Labor jointly have developed a set of rehabilitation and reemployment procedures which we think establish a model program. Our best-case estimate is that as many as 55 percent of the more than 11,000 former postal employees now off our rolls and on the compensation rolls might be reemployed within the next two years for productive work within their medical limitations.

2. Program Monitoring

In the past, the Government has known very little about the medical status of people once they have been placed on the workers' compensation rolls. To deal with our part of this and other problems, the Postal Service has established a full-time workers' compensation staff of 358 positions, located in the 154 largest postal installations. Their job is to administer workers' compensation claims within the Postal Service, including the controversion of claims filed with insufficient support. Once employees are awarded continuation of pay or wage-loss compensation, these staff people try to monitor the recipients' medical status and provide assistance to get them into the rehabilitation program and back to a job within their medical limitations. They also try to find lighter work for employees temporarily unable to do their normal assignments so that they can stay on the job.

Before these new staff positions were created, our workers' compensation paperwork was handled largely by safety personnel, who have now been freed to concentrate fully on their safety responsibilities.

3. Progress

Statistics which appear in the charts appended to my statement suggest that the concentrated efforts we have initiated to get control of this program are bearing fruit. From fiscal years 1975 to 1977, as the amendments to the Act took hold, the number of new reported cases increased almost by half both for the Postal Service and for the Government as a whole. During the next two years, figures for the Postal Service dropped by more than 10 percent while those for the rest of the Government continued to climb by about 17 percent. In dollar terms, after a 60 percent jump from 1974 to 1976, Postal Service payments for first-year claims began to fall slightly in 1977 and have continued to decrease gradually. Second-year payments began to decline in 1978 and third-year payments in 1979.

These figures show that, in the Postal Service at least, we have been able to start coming back from the tremendous spurt in the usage of the system which occurred after the enactment of the 1974 amendments. This is encouraging. But it is only part of the story.

4. Longer-Term Challenges

The effects of the dramatic increases in the use of the workers' compensation system are cumulative and long-lasting.

Many cases remain on the rolls for years, as former workers neither return to work nor transfer to the retirement system. The overall number of cases for which payments are being charged to the Postal Service continued to rise in 1979, to an all-time high of 95,133. Our billings from the Department of Labor also reached an all-time high at \$193.3 million.

This figure, however, is only the tip of the iceberg. Our overall workers' compensation expense in our financial statements for 1979, which includes an estimate of the present value of amounts to be paid in the future for injuries occurring during this one year, reached \$755 million. Data we received from the Department of Labor for 1979 showed claims tending to remain active longer than had been shown in previous data. We are not at all satisfied with the quality of these figures, and believe that the predicted upsurge in long-term 1979 liability for injuries compared to 1978 is not fully explained. We are taking a look at the cost projection model and expect to make some adjustments.

Workers' compensation expense represents a tremendous charge on the postage buying public for this one program. We believe there is still a long way to go toward getting it under proper control.

5. Charge-Back System

Cost control is central to our job in the Postal Service. We have found that the best way to control costs is to require managers all down the line to develop a budget, and then provide

them the flexibility to manage their programs within their budgetary allowances. Since workers' compensation payments are made directly by the Department of Labor, which sends an overall bill to the Postal Service, they are not included within our field budgets. We believe that better management of this program within the Postal Service depends primarily on making individual field managers aware of, and holding them accountable for, the costs of the program attributable to activities within their own responsibility. This would enable these managers and their supervisors to evaluate safety and health, workers' compensation, rehabilitation, and related programs with a better understanding of total program results.

6. Improved Information Systems

To achieve this goal, we have sought the assistance of the Department of Labor to enable us to implement a charge-back system relating cost data to particular field operations. Data available from the Department has not been complete or timely enough to be of use in evaluating performance at the field level. While this situation is improving, we have proposed to the Department a joint effort to upgrade workers' compensation information systems.

Better management information is crucial to much needed further administrative improvement in the program. Collecting hundreds of millions of dollars from the public to pay out under this program, knowing as little as we have known about the details

of where and why it is being paid, does not speak well for Federal management of public funds.

Legislative Changes

The Postal Service is convinced that, while administrative improvements in the program are needed, Federal workers' compensation can be made a prudent and efficient system only if certain legislative changes are made also. We believe that amendments to the statutes are needed in at least three areas.

1. 3-Day Waiting Period

First, the three-day waiting period before eligibility for compensation accrues in continuation of pay cases should be restored to the first three days of claims disability. For these cases, the waiting period currently falls on the 46th through the 48th days. A waiting period is a standard device in workers' compensation statutes to protect the integrity of the program as an income replacement system for significant disability, by discouraging abuse and excluding from the system wage-loss claims for minor and transient complaints. All medical bills are still paid.

The Federal waiting period on days 46 through 48 fails to serve this or any other sensible purpose. It succeeds only in denying 3 days of compensation to persons suffering a comparatively substantial period of disability. Postal and other Federal employees today are very well paid and receive liberal leave benefits. Excluding not more than 3 days from wage-replacement benefits is a reasonable requirement, considering

the boost it gives to the system as a whole in discouraging abuse and easing processing burdens and delays.

2. Take-Home Pay Discrepancies

A second needed change is to remove the anachronisms which afford many individuals higher take-home pay for remaining on the workers' compensation rolls than for returning to work or retiring upon reaching retirement age. In looking into this problem, we noted an example of a postal employee whose temporary disability increased his take home pay per week from \$212 to \$346. This windfall resulted from the individual's qualification for unemployment compensation, even though workers' compensation was making good the wage loss caused by the disability. A total of 26 states permit persons on Federal workers' compensation to receive unemployment compensation, which itself is reimbursed to the states by the Federal Government.

Other individuals find their take-home pay higher while on workers' compensation because of tax effects. At two thirds or three fourths of base pay, subject to no Federal income tax, workers' compensation payments often are higher than the individual's normal wages after taxes.

The system also affords those who reach retirement age higher benefits in the guise of compensation for wage loss than they would have received if they had not been injured or had returned to work and retired.

As mentioned earlier in this statement, the cost of cases remaining active over a period of years is both the least visible

and yet the most staggering of workers' compensation costs. Identifying and getting people back to work who are medically able to return are among the most difficult management problems in the program.

It is essential that the monetary disincentives for people to leave the compensation rolls and return to work be removed. A system which fails to encourage individuals to work, within their medical limitations, is inflationary and a drag on the productivity of the national economy, as well as a detriment to the personal well-being of the individuals involved.

3. One-Sided Appeal Opportunities

A third needed legislative change is to provide a measure of balance for appeals from initial claim decisions within the Department of Labor. At present, the official who first rules on a claim knows that only if the decision goes against the claimant will there be any appeal bringing further scrutiny of the ruling. The employing agency cannot appeal. Human nature and work loads being what they are, this factor has to influence the outcome of many decisions. In a random check made in September, 1978, the General Accounting Office found 41 percent of the awards reviewed to have been made without adequate basis in terms of work relation, medical evidence, or medical rationale.

We do not believe it is necessary or appropriate to turn the claims process into a fully adversary system. An opportunity for the employing agency to prosecute an appeal within the system,

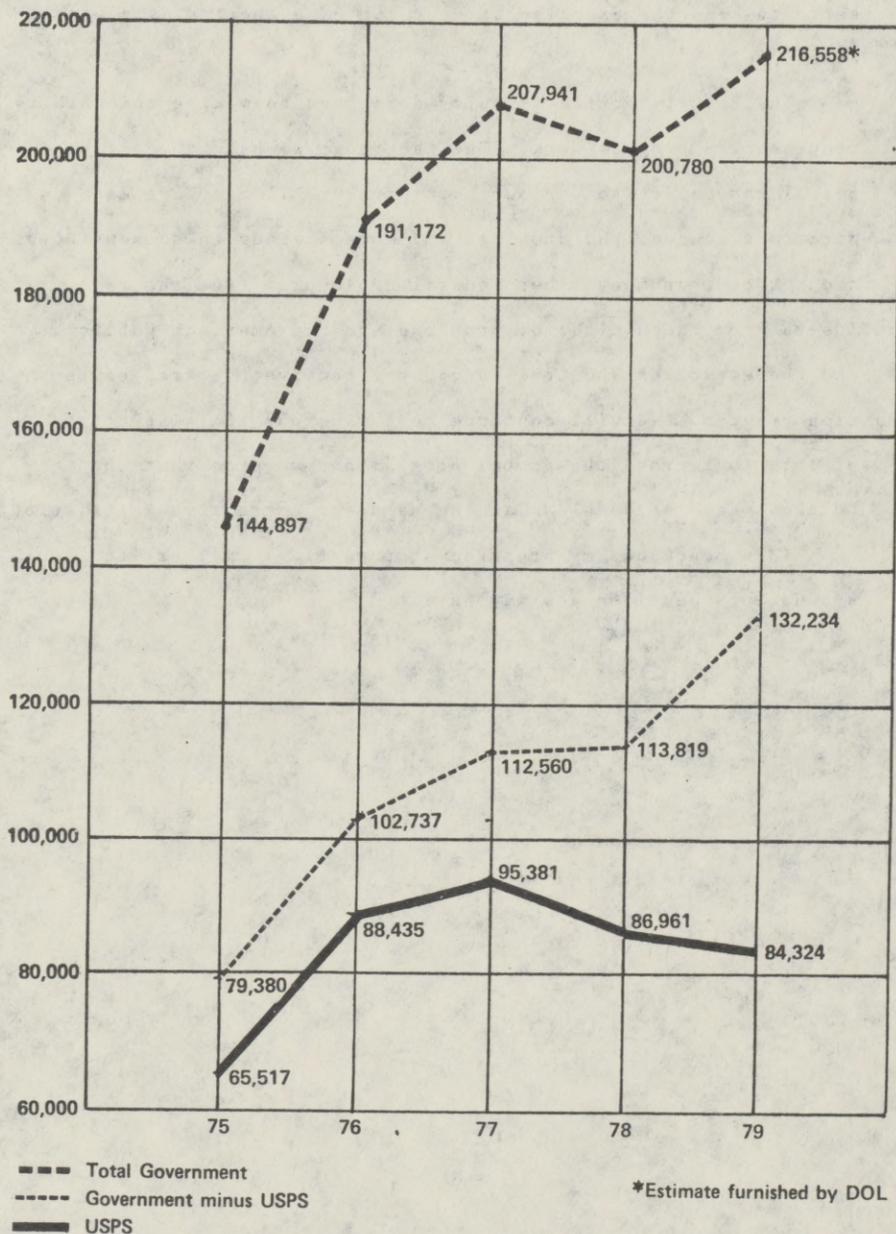
with expedited and simplified procedures as appropriate, should be a help. Cost considerations within the employing agency would serve to keep the exercise of such appeal authority at a manageable level.

The Postal Service is fully committed to making the workers' compensation program work. The fact that we have to call on postal ratepayers to pay our part of the bill may have made us more conscious of the problems and more anxious to do something about them than many other Federal employers. But the real losers from these kinds of problems are the American public and the employees who truly need an effective workers' compensation program. We will continue to pursue our administrative efforts to improve the postal program and we urge that the Congress take a good look at the need for corrective legislation.

This concludes my prepared statement. I will try to answer any questions you may have.

Number of FECA Reported Injuries

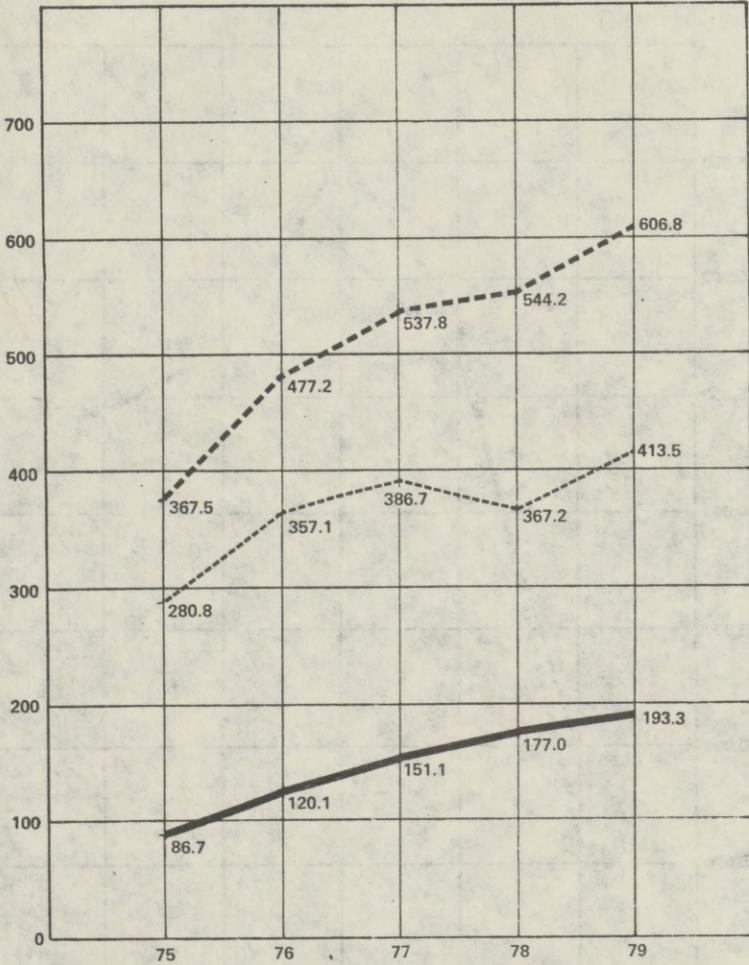
FY 75-79



Cost of FECA

FY 75 - 79

Millions

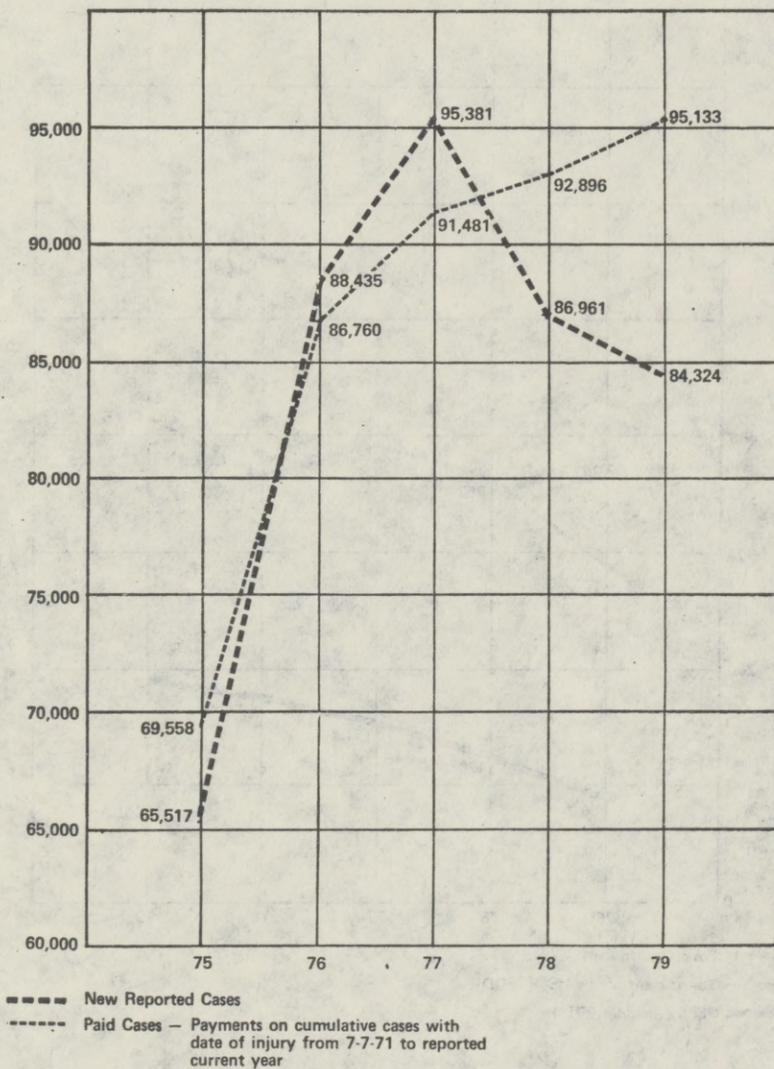


- - - - - Total Government
 Government minus USPS (POD)
 ——— USPS (includes POD)

USPS Number of Cases

Comparison of paid cases to new reported cases

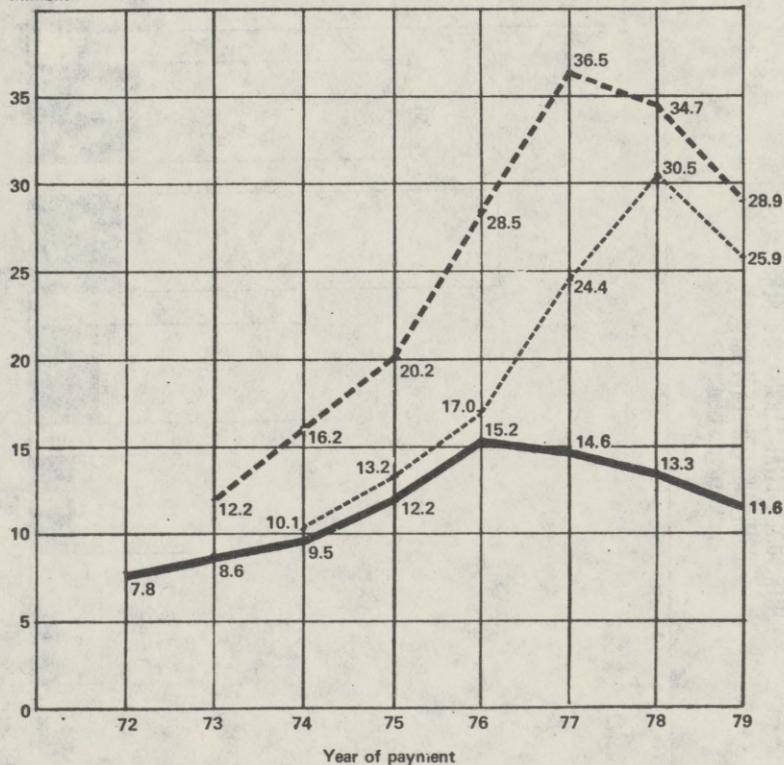
FY 75-79



USPS FECA Payments

(by year of injury) FY 72-79

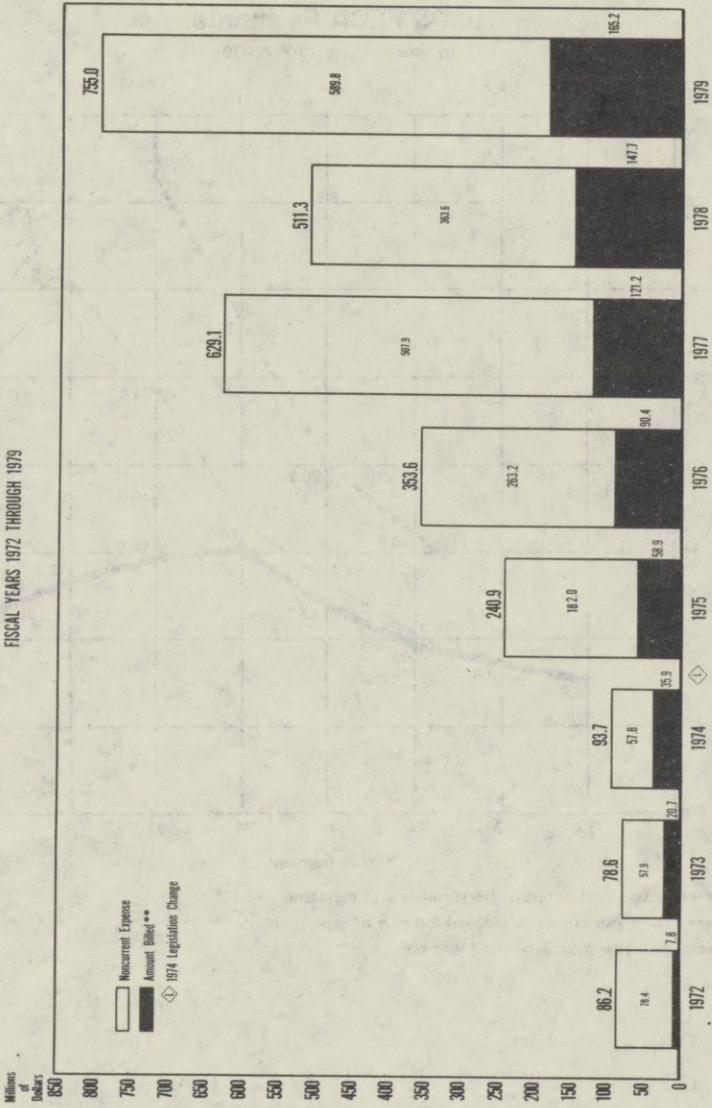
Millions



- Second year payments (First full year of exposure)
- - - - - Third year payments (Second full year of exposure)
- First year payments (Half year only)

TOTAL U.S. POSTAL SERVICE WORKERS' COMPENSATION EXPENSE**

FISCAL YEARS 1972 THROUGH 1979



* Continuation of Pay (DPP) cost not included
 ** Includes Workers' Compensation Payments and Administration Costs charged USPS by DOL

Mr. BOLGER. Somebody mentioned fraud, and across my desk last Friday came this letter about a postal employee who was indicted for making false claims to obtain Federal Employees' Compensation. This claim, of course, was added to our bill and that is why I mentioned it in talking about fraud. It happened that this employee was investigated and it was found he fraudulently received \$56,755 in temporary disability payments from the Office of Workers' Compensation while gainfully employed as an unemployment fraud investigator for the state.

If that isn't the epitome of fraud, I have never seen anything like it in all my life. That is a pity. Workers' Compensation properly used is a real asset in this country. It is needed and has been needed. When I see the number of fraudulent claims and the people that can work that won't work, they take this as a way—

Mr. MILLER. Keep talking.

Mr. BOLGER [continuing]. To get these monies, they think, for nothing. The cost of this to the Postal Service and the rest of this country, is about the biggest fraud ever perpetrated on the people of the United States for this type of program. I do want that, if I may, entered into the record.

Mr. MILLER. That complete letter, if I may, Mr. Chairman, if it is possible to have the letter for this record—

Mr. BOLGER. Yes, I would be glad to.

[The information follows:]



CHIEF POSTAL INSPECTOR
Washington, DC 20260

March 14, 1980

MEMORANDUM FOR: Postmaster General Bolger

SUBJECT : Fraudulent OWCP Claims

Leopoldo A. Sisneros, a former Albuquerque, New Mexico letter carrier, was indicted by a Federal grand jury in New Mexico on four counts of false claims and four counts of false statements to obtain Federal Employees' Compensation. He had received compensation since April 3, 1974, based on an alleged back injury suffered in a fall while on duty. An investigation by the Dallas Fraud Office, Department of Labor, revealed that Sisneros had received \$56,755.28 in total temporary disability payments from the Office of Workers' Compensation while gainfully employed as an Unemployment Insurance Claims Fraud Investigator for the State of New Mexico. This indictment will stop payments to Sisneros and reduce compensation costs to the Postal Service an estimated \$247,780 in possible future disability payments (based on a projection by the Department of Labor).

As an employee of the New Mexico Unemployment Insurance Agency, his salary was underwritten by the Department of Labor, the same agency that was administering his unemployment compensation.

The basis for the investigation was a review of his file which was done because he had claimed to be a former Postal Inspector when he applied for the position of Investigator with the New Mexico Unemployment Insurance Agency. The trial date has been scheduled for March 10, 1980.

As additional information, nine Albuquerque, New Mexico employees who were on compensation have returned to work, and four more have inquired about rehabilitation, probably because of the publicity of the Sisneros case.

K. H. Fletcher

K. H. Fletcher
Chief Postal Inspector

cc: DPMG Conway
SAPMG Ulsaker

Mr. STEED. Years ago when I was a reporter, among other places which I regularly visited, was the postal inspectors. I remember they were sources of very good stories. One story I got about a case they were working on was a fellow that advertised in an absolute guaranteed positive way to kill bedbugs, and when you sent him the money he sent you two little blocks of wood and said, "Put the bedbug on one block of wood and slap it with the other block of wood and kill him." He insisted that was not a fraud because it really would work.

Mr. BOLGER. There are people still gullible enough to subscribe to that same type of merchandise. Believe it or not, we have hundreds of these complaints a year.

CLOSING REMARKS

Mr. STEED. Gentlemen, I want to express the appreciation of the subcommittee to you for your appearance and your cooperation and for the information you have given us in this fine report. We are very happy to see you getting things so well under control.

Mr. BOLGER. Thank you.

May I make one additional brief statement, Mr. Chairman?

Mr. STEED. Yes, sir.

Mr. BOLGER. I don't know what I am going to do without you in that seat next year. The Postal Service and I in particular, with all my predecessors, enjoyed the opportunity to have you as our chairman in our Appropriations Committee in the House. We appreciated working with you. I could go on and say a thousand other words, but there is no better statement I can make than that you and the entire committee under your leadership have been perfect gentlemen in your approach to the Postal Service, understanding what we have been trying to do and trying to help us get it done. We appreciate it, and we are going to miss you very much, sir.

Mr. STEED. Thank you very much for your kind words. I want you to know that of all the experiences I have had during the years I have served here, none of them have been more enjoyable or meant more to me than the opportunity I have had to work with people in the Postal Service and get to know the Postal Service. It is probably involved in the lives of more people and more places than any other part of the government that you can imagine. So it has been a real privilege to have had the opportunity that I have had, and I will miss this part of my work here.

But I do want to express my appreciation to you for your kindnesses. You have been excellent to work with, and it is just too bad that all our experiences can't be on the same level, but we do think you are doing a good job. We are very proud of your attitude about things.

You have been very candid and cooperative with the committee, and we have no feeling that there is anything that we need to know about your operations that you don't make available to us.

It has been a very comfortable arrangement.

Mr. BOLGER. And sir, if you get any problems with The New York Times on Monday morning, let me know.

Mr. STEED. We will stand in recess until tomorrow morning.

[The justifications follow:]

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U. S. POSTAL SERVICE
 APPROPRIATION REQUEST SUMMARY
 FY 1979 - 1981
 (in thousands of dollars)

| ITEM | FY 1979 | | FY 1980 | | FY 1981 | |
|--|-----------|------------------------|-----------|------------------------|-----------|------------------------|
| | Amount | Change Over Prior Year | Amount | Change Over Prior Year | Amount | Change Over Prior Year |
| Total Appropriations Requested | 1,803,409 | -105,851 | 1,697,558 | -105,851 | 1,593,217 | -104,341 |
| Total Appropriations Received | 1,785,176 | -108,366 | 1,676,810 | -108,366 | 1,593,217 | ... |
| APPROPRIATION REQUEST: | | | | | | |
| 1. Public Service Costs | 920,000 | - 92,000 | 828,000 | - 92,000 | 736,000 | -92,000 |
| 2. Revenue Forgone: | | | | | | |
| a. Continuing appropriation | 235,107 | 54,788 | 289,895 | 54,788 | 310,990 | 21,095 |
| b. Phasing appropriation | 564,437 | -118,919 | 445,518 | -118,919 | 366,910 | -78,608 |
| Current year estimate | 799,544 | - 64,131 | 735,413 | - 64,131 | 677,900 | -57,513 |
| c. Reconciliation adjustment, actual versus estimate: | | | | | | |
| (1) Continuing | ... | - 7,009 | - 7,009 | - 7,009 | 140,193 | 147,202 |
| (2) Phased rates | ... | 53,751 | 53,751 | 53,751 | -28,985 | -82,736 |
| Subtotal | ... | 46,742 | 46,742 | 46,742 | 111,208 | 64,466 |
| Total Revenue Forgone .. | 799,544 | - 17,389 | 782,155 | - 17,389 | 789,108 | 6,953 |
| Total Operating Appropriation ... | 1,719,544 | -109,389 | 1,610,155 | -109,389 | 1,525,108 | -85,047 |
| 3. Nonfunded liabilities of the former Post Office Department | | | | | | |
| a. Annual leave liability | 31,000 | 1,023 | 31,000 | 1,023 | 31,000 | ... |
| b. Employees' compensation fund. | 34,632 | ... | 35,655 | ... | 37,109 | 1,454 |
| Total Post Office Department Liabilities | 65,632 | 1,023 | 66,655 | 1,023 | 68,109 | 1,454 |
| Total Appropriations | 1,785,176 | -108,366 | 1,676,810 | -108,366 | 1,593,217 | -83,593 |

2/4/80

APPROPRIATION REQUEST SUMMARY

I-1

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 forgone 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, \$1,593,217,000: Provided, That no funds appropriated herein shall be available for implementing special bulk third-class rates for "qualified political committees" authorized by Public Law 95-593, other than the National, State, or congressional committee of a major or minor party as defined in Public Law 92-178, as amended. (Postal Service Appropriation Act, 1980.)

Program and Financing
(in thousands of dollars)

| | 1979 Actual | 1980 Actual | 1981 Request |
|---|----------------|----------------|-----------------|
| Program by activities: | | | |
| Payment to the Postal Service fund for: | | | |
| Previous nonfunded liabilities of the Post Office Department | 65,632 | 66,655 | 68,109 |
| Public service costs | 920,000 | 828,000 | 736,000 |
| Free and reduced-rate mail | 799,544 | 782,155 | 789,108 |
| Total payment to the Postal Service Fund (costs-obligations) (object class 41.0) .. | 1,785,176 | 1,676,810 | 1,593,217 |
| Financing: | | | |
| Budget authority | | | |
| (appropriation) | 1,785,176 | 1,676,810 | 1,593,217 |

1/24/80

APPROPRIATION-LANGUAGE

1-2

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

| | 1979 <u>Actual</u> | 1980 <u>Actual</u> | 1981 <u>Request</u> |
|---|-----------------------|-----------------------|------------------------|
| Relation of obligations to outlays: | | | |
| Obligations incurred net..... | 1,785,176 | 1,676,810 | 1,593,217 |
| Adjustments in expired accounts <u>I/</u> | <u>1,333</u> | ... | ... |
| Outlays | <u>1,786,509</u> | <u>1,676,810</u> | <u>1,593,217</u> |

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

The \$68,109 thousand requested for previously unfunded liabilities of the former Post Office Department provides \$37,109 thousand to cover payments to the employees' compensation fund in 1981 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 following table represents the estimated revenue forgone by the Postal Service in 1981 for carrying certain categories of mail at free and reduced rates.

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

2/4/80

PROGRAM AND FINANCING Cont'd

POSTAL REVENUES AND ESTIMATED REVENUE FORGONE APPROPRIATIONS,
1981 - ESTIMATED DISTRIBUTION BY PREFERRED RATE SUBCLASS
(Dollars in thousands)

| Service Category: | Total Cost | | Postal Revenues | Subsidy | Subsidy as a Percent of Cost |
|-------------------------------------|-----------------|--------------------|-----------------|------------|------------------------------|
| | Attributable 1/ | Nonattributable 2/ | | | |
| Second-class mail: | | | | | |
| Within-the-county..... | 54,395 | 13,599 | 28,005 | 39,989 | 58.8 |
| Outside-the-county: | | | | | |
| Nonprofit publications..... | 191,571 | 10,136 | 99,642 | 102,065 | 50.6 |
| Classroom publications..... | 5,369 | 6,051 | 3,756 | 7,664 | 67.1 |
| Regular rate publications..... | 611,247 | 12,053 | 608,447 | 14,853 | 2.4 |
| Controlled circulation..... | 79,023 | 26,077 | 105,100 | 419,507 | 56.8 |
| Third-class mail..... | 540,090 | 198,733 | 319,316 | ... | ... |
| Fourth class: | | | | | |
| Special rate matter.. | 280,809 | 5,616 | 286,425 | ... | ... |
| Library rate..... | 63,620 | 43,376 | 37,416 | 69,580 | 65.0 |
| Free for blind and handicapped..... | 19,392 | 4,850 | ... | 24,242 | 100.0 |
| Total..... | 1,845,516 | 320,491 | 1,488,107 | 677,900 3/ | ... |

1/ Comprised of direct and indirect variable costs, including longer-run variable costs and specific fixed costs. Includes assignable costs for regular-rate categories only.

2/ That portion of total nonattributable costs which are to be covered by these subclasses in the ratemaking process.

3/ Excludes reconciliation adjustment.

8/15/79

APPROPRIATIONS
Justifications - Cont'd

1. FY 1981 Appropriation Requested for Public Service Costs \$736,000,000.

| ITEM | FY 1979 | FY 1980 | | FY 1981 |
|----------------------------|---------|---------|------------------------|------------------------|
| | Amount | Amount | Change Over Prior Year | Change Over Prior Year |
| Public Service Costs | 920,000 | 828,000 | -92,000 | 736,000 |
| | | | | -92,000 |

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.

The funds requested for public service costs are authorized in section 2401(b)(1) which states:

"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, in communities where post offices may not be deemed self-sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

- (A) for each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department by act of Congress for its use in fiscal year 1971;
- (B) for fiscal year 1980, an amount equal to 9 percent of such sum for fiscal year 1971;
- (C) for fiscal year 1981, an amount equal to 8 percent of such sum for fiscal year 1971;
- (D) for fiscal year 1982, an amount equal to 7 percent of such sum for fiscal year 1971;

1/25/80

APPROPRIATIONS - Cont'd.

APPROPRIATIONS
Justifications - Cont'd

- (E) for fiscal year 1983, an amount equal to 6 percent of such sum for fiscal year 1971;
 - (F) for fiscal year 1984, an amount equal to 5 percent of such sum for fiscal year 1971; and
 - (G) except as provided in paragraph (2) of this subsection, for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971.
- After fiscal year 1984, the Postal Service may reduce the percentage figure in paragraph (1) (G) of this subsection, including a reduction to 0, if the Postal Service finds that the amounts determined under such paragraph are no longer required to operate the policies of this title."

The public service appropriation now provides roughly four cents of each dollar spent by the Postal Service toward the national postal system. This taxpayer contribution is made on the principle that the national postal system exists not only for the individual mailers who pay postage, but also partly for the benefit of the general public. The public service appropriation thus acts to hold down postage rates generally.

2/4/80

APPROPRIATIONS - Cont'd

I-6

APPROPRIATIONS
Justifications - Cont'd

2. FY 1981 Appropriation Requested for Revenue Forgone \$789,108,000:

(In thousands of dollars)

| ITEM | FY 1979 | | FY 1980 | | FY 1981 | |
|--|---------|------------------------|---------|------------------------|---------|------------------------|
| | Amount | Change Over Prior Year | Amount | Change Over Prior Year | Amount | Change Over Prior Year |
| a. Continuing Appropriation | 235,107 | 289,895 | 235,107 | 54,788 | 310,990 | 21,095 |
| b. Phasing appropriation | 564,437 | 445,518 | 564,437 | -118,919 | 366,910 | -78,608 |
| Subtotal | 799,544 | 735,413 | 799,544 | -64,131 | 677,900 | -57,513 |
| c. Reconciliation adjustment | ... | 46,742 | ... | 46,742 | 111,208 | 64,466 |
| Total Revenue Forgone | 799,544 | 782,155 | 799,544 | -17,389 | 789,108 | 6,953 |

An appropriation of \$789,108,000 is requested in fiscal year 1981 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, and fourth-class. 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.

a. FY 1981, Continuing Appropriation Requested, \$310,990,000.

The continuing appropriation requested will provide funding of 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. 9403 (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).

b. FY 1981, Phasing Appropriation Requested, \$366,910,000.

Of the total requested for free and reduced-rate mail, \$366,910,000 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).

The 8-year phasing terminated in fiscal year 1979 and is excluded from the amount requested for fiscal years 1980 and 1981.

2/6/80

APPROPRIATIONS - Cont'd

I-7

APPROPRIATIONS
Justifications - Cont'd

Estimated Revenue Forgone Appropriations, FY 1981
(in thousands of dollars)

| Class of Service | Phasing appropriations | Continuing appropriations | Total Revenue Forgone |
|------------------------|---------------------------|------------------------------|--------------------------|
| Second-class: | | | |
| In-county | 26,390 | 13,599 | 39,989 |
| Nonprofit | 91,929 | 10,136 | 102,065 |
| Classroom | 1,613 | 6,051 | 7,664 |
| Regular-rate | ... | 14,853 | 14,853 |
| Total | <u>119,932</u> | <u>44,639</u> | <u>164,571</u> |
| Controlled circulation | ... | ... | ... |
| Third-class: | | | |
| Bulk nonprofit | 220,774 | 198,733 | 419,507 |
| Fourth-class: | | | |
| Special rate | ... | ... | ... |
| Library rate | 26,204 | 43,376 | 69,580 |
| Total | <u>26,204</u> | <u>43,376</u> | <u>69,580</u> |
| Free for blind, etc. | ... | 24,242 | 24,242 |
| GRAND TOTAL | <u>366,910</u> | <u>310,990</u> | <u>677,900</u> |

Estimated Revenue Forgone Appropriations, FY 1981

1/29/80

APPROPRIATIONS
Justifications - Cont'd

c. Reconciliation adjustment, Revenue Forgone, \$111,208,000.

| ITEM | (In thousands of dollars) | | | |
|----------------------|---------------------------|---------|---------------------------|---------------------------|
| | FY 1979 | FY 1980 | | FY 1981 |
| | Amount | Amount | Change Over Prior Year | Change Over Prior Year |
| (1) Continuing | ... | -7,009 | -7,009 | 147,202 |
| (2) Phasing | ... | 53,751 | 53,751 | -82,736 |
| Subtotal | ... | 46,742 | 46,742 | 64,466 |

This request is based on 39 U.S.C. 2401(c), which authorizes appropriations each year to reimburse the Postal Service for the revenue forgone on free and reduced-rate mail. The amount of revenue forgone is the difference in revenues between what the Postal Service would have received at full unreduced rates and what it does receive as the rates are charged at the statutory reduced levels. The primary variable in calculating the amount of revenue forgone is the estimation of mail volume.

Audited mail volumes, for the period covering fiscal years 1974 through 1978, indicate that appropriations received for free and reduced rate mail were understated. By providing funds for this shortfall, the objective established by the Congress -- to provide appropriations for certain classes of mail that enjoy free or reduced rates -- will be met.

When the Postal Service submitted its annual budget programs for the fiscal years 1974 through 1978, it was estimated that appropriations amounting to \$3,483,918,000 would be required for free and reduced rate mail. However, audited mail volumes indicate that \$3,595,126,000 would be required to fully reimburse the Postal Service for services provided.

APPROPRIATIONS
Justifications - Cont'd

The Postal Service, in accordance with the objective established in the Postal Reorganization Act by the Congress, is therefore requesting a reconciliation adjustment of \$11,208,000 to provide total reimbursement for services performed on free and reduced rate mail.

(in thousands of dollars)

| Class of Service | Appropriation Received | Appropriation Indicated | Reconciliation Adjustment |
|---|---------------------------|----------------------------|------------------------------|
| <u>Phasing appropriation</u> | | | |
| Second-class | 1,305,283 | 1,313,604 | 8,321 |
| Controlled circulation | 56,781 | 61,361 | 4,580 |
| Third-class, bulk nonprofit | 466,839 | 419,921 | -46,918 |
| Fourth-class | 350,329 | 355,361 | 5,032 |
| Total Phasing Appropriation | <u>2,179,232</u> | <u>2,150,247</u> | <u>-28,985</u> |
| <u>Continuing appropriation</u> | | | |
| Second-class | 191,074 | 236,167 | 45,093 |
| Third-class | 997,612 | 1,092,541 | 94,929 |
| Fourth-class, library rate | 60,083 | 67,980 | 7,897 |
| Free for the blind and qualified handicapped | 55,917 | 48,191 | -7,726 |
| Total Continuing Appropriation | <u>1,304,686</u> | <u>1,444,879</u> | <u>140,193</u> |
| Total Revenue Forgone | 3,483,918 | 3,595,126 | 111,208 |

2/5/80

APPROPRIATIONS JUSTIFICATIONS - Cont'd

I-10

APPROPRIATIONS
Justifications - 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, agricultural, and veterans organizations.
 - Publications designed specifically for use in school classrooms or in religious instruction classes.
- 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, bound volumes of academic theses, periodicals, sound recordings, etc., loaned or exchanged between schools, colleges, universities, or public libraries; shipments of books from a publisher or distributor to a school or university book store.

2/8/80

APPROPRIATIONS - Cont'd

I-11

APPROPRIATIONS
Justifications - Cont'd

-- 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
Justifications

3. FY 1981 Appropriation Requested for the nonfunded liabilities of the former Post Office Department, \$68,109,100.

| ITEM | (in thousands of dollars) | | | | | |
|---|---------------------------|------------------------|---------|------------------------|---------|------------------------|
| | FY 1979 | | FY 1980 | | FY 1981 | |
| | Amount | Change Over Prior Year | Amount | Change Over Prior Year | Amount | Change Over Prior Year |
| a. Annual leave liability | 31,000 | 31,000 | 31,000 | .. | 31,000 | .. |
| b. Employees' Compensation Fund. | 34,632 | 35,655 | 35,655 | 1,023 | 37,109 | 1,454 |
| Total Post Office Department Liabilities..... | 65,632 | 66,655 | 66,655 | 1,023 | 68,109 | 1,454 |

- a. 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 thousands of dollars) | |
|---------------|---------------------------|----------|
| | Funded | Unfunded |
| 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 |

2/4/80

APPROPRIATIONS - Cont'd

APPROPRIATIONS
Justifications - Cont'd

| Unfunded Annual Leave (Cont'd) | | (in thousands of dollars) | |
|--------------------------------|--|---------------------------|----------|
| | | Funded | Unfunded |
| 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 | ... |

b. Employees' Compensation Fund, \$37,109,000:

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 |
| 1978 | 1980 | 6,639 | 35,655 |
| 1979 | 1981 | 5,497 | 37,109 |

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. Decisions 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.

U. S. POSTAL SERVICE

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, 1981, it is expected that indebtedness outstanding pursuant to this borrowing authority will amount to \$1.538 billion.

Operating - Estimated receipts will total \$19.1 billion in 1981. This includes \$17.3 billion from mail and services revenue, \$220.4 million from investment income, \$1.6 billion from appropriations including \$68.1 million to cover unfunded liabilities of the Post Office Department, and miscellaneous other income of \$24.1 million.

1/25/80

PROGRAM AND FINANCING-(Cont'd)

II-2

U. S. POSTAL SERVICE
PROGRAM AND FINANCING
(in thousands of dollars)

| ITEM | 1979 Actual | 1980 Estimate | 1981 Estimate |
|---|-------------------|-------------------|-------------------|
| <u>Program by activities:</u> | | | |
| Direct operating costs, funded: | | | |
| Postal field operations | 13,669,462 | 15,011,048 | 16,369,955 |
| Transportation | 1,003,022 | 1,141,009 | 1,374,649 |
| Building occupancy | 443,562 | 503,892 | 564,790 |
| Supplies and services | 250,253 | 303,746 | 345,150 |
| Research and development | 15,736 | 31,372 | 27,302 |
| Administration and regional operations | 1,957,956 | 2,029,431 | 2,462,762 |
| Servicewide expenses | 148,457 | -78,493 | 101,776 |
| Subtotal | <u>17,488,548</u> | <u>18,942,005</u> | <u>21,246,384</u> |
| Adjustments for prior year obligations: | | | |
| (a) Workers' compensation | 34,632 | 35,655 | 37,109 |
| (b) Employees' earned and unused annual leave | 31,000 | 31,000 | 31,000 |
| (c) Other transactions | 828 | | |
| Total direct operating costs, funded | <u>17,555,008</u> | <u>19,008,660</u> | <u>21,314,493</u> |
| Change in selected resources (undelivered orders) $\bar{1}$ / | 41,340 | | |
| Total direct operating obligations | <u>17,596,348</u> | <u>19,008,660</u> | <u>21,314,493</u> |
| Reimbursable program: | | | |
| Operating services | 114,452 | 111,866 | 110,701 |
| Total operating obligations | <u>17,710,800</u> | <u>19,120,526</u> | <u>21,425,194</u> |

U. S. POSTAL SERVICE
PROGRAM AND FINANCING
(in thousands of dollars)

| | 1979 Actual | 1980 Estimate | 1981 Estimate |
|---|----------------|------------------|------------------|
| Capital investment funded: | | | |
| Capital investment | 392,519 | 421,120 | 519,440 |
| Adjustment for prior year obligations | 505 | | |
| Change in selected resources (undelivered orders) 2/ | -64,413 | 138,129 | 205,153 |
| Total capital obligations | <u>328,611</u> | <u>559,249</u> | <u>724,593</u> |
| Total Obligations | 18,039,411 | 19,679,775 | 22,149,787 |
| Financing: | | | |
| Receipts, other income and reimbursements from: | | | |
| Federal Funds: | | | |
| Receipts from other Government agencies for mail and other postal services | -677,596 | -706,421 | -698,227 |
| Other income and reimbursements | -134,036 | -140,576 | -135,269 |
| Public service and transitional subsidies | -1,785,176 | -1,676,810 | -1,599,217 |
| Liquidation of Post Office Department liabilities | -1,333 | | |
| Receipts from investments | -346,844 | -331,718 | -220,297 |
| Non-Federal sources: | | | |
| Mail and other postal services | -15,411,875 | -15,909,743 | -16,651,476 |
| Other income and reimbursements | -23,678 | -26,300 | -18,874 |
| Receipts from investments | -1,874 | -432 | -103 |
| Unobligated balance available, start of year: | | | |
| Authority to borrow | -4,972,548 | -5,315,549 | -4,427,774 |
| Fund balance | -128,999 | -217,457 | -217,457 |

2/6/80

PROGRAM AND FINANCING-(Cont'd).

U. S. POSTAL SERVICE
PROGRAM AND FINANCING
(in thousands of dollars)

| ITEM | 1979 | 1980 | 1981 |
|---|------------|------------|------------|
| | Actual | Estimate | Estimate |
| Unobligated balance available, end of year: | | | |
| Authority to borrow | 5,315,549 | 4,427,774 | 1,595,450 |
| Fund balance | 217,457 | 217,457 | 217,457 |
| Adjustments in unobligated balance | -88,458 | ... | ... |
| Budget authority | ... | ... | ... |
| Relation of obligations to outlays: | | | |
| Obligations incurred net | -343,001 | 887,775 | 2,832,324 |
| Obligated balance, start of year: | | | |
| Authority to borrow | 2,663,452 | 2,847,451 | 3,802,226 |
| Fund balance | 1,749,730 | 2,113,478 | 1,868,935 |
| Obligated balance, end of year: | | | |
| Authority to borrow | -2,847,451 | -3,802,226 | -6,866,550 |
| Fund balance | -2,113,478 | -1,868,935 | -31,264 |
| Outlays | -890,748 | 177,543 | 1,605,671 |

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

| | 1978 | 1979 | 1980 | 1981 |
|------------------------------|---------|---------|----------|----------|
| | Actual | Actual | Estimate | Estimate |
| Inventories | 48,467 | 55,007 | 55,007 | 55,007 |
| Unpaid, undelivered orders | 145,599 | 180,399 | 180,399 | 180,399 |
| Total at end of year | 194,066 | 235,406 | 235,406 | 235,406 |
| Prior year adjustments | ... | ... | ... | ... |
| Adjusted balance | 194,066 | 235,406 | 235,406 | 235,406 |
| Change in selected resources | ... | 41,340 | ... | ... |

1/28/80

PROGRAM AND FINANCING--(Cont'd).

U. S. POSTAL SERVICE
PROGRAM AND FINANCING
(in thousands of dollars)

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

| | 1978 <u>Actual</u> | 1979 <u>Actual</u> | 1980 <u>Estimate</u> | 1981 <u>Estimate</u> |
|------------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Unpaid, undelivered orders | 293,246 | 218,833 | 360,962 | 570,115 |
| Mortgages payable | 40,732 | 51,237 | 47,237 | 43,237 |
| Total at end of period | <u>333,978</u> | <u>270,070</u> | <u>408,199</u> | <u>613,352</u> |
| Prior year adjustments | 505 | ... | ... | ... |
| Adjusted balance | <u>334,483</u> | <u>270,070</u> | <u>408,199</u> | <u>613,352</u> |
| Change in selected resources | | <u>-64,413</u> | <u>138,129</u> | <u>205,153</u> |

1/28/80

PROGRAM AND FINANCING-(Cont'd).

BUDGET HIGHLIGHTS
Fiscal Year 1981

The Postal Service's budget for Fiscal Year 1981 reflects the following assumptions and objectives:

- Mail volume will reach 109,516 million pieces, an increase of 5,580 million pieces or a 5.37 percent increase over Fiscal Year 1980.
- Clerk and Mailhandler productivity in 1980 will increase 6.1 percent over 1979 and increase 3.4 percent in 1981 over 1980.
- City carrier productivity, based on possible deliveries, will increase 3.3 percent in 1980 and increase 2.2 percent in 1981.
- Over-all productivity, based on total workyears and pieces delivered, will increase 5.1 percent in 1980 and 4.8 percent in 1981.
- End-of-year employment for 1980 to be 657,081, a decrease of 6,061 from 1979, and by end of Fiscal Year 1981 to be 660,805.
- No borrowing is included in FY 1980 or FY 1981. Debt repayments of \$67 million in FY 1980 and \$232 million in FY 1981 are included in the budget. Outstanding borrowing as of the end of FY 1981 is estimated to be \$1.538 billion.
- 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 \$667 million in 1979, \$674 million in 1980, and \$743 million in 1981.
- Includes provision for Workers' Compensation in FY 1979 of \$755 million, \$750 million in FY 1980, and \$1.1 billion in FY 1981.

2/7/80

BUDGET HIGHLIGHTS

III-1

BUDGET HIGHLIGHTS - (Cont'd)

- Total revenues and subsidy appropriations for 1981 are estimated to be \$19.1 billion.
- Accrued costs are estimated to be \$21.2 billion for 1981 - an increase of \$2.3 billion or 12.2 percent over Fiscal Year 1980.
- Estimated operating deficit to be \$2.4 billion in 1981.
- A capital investment program for 1981 of \$725 million in commitments, up \$165 million from 1980. Major components include \$295 million for building construction, purchases and improvements; \$247 million for mail processing equipment; \$136 million for vehicles; and \$46 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.

1/30/80

BUDGET HIGHLIGHTS - (Cont'd)

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BUDGET HIGHLIGHTS - (Cont'd)
1979 - 1981

| ITEM | FY 1979 Actual | FY 1980 Estimate | FY 1981 Estimate |
|--|-------------------|---------------------|---------------------|
| Filled positions (end of year) | 663,142 | 657,081 | 660,805 |
| Workyears | 673,057 | 666,905 | 670,685 |
| | ***** | | |
| Mail volume (millions of pieces) | 99,829 | 103,936 | 109,516 |
| Mail volume (percent change over previous year) | 3.0% | 4.1% | 5.4% |
| Workyears (percent change over previous year) | 1.7% | - 0.9% | 0.6% |
| Over-all productivity (percent change over previous year) | 1.3% | 5.1% | 4.8% |
| | ***** | | |
| | | | |
| Revenue and operating receipts | 18,174,347 | 18,581,741 | 19,119,261 |
| Total expenses | 17,704,511 | 19,175,086 | 21,503,462 |
| Net income or loss (-) | <u>469,836</u> | <u>-593,345</u> | <u>-2,384,201</u> |
| Capital commitments | 328,611 | 559,249 | 724,593 |
| | ***** | | |

2/6/80

BUDGET HIGHLIGHTS - (Cont'd).

III-3

U. S. POSTAL SERVICE
STATEMENT OF REVENUE AND EXPENSE
(in thousands of dollars)

| | 1979 Actual | 1981 Estimate | 1980 Estimate |
|---|-------------------|-------------------|-------------------|
| <u>Revenue and operating receipts:</u> | | | |
| Mail and service revenues | 16,089,361 | 16,616,164 | 17,349,703 |
| Investment income | 348,718 | 332,150 | 220,400 |
| Other income | 16,724 | 23,272 | 24,050 |
| Revenue other than subsidiaries | 16,454,803 | 16,971,586 | 17,594,153 |
| Total appropriations | 1,785,176 | 1,676,810 | 1,593,217 |
| Less: POD transitional costs | -65,632 | -66,655 | -68,109 |
| Net appropriations | 1,719,544 | 1,610,155 | 1,525,108 |
| Total revenue | <u>18,174,347</u> | <u>18,581,741</u> | <u>19,119,261</u> |
| <u>Operating expenses:</u> | | | |
| Payable from the Postal Service Fund, funded: | | | |
| Postal field operations | 13,669,462 | 15,011,048 | 16,369,955 |
| Transportation | 1,003,022 | 1,141,009 | 1,374,649 |
| Building occupancy | 443,562 | 503,892 | 564,790 |
| Supplies and services | 250,253 | 303,746 | 345,150 |
| Research and development | 15,736 | 31,372 | 27,302 |
| Administration and regional operations | 1,957,956 | 2,029,431 | 2,462,762 |
| Service-wide expenses | 148,557 | -78,493 | 101,776 |
| Total accrued costs | <u>17,488,548</u> | <u>18,942,005</u> | <u>21,246,384</u> |
| Other operating expenses (nonfunded): | | | |
| Depreciation and amortization of fixed assets | 226,050 | 238,268 | 256,340 |
| Expendable equipment and other write-offs | 2,713 | 2,713 | 2,713 |
| Total other operating expenses (nonfunded) | <u>228,763</u> | <u>240,981</u> | <u>259,053</u> |
| Total operating expenses | <u>17,717,311</u> | <u>19,182,986</u> | <u>21,505,437</u> |

1/29/80

STATEMENT OF REVENUE AND EXPENSE

III-4

U. S. POSTAL SERVICE
STATEMENT OF REVENUE AND EXPENSE
(in thousands of dollars)

| | 1979 <u>Actual</u> | 1980 <u>Estimate</u> | 1981 <u>Estimate</u> |
|--|-----------------------|-------------------------|-------------------------|
| Net operating income or loss (-) | 457,036 | - 601,245 | -2,386,176 |
| Proceeds from sale of assets | 26,539 | 31,738 | 19,392 |
| Net book value of assets | -13,739 | -23,838 | -17,417 |
| Gain or loss (-) on sale of assets | 12,800 | <u>7,900</u> | <u>1,975</u> |
| Net income or loss (-) | <u>469,836</u> | <u>- 593,345</u> | <u>-2,384,201</u> |

III-5

STATEMENT OF REVENUE AND EXPENSE-(Cont'd).

1/29/80

U.S. Postal Service
Statement of Financial Condition
(in thousands of dollars)

| Assets | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|---|-------------------|-------------------|-------------------|-------------------|
| Current Assets: | | | | |
| Cash | 237,329 | 144,163 | 228,336 | 250,665 |
| Investments | 1,721,100 | 2,238,716 | 1,910,000 | 50,000 |
| Accounts receivable: | | | | |
| U.S. Government agencies | 130,241 | 147,505 | 133,505 | 121,505 |
| Foreign countries | 22,569 | 28,916 | 27,916 | 26,916 |
| Other | 9,479 | 74,416 | 38,916 | 38,416 |
| Total | <u>182,289</u> | <u>250,837</u> | <u>200,337</u> | <u>186,837</u> |
| Less: Allowance | -11,170 | -12,915 | -12,415 | -11,915 |
| Accounts receivable, net | 151,119 | 237,922 | 187,922 | 174,922 |
| Inventories | 48,467 | 55,007 | 55,007 | 55,007 |
| Advances and prepayments | 9,733 | 11,359 | 10,359 | 9,859 |
| Total Current Assets | <u>2,167,748</u> | <u>2,687,167</u> | <u>2,391,624</u> | <u>540,453</u> |
| Other Assets | 1,010 | 955 | 900 | 845 |
| Property and Equipment-net | 4,032,298 | 4,192,986 | 4,345,342 | 4,584,367 |
| Deferred Retirement Costs | 7,178,391 | 9,510,743 | 9,917,622 | 10,313,710 |
| Total Assets | <u>13,379,447</u> | <u>16,391,851</u> | <u>16,655,488</u> | <u>15,439,375</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Outstanding money orders | 158,817 | 183,040 | 183,040 | 183,040 |
| Accrued payroll | 139,876 | 100,250 | 170,250 | 215,250 |
| Payroll taxes and civil service retirement including amounts withheld | 419,800 | 452,310 | 526,267 | 506,355 |
| Workers' Compensation I/ | 142,828 | 157,082 | 210,000 | 230,000 |
| Accounts payable to other Government agencies | 198,843 | 188,016 | 148,016 | 150,516 |
| Other accounts payable and accrued expenses | 529,452 | 566,503 | 435,749 | 448,249 |

1/31/80

STATEMENT OF FINANCIAL CONDITION

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U. S. Postal Service
Statement of Financial Condition
(In thousands of dollars)

| | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|--|-------------------|-------------------|-------------------|-------------------|
| Current Liabilities (cont'd) | | | | |
| Notes payable - FFB 2/ | 162,000 | 67,000 | 232,000 | 67,000 |
| Mortgages payable | 2,867 | 3,600 | 4,000 | 4,000 |
| Prepaid permit mail and box rentals | 231,481 | 269,640 | 266,140 | 266,640 |
| Estimated prepaid postage in hands of the public | 621,000 | 621,000 | 622,500 | 624,000 |
| Total Current Liabilities | <u>2,606,964</u> | <u>2,608,441</u> | <u>2,797,962</u> | <u>2,695,050</u> |
| Long-term Debt: | | | | |
| Notes payable - FFB 2/ | 1,952,000 | 1,520,000 | 1,288,000 | 1,221,000 |
| USPS bonds payable | 250,000 | 250,000 | 250,000 | 250,000 |
| Mortgages payable | 37,865 | 47,637 | 43,237 | 39,237 |
| Total Long-term Debt | <u>2,239,865</u> | <u>1,817,637</u> | <u>1,581,237</u> | <u>1,510,237</u> |
| Other Liabilities: | | | | |
| Employees' accumulated leave 3/ | 501,887 | 529,606 | 559,606 | 584,606 |
| Workers' compensation 1/ | 1,597,000 | 2,190,000 | 2,721,850 | 3,591,850 |
| Other claims | 303,385 | 300,000 | 300,000 | 300,000 |
| Amounts payable for retirement benefits | 7,075,568 | 9,389,859 | 9,700,870 | 10,116,870 |
| Total Other Liabilities | <u>9,477,840</u> | <u>12,409,465</u> | <u>13,282,326</u> | <u>14,593,326</u> |
| Total Liabilities | <u>14,324,669</u> | <u>16,835,543</u> | <u>17,661,525</u> | <u>18,798,613</u> |
| Government Equity | | | | |
| Undelivered Orders: | | | | |
| Operations | 145,598 | 180,399 | 180,399 | 180,399 |
| Capital investment | 293,246 | 218,833 | 360,962 | 570,115 |
| Total Undelivered Orders | 438,844 | 399,232 | 541,361 | 750,514 |
| Uncommitted balances: | | | | |
| Authority to borrow | 4,972,548 | 5,315,549 | 4,427,774 | 1,595,450 |
| Total unexpended balance | 5,411,392 | 5,714,781 | 4,969,135 | 2,345,964 |
| Undrawn borrowing authorizations | -7,636,000 | -8,163,000 | -8,230,000 | -8,462,000 |
| Total funded balance | <u>-2,224,608</u> | <u>-2,448,219</u> | <u>-3,260,865</u> | <u>-6,116,036</u> |

1/31/80

STATEMENT OF FINANCIAL CONDITION

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U.S. Postal Service
Statement of Financial Condition
(in thousands of dollars)

| | 1978 <u>Actual</u> | 1979 <u>Actual</u> | 1980 <u>Estimate</u> | 1981 <u>Estimate</u> |
|---|-----------------------|-----------------------|-------------------------|-------------------------|
| <u>Government Equity (cont'd)</u> | | | | |
| Receivable established for future appropriations | 31,000 | 31,000 | 31,000 | 31,000 |
| Investment in property, equipment and inventories, net | <u>1,248,386</u> | <u>1,973,527</u> | <u>2,223,828</u> | <u>2,725,798</u> |
| Total Government Equity/Deficiency (-) | <u>- 945,222</u> | <u>- 443,692</u> | <u>-1,006,037</u> | <u>-3,359,238</u> |
| Total Liabilities and Equity | <u>13,379,447</u> | <u>16,391,851</u> | <u>16,655,488</u> | <u>15,439,375</u> |
| <u>Analysis of Changes in Government</u> | | | | |
| <u>Equity:</u> | | | | |
| Non interest bearing capital: | | | | |
| Start of period | -587,534 | - 945,222 | -443,692 | -1,006,037 |
| Transfers and adjustments $\frac{1}{4}$ / | 21,740 | 31,694 | 31,000 | 31,000 |
| Net income or loss (-) for period | <u>-379,428</u> | <u>469,836</u> | <u>-593,345</u> | <u>-2,384,201</u> |
| Total | <u>-945,222</u> | <u>- 443,692</u> | <u>-1,006,037</u> | <u>-3,359,238</u> |

1/31/80

STATEMENT OF FINANCIAL CONDITION

III-8

U. S. POSTAL SERVICE
STATEMENT OF FINANCIAL CONDITION
(in thousands of dollars)

1/ Workers' compensation amounts reported for 1978 through 1981 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 | Total | Outstanding | |
|-------------------------|-----------|-----------|-----------|-------------|-----------|
| | | | | Current | Long-term |
| Sept. 30, 1978, Balance | 4,500,000 | 2,386,000 | 2,114,000 | 162,000 | 1,952,000 |
| Sept. 30, 1979 | ... | 527,000 | 1,587,000 | 67,000 | 1,520,000 |
| Sept. 30, 1980 | ... | 67,000 | 1,520,000 | 232,000 | 1,288,000 |
| Sept. 30, 1981 | ... | 232,000 | 1,288,000 | 67,000 | 1,221,000 |

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:

| | Unfunded | Funded | Total |
|---------|----------|---------|---------|
| 9/30/78 | 169,421 | 332,466 | 501,887 |
| 9/30/79 | 138,421 | 391,185 | 529,606 |
| 9/30/80 | 107,421 | 452,185 | 559,606 |
| 9/30/81 | 76,421 | 508,185 | 584,606 |

1/28/80

STATEMENT OF FINANCIAL CONDITION-(Cont'd).

III-9

U. S. POSTAL SERVICE
STATEMENT OF FINANCIAL CONDITION
(in thousands of dollars)

4/ The transfers and adjustments reflected in total in the analysis of changes in Government Equity are as follows:

| | <u>1979 Actual</u> | <u>1980 Estimate</u> | <u>1981 Estimate</u> |
|---|------------------------|--------------------------|--------------------------|
| To partially fund previous unfunded liability of the Post Office Department-annual leave balance at June 30, 1971 | 31,000 | 31,000 | 31,000 |
| Other | <u>694</u> | <u>...</u> | <u>...</u> |
| Total transfers and adjustments | <u>31,694</u> | <u>31,000</u> | <u>31,000</u> |

U. S. POSTAL SERVICE

STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

| | <u>1979</u> Actual | <u>1980</u> Estimate | <u>1981</u> Estimate |
|---|-----------------------|-------------------------|-------------------------|
| <u>Sources of Working Capital:</u> | | | |
| Net income or loss (-) | 469,836 | -593,345 | -2,384,201 |
| Charges to operations not requiring current outlay of working capital: | | | |
| Depreciation, amortization and non-fund costs | 228,763 | 240,981 | 259,053 |
| Increase in provision for non-current workers' compensation claims | 593,000 | 531,850 | 870,000 |
| Increase in employees' accumulated annual leave | 27,719 | 30,000 | 25,000 |
| Gain from early payment of notes | 7,740 | ... | ... |
| Gain from reversal of accrued expense liability | - | -165,754 | ... |
| Total sources from operations | <u>1,311,578</u> | <u>43,732</u> | <u>-1,230,148</u> |
| Capital contributions by U. S. Government ... | 694 | ... | ... |
| Increase in mortgages payable | 10,505 | ... | ... |
| Appropriations for POD liabilities | 65,632 | 66,655 | 68,109 |
| Assets sold-net book value | 13,739 | 23,838 | 17,417 |
| Increase in non-current amount payable for retirement benefits | 2,314,291 | 311,011 | 416,000 |
| Total Sources | <u>3,716,439</u> | <u>445,236</u> | <u>- 728,622</u> |

U. S. POSTAL SERVICE
STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

| | 1979 Actual | 1980 Estimate | 1981 Estimate |
|---|------------------|------------------|-------------------|
| Uses of Working Capital: | | | |
| Additions to property and equipment | 403,135 | 417,120 | 515,440 |
| Reduction in mortgages payable | .. | 4,000 | 4,000 |
| Payment of notes payable | 519,260 | 67,000 | 232,000 |
| Payment of POD liabilities | 34,632 | 35,655 | 37,109 |
| Increase in deferred retirement costs-net..... | 2,332,352 | 406,879 | 396,088 |
| Decrease in other claims | 3,385 | | |
| Total Uses | <u>3,292,764</u> | <u>930,654</u> | <u>1,184,637</u> |
| Increase or Decrease (-) in Working Capital <u>1</u> /... | <u>423,675</u> | <u>-485,418</u> | <u>-1,913,259</u> |

1/ Current portion of notes and mortgages payable excluded.

CATEGORY SUMMARY
OPERATING EXPENSES
FY 1979 - 1981
(\$000)

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change | |
|---|----------------|------------------|-----------|-------|------------|-----------|--------|--|
| | | | Amount | Pct. | Estimate | Amount | Pct. | |
| RESOURCES: | | | | | | | | |
| 1. Positions | 663,142 | 657,081 | -6,061 | -0.9 | 660,805 | 3,724 | 0.6 | |
| 2. Workyears | 673,057 | 666,905 | -6,152 | -0.9 | 670,685 | 3,780 | 0.6 | |
| CATEGORY | | | | | | | | |
| I. Postal Field Operations . | 13,669,462 | 15,011,048 | 1,341,586 | 9.8 | 16,369,955 | 1,358,907 | 9.1 | |
| II. Transportation | 1,003,022 | 1,141,009 | 137,987 | 13.8 | 1,374,649 | 233,640 | 20.5 | |
| III. Building Occupancy | 443,562 | 503,892 | 60,330 | 13.6 | 564,790 | 60,898 | 12.1 | |
| IV. Supplies and Services .. | 250,253 | 303,746 | 53,493 | 21.4 | 345,150 | 41,404 | 13.6 | |
| V. Research and Development | 15,736 | 31,372 | 15,636 | 99.4 | 27,302 | -4,070 | -13.0 | |
| VI. Administration and Regional Operations | 1,957,956 | 2,029,431 | 71,475 | 3.7 | 2,462,762 | 433,331 | 21.4 | |
| VII. Servicewide Expenses ... | 148,557 | -78,493 | -227,050 | ... | 101,776 | 180,269 | ... | |
| VIII. Depreciation and Other Costs | 228,763 | 240,981 | 12,218 | 5.3 | 259,053 | 18,072 | 7.5 | |
| IX. Capital Investment..... | 328,611 | 559,249 | 230,638 | 70.2 | 724,593 | 165,344 | 29.6 | |
| Subtotal | 18,045,922 | 19,742,235 | 1,696,313 | 9.4 | 22,230,030 | 2,487,795 | 12.6 | |
| Less: Gain on Sales of Assets | -12,800 | -7,900 | 4,900 | 38.3 | -1,975 | 5,925 | 75.0 | |
| Capital Investment. | -328,611 | -559,249 | -230,638 | -70.2 | -724,593 | -165,344 | -29.6 | |
| Total Accrued Costs | 17,704,511 | 19,175,086 | 1,470,575 | 8.3 | 21,503,462 | 2,328,376 | 12.1 | |

2/7/80

CATEGORY SUMMARY OPERATING EXPENSES

III-13

CATEGORY I
POSTAL FIELD OPERATIONS
SUMMARY BY COST SEGMENT
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|-----------|------|------------------|-----------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 650,435 | 644,189 | - 6,246 | -1.0 | 647,878 | 3,689 | 0.6 |
| 2. Workyears | 660,097 | 653,796 | - 6,301 | -1.0 | 657,538 | 3,742 | 0.6 |
| EXPENSES (\$000): | | | | | | | |
| 1. Postmasters | 616,243 | 703,818 | 87,575 | 14.2 | 768,198 | 64,380 | 9.1 |
| 2. Supervisors and Technicians | 1,094,395 | 1,253,716 | 159,321 | 14.6 | 1,348,342 | 94,626 | 7.5 |
| 3. Clerks and Mail- handlers, CAG A-J... | 5,987,326 | 6,472,979 | 485,653 | 8.1 | 7,136,647 | 663,668 | 10.3 |
| 4. Clerks, CAG K | 65,140 | 71,895 | 6,755 | 10.4 | 79,339 | 7,444 | 10.4 |
| 6&7. City Delivery Carriers | 3,830,047 | 4,165,661 | 335,614 | 8.8 | 4,493,752 | 328,091 | 7.9 |
| 8. Vehicle Drivers | 128,503 | 143,771 | 15,268 | 11.9 | 153,178 | 9,407 | 6.5 |
| 9. Special Delivery Messengers | 62,599 | 70,367 | 7,768 | 12.4 | 76,269 | 5,902 | 8.4 |
| 10. Rural Carriers | 992,950 | 1,119,884 | 126,934 | 12.8 | 1,230,611 | 110,727 | 9.9 |
| 11. Custodial (Mainte- nance) Service | 600,071 | 672,126 | 72,055 | 12.0 | 714,079 | 41,953 | 6.2 |
| 12. Motor Vehicle Service | 237,319 | 275,789 | 38,470 | 16.2 | 302,059 | 26,270 | 9.5 |
| 13. Miscellaneous Costs... | 54,869 | 61,042 | 6,173 | 11.3 | 67,481 | 6,439 | 10.5 |
| Total Accrued Costs | 13,669,462 | 15,011,048 | 1,341,586 | 9.8 | 16,369,965 | 1,358,907 | 9.1 |

CATEGORY I
 POSTAL FIELD OPERATIONS
 FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|-----------|------|------------------|-----------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 650,435 | 644,189 | - 6,246 | -1.0 | 647,878 | 3,689 | 0.6 |
| 2. Workyears | 660,097 | 653,796 | - 6,301 | -1.0 | 657,538 | 3,742 | 0.6 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits . | 13,306,993 | 14,541,379 | 1,234,386 | 9.3 | 15,824,201 | 1,282,822 | 8.8 |
| Travel of persons | 30,487 | 34,585 | 4,098 | 13.4 | 38,512 | 3,927 | 11.4 |
| Transportation of things | 182,795 | 267,545 | 84,750 | 46.4 | 320,159 | 52,614 | 19.7 |
| Rent, communications and utilities | 2,073 | 2,268 | 195 | 9.4 | 2,509 | 241 | 10.6 |
| Other services | 49,728 | 54,290 | 4,562 | 9.2 | 59,568 | 5,278 | 9.7 |
| Supplies and materials | 98,435 | 112,117 | 13,682 | 13.9 | 126,244 | 14,127 | 12.6 |
| Subtotal | 13,670,511 | 15,012,184 | 1,341,673 | 9.8 | 16,371,193 | 1,359,009 | 9.1 |
| Reimbursements | -1,049 | -1,136 | - 87 | 8.3 | -1,238 | - 102 | 9.0 |
| Total Accrued Costs. | 13,669,462 | 15,011,048 | 1,341,586 | 9.8 | 16,369,955 | 1,358,907 | 9.1 |

Description

This category includes all activities covering postal field operations. Activities covered 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.

2/6/80

CATEGORY I - POSTAL FIELD OPERATIONS

III-15

COST SEGMENT I
POSTMASTERS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 28,400 | 28,283 | - 117 | -0.4 | 28,013 | - 270 | -1.0 |
| 2. Workyears | 30,110 | 29,993 | - 117 | -0.4 | 29,716 | - 277 | -0.9 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits . | 612,362 | 699,571 | 87,209 | 14.2 | 763,515 | 63,944 | 9.1 |
| Travel and transpor- tation of persons ... | 3,333 | 3,651 | 318 | 9.5 | 4,022 | 371 | 10.2 |
| Transportation of things | 548 | 596 | 48 | 8.8 | 661 | 65 | 10.9 |
| Total Accrued Cost .. | 616,243 | 703,818 | 87,575 | 14.2 | 768,198 | 64,380 | 9.1 |

Description

Included in this segment are managers in charge of various field operating units which include post offices and bulk mail centers. Since General Managers are responsible for managing large bulk mail processing facilities, they have been included with Postmasters.

Associated costs include the personnel compensation and benefits and the salaries of those personnel serving as relief or replacement of postmasters.

Relief refers to postmaster coverage for hours beyond a normal 40-hour week. Replacements are personnel serving as acting postmasters while the incumbent is on leave, in training, or other temporary absence.

Also included are personnel-related travel and transportation expenses incurred while traveling on official business and as the result of changes in official duty station.

1/23/80

COST SEGMENT 1 - POSTMASTERS

III-16

COST SEGMENT 2
SUPERVISORS AND TECHNICIANS
FY 1979 - FY 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change Pct. |
|--|----------------|------------------|---------|------|-----------|--------|----------------|
| | | | Amount | Pct. | Estimate | Amount | |
| RESOURCES: | | | | | | | |
| 1. Positions | 36,065 | 36,710 | 645 | 1.8 | 36,713 | 3 | ... |
| 2. Workyears | 45,966 | 46,799 | 833 | 1.8 | 46,816 | 17 | ... |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits . | 1,082,330 | 1,240,194 | 157,864 | 14.6 | 1,333,324 | 93,130 | 7.5 |
| Travel and trans- portation of persons. | 11,722 | 13,140 | 1,418 | 12.1 | 14,591 | 1,451 | 11.0 |
| Transportation of things | 343 | 382 | 39 | 11.4 | 427 | 45 | 11.8 |
| Total Accrued Costs . | 1,094,395 | 1,253,716 | 159,321 | 14.6 | 1,348,342 | 94,626 | 7.5 |

Description

Costs of this segment include the activities of supervisors and technical support personnel as well as Bulk Mail Center superintendents and administrative personnel.

Generally, supervisors are those who direct the efforts of others. Technicians are personnel with specialized professional or technical skills. Examples cover accountants, engineers, nurses or electronic specialists. There are hundreds of different occupational codes covering administrative personnel;

personnel and counseling, medical, procurement, vehicle scheduling, dispatch and operations, administrative services and schemes are but to name just a few.

Expenses include the basic compensation for the normal forty hour week, overtime, holiday pay, and premium pay associated with Sunday work and night differential. Benefits include health and life insurance, retirement, uniform allowances and relocation expenses. Also included are official travel and transportation of household effects.

COST SEGMENT 3
CLERKS AND MAILHANDLERS
CAG A-J POST OFFICES
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change | |
|---|----------------|------------------|---------|------|-----------|---------|--------|--|
| | | | Amount | Pct. | Estimate | Amount | Pct. | |
| RESOURCES: | | | | | | | | |
| 1. Positions | 291,196 | 285,540 | -5,656 | -1.9 | 291,033 | 5,493 | 1.9 | |
| 2. Workyears | 300,677 | 294,910 | -5,767 | -1.9 | 300,670 | 5,760 | 2.0 | |
| <u>EXPENSES (\$000):</u> | | | | | | | | |
| Salaries and benefits. | 5,986,605 | 6,472,196 | 485,591 | 8.1 | 7,135,765 | 663,569 | 10.3 | |
| Travel and trans- portation of persons | 712 | 773 | 61 | 8.6 | 871 | 98 | 12.7 | |
| Transportation of household effects .. | 9 | 10 | 1 | 11.1 | 11 | 1 | 10.0 | |
| Total Accrued Costs. | 5,987,326 | 6,472,979 | 485,653 | 8.1 | 7,136,647 | 663,668 | 10.3 | |

Description

Costs of this segment are related to Postal Service employees stationed at CAG A through J post offices, Bulk Mail centers and sectional centers.

Generally, clerks handle the window services, administrative and support functions while a mix of both clerks and mailhandlers are involved in mail processing. Clerks sort the mail

while mailhandlers move sacks and pouches at transfer points, but do not separate mail according to established schemes.

This cost segment covers the expenses of related personnel compensation and benefits including authorized travel and transportation of goods associated with relocation of employee's station.

1/23/80

COST SEGMENT 3 - CLERKS AND MAILHANDLERS CAG A-J OFFICES

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COST SEGMENT 4
CLERKS, CAG-K OFFICES
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 13,182 | 13,258 | 76 | 0.6 | 13,511 | 253 | 1.9 |
| 2. Workyears | 3,335 | 3,355 | 20 | 0.6 | 3,420 | 65 | 1.9 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits.. | 65,135 | 71,889 | 6,754 | 10.4 | 79,332 | 7,443 | 10.4 |
| Travel and transpor- tation of persons ... | 5 | 6 | 1 | 20.0 | 7 | 1 | 16.7 |
| Total Accrued Costs | 65,140 | 71,895 | 6,755 | 10.4 | 79,339 | 7,444 | 10.4 |

Description

Included in this cost segment are the personnel salaries, benefits and associated costs of clerks at CAG K post offices. Many of these offices have no other assigned regular employee other than the postmaster with a few having one assigned clerk. These offices, for the most part, have only part-time personnel.

Generally, part-time clerks work during periods of heavy activity and as a

substitute for the postmaster when he is on annual, sick or other type of leave. As the post offices are small, the clerks perform a wide variety of duties including sorting of incoming mail, preparation of originating mail for dispatch, providing window services, and assisting with other duties incidental to the operation of the post office.

Compensation when acting in relief of the postmaster is reported in Cost Segment 1.

COST SEGMENTS 6&7
CITY DELIVERY CARRIERS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|---------|------|------------------|---------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 187,133 | 184,890 | - 2,243 | -1.2 | 183,832 | - 1,058 | -0.6 |
| 2. Workyears | 195,300 | 193,007 | - 2,293 | -1.2 | 191,956 | - 1,051 | -0.5 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits . | 3,829,973 | 4,165,581 | 335,608 | 8.8 | 4,493,663 | 328,082 | 7.9 |
| Travel and transport- ation of persons | 73 | 79 | 6 | 8.2 | 88 | 9 | 11.4 |
| Transportation of things | 1 | 1 | ... | ... | 1 | ... | ... |
| Total Accrued Costs . | 3,830,047 | 4,165,661 | 335,614 | 8.8 | 4,493,752 | 328,091 | 7.9 |

Description

This segment includes costs for city delivery carriers primarily involved in the delivery of mail to postal customers at their places of business and residences in urban and suburban communities. During delivery, carriers collect charges on customs, postage due and C.O.D. mail as well as obtain receipts for registered, certified, or insured mail. City delivery carriers also collect mail from street letter boxes and accept mail from customers.

COST SEGMENT 8
VEHICLE DRIVERS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | |
|---|----------------|------------------|--------|------|----------|-----------------------|
| | | | Amount | Pct. | Estimate | Change Amount Pct. |
| RESOURCES: | | | | | | |
| 1. Positions | 5,957 | 6,082 | 125 | 2.1 | 5,985 | - 97 -1.6 |
| 2. Workyears | 6,244 | 6,377 | 133 | 2.1 | 6,277 | - 100 -1.6 |
| EXPENSES (\$000): | | | | | | |
| Salaries and benefits . | 128,485 | 143,751 | 15,266 | 11.9 | 153,156 | 9,405 6.5 |
| Travel and transport- ation of persons | 18 | 20 | 2 | 11.1 | 22 | 2 10.0 |
| Total Accrued Costs | 128,503 | 143,771 | 15,268 | 11.9 | 153,178 | 9,407 6.5 |

Description

Costs of this segment include the compensation, benefits, and official travel of vehicle service drivers. They primarily drive the larger

vehicles providing the transportation of mail in bulk between processing and delivery units, depots and other intra-city postal facilities.

COST SEGMENT 9
SPECIAL DELIVERY MESSENGERS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 2,663 | 2,737 | 74 | 2.8 | 2,737 | ... | ... |
| 2. Workyears | 3,128 | 3,216 | 88 | 2.8 | 3,216 | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits.. | 62,410 | 70,091 | 7,681 | 12.3 | 75,939 | 5,848 | 8.3 |
| Travel and transporta- tion of persons | 1 | 1 | ... | ... | 1 | ... | ... |
| Equipment maintenance allowance | 188 | 275 | 87 | 46.3 | 329 | 54 | 19.6 |
| Total Accrued Costs | 62,599 | 70,367 | 7,768 | 12.4 | 76,269 | 5,902 | 8.4 |

Description

Costs of this segment include the personnel salaries and benefits of special delivery messengers who are employed to expedite the delivery of special delivery mail. All are stationed at major mail processing facilities or at large post offices.

Special delivery mail is delivered as soon as practicable at post offices which have no special delivery messengers or have too few to handle all deliveries.

When USPS vehicles are not available, messengers use privately owned vehicles and are reimbursed through an established equipment maintenance allowance.

2/6/80

COST SEGMENT 9 - SPECIAL DELIVERY MESSENGERS

III-22

COST SEGMENT 10
RURAL CARRIERS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|---------|------|------------------|---------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 51,264 | 51,623 | 359 | 0.7 | 51,777 | 154 | 0.3 |
| 2. Workyears | 39,940 | 40,230 | 290 | 0.7 | 40,361 | 131 | 0.3 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits .. | 840,970 | 895,589 | 54,619 | 6.5 | 961,691 | 66,102 | 7.4 |
| Travel of persons | 8 | 9 | 1 | 12.5 | 10 | 1 | 11.1 |
| Transportation of things | 17 | 19 | 2 | 11.8 | 21 | 2 | 10.5 |
| Equipment maintenance allowance | 151,955 | 224,267 | 72,312 | 47.6 | 268,889 | 44,622 | 19.9 |
| Total Accrued Costs.. | 992,950 | 1,119,884 | 126,934 | 12.8 | 1,230,611 | 110,727 | 9.9 |

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 cost of using privately owned automobiles for delivery of mail.

COST SEGMENT 11
CUSTODIAL (MAINTENANCE) SERVICE
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 29,051 | 29,458 | 407 | 1.4 | 28,868 | - 590 | -2.0 |
| 2. Workyears | 29,656 | 30,079 | 423 | 1.4 | 29,484 | - 595 | -2.0 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits . | 578,404 | 648,292 | 69,888 | 12.1 | 688,171 | 39,879 | 6.2 |
| Travel and trans- portation of persons. | 2,122 | 2,396 | 274 | 12.9 | 2,559 | 163 | 6.8 |
| Transportation of household effects ... | 3 | 4 | 1 | 33.3 | 5 | 1 | 25.0 |
| Contract job cleaners.. | 20,527 | 22,498 | 1,971 | 9.6 | 24,500 | 2,002 | 8.9 |
| Subtotal | 601,056 | 673,190 | 72,134 | 12.0 | 715,235 | 42,045 | 6.2 |
| Reimbursements | - 985 | -1,064 | - 79 | 8.0 | -1,156 | - 92 | 8.6 |
| Total Accrued Costs . | 600,071 | 672,126 | 72,055 | 12.0 | 714,079 | 41,953 | 6.2 |

Description

This segment includes activities of personnel providing cleaning and protection services, and maintenance of equipment and buildings.

of household effects and contract job cleaners.

Reimbursements are for services performed for other Government agencies.

Costs cover compensation and benefits, personnel related travel, transportation

COST SEGMENT 12
MOTOR VEHICLE SERVICE
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change Pct. |
|--|----------------|------------------|--------|------|----------|--------|----------------|
| | | | Amount | Pct. | Estimate | Amount | |
| RESOURCES: | | | | | | | |
| 1. Positions | 4,788 | 4,872 | 84 | 1.8 | 4,673 | - 199 | - 4.1 |
| 2. Workyears | 5,036 | 5,125 | 89 | 1.8 | 4,917 | - 208 | - 4.1 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits .. | 105,281 | 117,777 | 12,496 | 11.9 | 121,946 | 4,169 | 3.5 |
| Travel and trans. of persons | 407 | 456 | 49 | 12.0 | 485 | 29 | 6.4 |
| Trans. of household effects | 2 | 2 | | | 2 | | |
| Vehicle hire | 25,497 | 37,353 | 11,856 | 46.5 | 44,637 | 7,284 | 19.5 |
| Vehicle repair and maint. Elec. power for motor vehicles | 12,219 | 13,233 | 1,014 | 8.3 | 14,543 | 1,310 | 9.9 |
| Operating supplies and materials | 28 | 33 | 5 | 17.9 | 37 | 4 | 12.1 |
| Vehicle supplies and materials | 56,055 | 63,847 | 7,792 | 13.9 | 71,891 | 8,044 | 12.6 |
| Total Accrued Costs | 37,830 | 43,088 | 5,258 | 13.9 | 48,518 | 5,430 | 12.6 |
| | 237,319 | 275,789 | 38,470 | 16.2 | 302,059 | 26,270 | 9.5 |

Description

This segment includes costs related to the maintenance and servicing of motor vehicles owned by the Postal Service and used in the delivery of mail by city delivery carriers, special delivery messengers and by other postal employees requiring vehicles in performance of assigned responsibilities.

Maintenance costs include compensation and benefits for postal personnel, operating

supplies and materials, contractual auto maintenance, vehicle hire, and vehicle supplies and materials.

Vehicle Maintenance Facilities (VMF's) perform maintenance of vehicles assigned to their facility. Post offices that are not located near a VMF have maintenance services performed by local commercial firms.

2/6/80

COST SEGMENT 12 - MOTOR VEHICLE SERVICE

111-25

COST SEGMENT 13
MISCELLANEOUS COSTS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--------------------------|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 736 | 736 | ... | ... | 736 | ... | ... |
| 2. Workyears | 705 | 705 | ... | ... | 705 | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits | 15,038 | 16,448 | 1,410 | 9.4 | 17,699 | 1,251 | 7.6 |
| Travel and transport- | 12,086 | 14,054 | 1,968 | 16.3 | 15,856 | 1,802 | 12.8 |
| ation of persons | 4,232 | 4,636 | 404 | 9.5 | 5,176 | 540 | 11.6 |
| Transportation of | 2,045 | 2,235 | 190 | 9.3 | 2,472 | 237 | 10.6 |
| things | 16,968 | 18,545 | 1,577 | 9.3 | 20,511 | 1,966 | 10.6 |
| Rental allowance, CAG | 14 | 14 | ... | ... | 14 | ... | ... |
| L offices | 4,550 | 5,182 | 632 | 13.9 | 5,835 | 653 | 12.6 |
| Contract stations | 54,933 | 61,114 | 6,181 | 11.3 | 67,563 | 6,449 | 10.6 |
| Other services | - 64 | - 72 | - 8 | 12.5 | - 82 | - 10 | 13.9 |
| Supplies and materials | 54,869 | 61,042 | 6,173 | 11.3 | 67,481 | 6,439 | 10.5 |
| Subtotal | | | | | | | |
| Reimbursements | | | | | | | |
| Total Accrued Costs | | | | | | | |

Description

This cost segment includes personnel compensation and benefits, travel and transportation of persons 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) Cartfare, tolls and ferrriage, including city carriers drive-out agreements;
- (d) Transportation of vendors' freight;
- (e) Employee awards; and
- (f) Other miscellaneous costs, such as Federal Reserve Bank deposit charges and supplies and issues for the Mail Equipment Shops.

111-26

COST SEGMENT 13 - MISCELLANEOUS COSTS

2/6/80

CATEGORY II
TRANSPORTATION
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 | | Change | | 1981 | | Change | |
|-------------------------------------|----------------|-----------|----------|--------|-----------|----------|--------|--------|------|
| | | Estimate | Estimate | Amount | Pct. | Estimate | Amount | Amount | Pct. |
| RESOURCES: | | | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | | | |
| 1. Domestic Airmail | 298,596 | 377,051 | 78,455 | 26.3 | 508,565 | 131,514 | 34.9 | | |
| 2. Foreign Airmail | 49,469 | 50,661 | 1,192 | 2.4 | 51,786 | 1,125 | 2.2 | | |
| 3. Railroad Services | 107,456 | 116,913 | 9,457 | 8.8 | 126,734 | 9,821 | 8.4 | | |
| 4. Domestic Water Services | 6,447 | 8,648 | 2,201 | 34.1 | 7,983 | - | - | | |
| 5. Foreign Water Services | 14,744 | 18,279 | 3,535 | 24.0 | 18,685 | 665 | -7.7 | | |
| 6. Intercity Highway Services | 316,196 | 174,256 | -141,940 | ... | 191,501 | 17,245 | 9.9 | | |
| 7. Intracity Highway Services | 124,299 | 301,801 | 177,502 | ... | 322,732 | 20,931 | 6.9 | | |
| 8. Terminal-Transit Charges | 85,815 | 93,400 | 7,585 | 8.8 | 146,663 | 53,263 | 57.0 | | |
| Total Accrued Costs .. | 1,003,022 | 1,141,009 | 137,987 | 13.8 | 1,374,649 | 233,640 | 20.5 | | |

Description

This category provides for purchased transportation services to move local, intercity and international mail. The Postal Service operates under a policy of equitably distributing its mail movement business among carriers providing similar modes of transportation. This includes domestic transportation of mail by air, railroad, water and highway service; foreign mail by air and water service.

The Department of Defense reimburses the Postal Service for mail transported by air in accordance with an agreement. These costs are, therefore, excluded from the total expenses.

1/Beginning with FY 1980, contractual costs of certain highway routes will be included in line item 7, Intracity Highway Services, instead of line item 6, Intercity Highway Services.

2/6/80

CATEGORY II - TRANSPORTATION - RESOURCE SUMMARY

111-27

CATEGORY III
BUILDING OCCUPANCY
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--------------------------|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Rents | 256,765 | 277,566 | 20,801 | 8.1 | 303,626 | 26,060 | 9.4 |
| Fuels | 31,093 | 40,741 | 9,648 | 31.0 | 47,935 | 7,194 | 17.7 |
| Utilities | 130,053 | 153,440 | 23,387 | 18.0 | 174,482 | 21,042 | 13.7 |
| Communications | 38,529 | 43,155 | 4,626 | 12.0 | 48,303 | 5,148 | 11.9 |
| Building Projects | | | | | | | |
| Expensed | 14,376 | 16,058 | 1,682 | 11.7 | 18,033 | 1,975 | 12.3 |
| Moving Expense | 306 | 335 | 29 | 9.5 | 375 | 40 | 11.9 |
| Reimbursements | -27,560 | -27,403 | 157 | -0.6 | -27,964 | -561 | 2.1 |
| Total Accrued Costs.. | 443,562 | 503,892 | 60,330 | 13.6 | 564,790 | 60,898 | 12.1 |

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.

The increase of \$60.9 million or 12.1 percent is primarily the result of price changes projected for fuel related items.

The largest increase, \$26.1 million or 9.4 percent, is projected for rents and is primarily related with a projected \$20.7 million increase for rental payments to private lessors. The second largest increase, \$21.0 million or 13.7 percent, is projected for utilities and accounts for 35 percent of the total change and is primarily related with a projected \$20.5 million or 13.9 percent increase in the cost of electric power.

CATEGORY IV
SUPPLIES AND SERVICES
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 | | Change | | 1981 | | Change | |
|---|----------------|----------|----------|--------|-------|----------|----------|--------|------|
| | | Estimate | Estimate | Amount | Pct. | Estimate | Estimate | Amount | Pct. |
| RESOURCES: | | | | | | | | | |
| 1. Positions | 355 | 357 | | 2 | 0.6 | 359 | | 2 | 0.6 |
| 2. Workyears | 397 | 360 | | - 37 | -9.3 | 362 | | 2 | 0.6 |
| EXPENSES (\$000): | | | | | | | | | |
| Salaries, Benefits and and related costs | 7,996 | 8,072 | | 76 | 1.0 | 8,767 | | 695 | 8.6 |
| Supplies and Services: | | | | | | | | | |
| ADP | 18,534 | 21,905 | | 3,371 | 18.2 | 23,639 | | 1,734 | 7.9 |
| Equipment | 17,267 | 35,278 | | 18,011 | 104.3 | 43,925 | | 8,647 | 24.5 |
| Custodial | 10,814 | 12,112 | | 1,298 | 12.0 | 13,565 | | 1,453 | 12.0 |
| Buildings | 76,818 | 86,041 | | 9,223 | 12.0 | 96,360 | | 10,319 | 12.0 |
| Printing and Repro- duction | 24,382 | 29,315 | | 4,933 | 20.2 | 33,567 | | 4,252 | 14.5 |
| Accountable paper | 50,200 | 56,344 | | 6,144 | 12.2 | 64,078 | | 7,734 | 13.7 |
| Postal supplies and services | 45,022 | 55,550 | | 10,528 | 23.4 | 62,227 | | 6,677 | 12.0 |
| Total Supplies and Services | 251,033 | 304,617 | | 53,584 | 21.3 | 346,128 | | 41,511 | 13.6 |
| Reimbursements and other | - 780 | - 871 | | - 91 | 11.7 | - 978 | | - 107 | 12.3 |
| Total Accrued Costs | 250,253 | 303,746 | | 53,493 | 21.4 | 345,150 | | 41,404 | 13.6 |

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 the purchase of materials and supplies for operations

2/1/80

CATEGORY V
RESEARCH AND DEVELOPMENT
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|--------|------|------------------|--------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits ... | 7,697 | 10,452 | 2,755 | 35.8 | 10,256 | -196 | -1.9 |
| Travel and transportation of persons | 336 | 416 | 80 | 23.8 | 433 | 17 | 4.1 |
| Supplies and services ... | 285 | 355 | 70 | 11.3 | 352 | -3 | -0.8 |
| Projects expensed | 15,736 | 31,372 | 15,636 | 99.4 | 27,302 | -4,070 | -13.0 |
| Training | 62 | 88 | 26 | 41.9 | 92 | 4 | 4.5 |
| Printing | 52 | 86 | 34 | 65.4 | 88 | 2 | 2.3 |
| Indirect costs | 326 | 373 | 47 | 14.4 | 386 | 13 | 3.5 |
| Sub-total | 24,494 | 43,142 | 18,648 | 76.1 | 38,909 | -4,233 | -9.8 |
| Less costs included in other costs segments ... | 8,758 | 11,770 | 3,012 | 34.4 | 11,607 | -163 | -1.4 |
| Total accrued costs . | 15,736 | 31,372 | 15,636 | 99.4 | 27,302 | -4,070 | -13.0 |

Description

This cost segment reflects the resources required to provide the research and development programs which are directed to the improvement of service, reduction of costs, and the furnishing of technological support in development of systems. Total program resources are included in order to reflect the total research effort pursued by the Postal Service.

CATEGORY VI
ADMINISTRATION AND
REGIONAL OPERATIONS
COST SEGMENT SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change Pct. |
|---|----------------|------------------|--------|------|-----------|---------|----------------|
| | | | Amount | Pct. | Estimate | Amount | |
| RESOURCES: | | | | | | | |
| 1. Positions | 12,212 | 12,395 | 183 | 1.5 | 12,428 | 33 | 0.3 |
| 2. Workyears | 12,425 | 12,612 | 187 | 1.5 | 12,648 | 36 | 0.3 |
| EXPENSES (\$000): | | | | | | | |
| 1. Headquarters Administration | 130,746 | 146,189 | 15,443 | 11.8 | 158,903 | 12,714 | 8.7 |
| 2. Regional Administration | 77,092 | 87,535 | 10,443 | 13.5 | 94,741 | 7,206 | 8.2 |
| 3. Law Enforcement | 139,987 | 156,487 | 16,500 | 11.8 | 169,230 | 12,743 | 8.1 |
| 4. Administration of Postal Rates | 2,463 | 2,856 | 393 | 16.0 | 3,151 | 295 | 10.3 |
| 5. General Administrative | 1,607,668 | 1,636,364 | 28,696 | 1.8 | 2,036,737 | 400,373 | 24.5 |
| Total Accrued Costs. | 1,957,956 | 2,029,431 | 71,475 | 3.7 | 2,462,762 | 433,331 | 21.4 |

Description

The costs of this segment include compensation, benefits and related costs associated with employees at national Headquarters, the five regional headquarters, law enforcement offices, and the Postal Rate Commission.

Also included are servicewide personnel related costs for the repricing of annual leave, Civil Service Retirement Fund deficit payments, Fair Labor Standards Act accruals, Workers' Compensation, and adverse actions of removal. Remaining costs relate to interest expense for bonds, notes, mortgages, and miscellaneous expenses.

CATEGORY VI
ADMINISTRATION AND
REGIONAL OPERATIONS
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|---------|-------|------------------|---------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| EXPENSES (\$000): | | | | | | | |
| Personnel salaries and benefits | 324,800 | 420,546 | 95,746 | 29.5 | 441,645 | 21,099 | 5.0 |
| Service-wide benefits: | | | | | | | |
| Contribution to CSC | | | | | | | |
| Retirement Fund | | | | | | | |
| Deficit | 667,203 | 674,291 | 7,088 | 1.1 | 743,251 | 68,960 | 10.2 |
| Workers' Compensation. | 755,119 | 750,000 | -5,119 | -0.7 | 1,100,000 | 350,000 | 46.7 |
| Total Compensation and Benefits | 1,747,122 | 1,844,837 | 97,715 | 5.6 | 2,284,896 | 440,059 | 23.9 |
| Benefits of former personnel | 26 | 170 | 144 | ... | 170 | ... | ... |
| Travel and transportation of persons | 20,346 | 22,614 | 2,268 | 11.1 | 25,160 | 2,546 | 11.3 |
| Transportation of household effects | 920 | 1,007 | 87 | 9.5 | 1,126 | 119 | 11.8 |
| Other services | 14,301 | 14,787 | 486 | 3.4 | 15,107 | 320 | 2.2 |
| Supplies and materials | 37 | 42 | 5 | 13.5 | 47 | 5 | 11.9 |
| Rent, communications and utilities | 10 | 11 | 1 | 10.0 | 12 | 1 | 9.1 |
| Insurance claims and indemnities | 36 | 39 | 3 | 8.3 | 43 | 4 | 10.3 |
| Sale of property | -50 | -57 | -7 | -14.0 | -64 | -7 | -12.3 |
| Interest expense | 175,208 | 145,981 | -29,227 | -16.7 | 136,265 | -9,716 | -6.7 |
| Total Accrued Costs .. | 1,957,956 | 2,029,431 | 71,475 | 3.7 | 2,462,762 | 433,331 | 21.4 |

2/1/80

CATEGORY VI-ADMINISTRATION AND REGIONAL OPERATIONS

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CATEGORY VI
A&O - 1
HEADQUARTERS ADMINISTRATION
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 | | Change | | 1981 | | Change | |
|--|----------------|----------|----------|--------|------|----------|--------|--------|------|
| | | Estimate | Estimate | Amount | Pct. | Estimate | Amount | Amount | Pct. |
| RESOURCES: | | | | | | | | | |
| 1. Positions | 4,426 | 4,515 | | 89 | 2.0 | 4,569 | 54 | 1.2 | |
| 2. Workyears | 4,431 | 4,520 | | 89 | 2.0 | 4,576 | 56 | 1.2 | |
| EXPENSES (\$000) | | | | | | | | | |
| Salaries and benefits | 113,554 | 128,058 | | 14,504 | 12.8 | 140,006 | 11,948 | 9.3 | |
| Benefits of former personnel .. | 26 | 170 | | 144 | ... | 170 | ... | ... | |
| Travel and transportation of persons | 6,804 | 7,491 | | 687 | 10.1 | 8,315 | 824 | 11.0 | |
| Transportation of house- hold effects | 208 | 228 | | 20 | 9.6 | 255 | 27 | 11.8 | |
| Other contractual services .. | 10,154 | 10,242 | | 88 | 0.9 | 10,157 | -85 | -0.8 | |
| Total Accrued Costs | 130,746 | 146,189 | | 15,443 | 11.8 | 158,903 | 12,714 | 8.7 | |

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 five main functional groups, each of which is headed by a Senior Assistant Postmaster General. The groups are:

Finance, Administration, Operations, Employee and Labor Relations, and Research and Technology. A number of field activities which report to Headquarters are also included. Examples of the larger field activities are the postal data centers, and the Postal Service Training and Development Institute.

2/11/80

HEADQUARTERS ADMINISTRATION - RESOURCE SUMMARY

111-33

CATEGORY VI
A&RO - 2
REGIONAL ADMINISTRATION
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 | | Change | |
|--|----------------|------------------|--------|------|----------|--------|--------|--|
| | | | Amount | Pct. | Estimate | Amount | Pct. | |
| RESOURCES: | | | | | | | | |
| 1. Positions | 2,475 | 2,524 | 49 | 2.0 | 2,522 | -2 | -0.1 | |
| 2. Workyears | 2,519 | 2,569 | 50 | 2.0 | 2,567 | -2 | -0.1 | |
| EXPENSES (\$000): | | | | | | | | |
| Salaries and benefits | 70,455 | 80,015 | 9,560 | 13.6 | 86,334 | 6,319 | 7.9 | |
| Travel and transportation of persons | 6,497 | 7,367 | 870 | 13.4 | 8,236 | 869 | 11.8 | |
| Transportation of house- hold effects | 140 | 153 | 13 | 9.3 | 171 | 18 | 11.8 | |
| Total Accrued Costs | 77,092 | 87,535 | 10,443 | 13.5 | 94,741 | 7,206 | 8.2 | |

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. There are five

regional postmasters general with each managing postal activities in his geographical area. The five regions are Eastern, Northeast, Southern, Central, and Western, with headquarters in Philadelphia, Pennsylvania; New York, New York; Memphis, Tennessee; Chicago, Illinois; and San Bruno, California.

2/6/80

REGIONAL ADMINISTRATION - RESOURCE SUMMARY

III-34

CATEGORY VI
A&RO - 3
LAW ENFORCEMENT
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 | | Change | | 1981 | | Change | |
|--|----------------|----------|----------|--------|------|----------|--------|--------|------|
| | | Estimate | Estimate | Amount | Pct. | Estimate | Amount | Amount | Pct. |
| RESOURCES: | | | | | | | | | |
| 1. Positions | 5,236 | 5,275 | | 39 | 0.7 | 5,254 | - | 21 | -0.4 |
| 2. Workyears | 5,400 | 5,442 | | 42 | 0.8 | 5,422 | - | 20 | -0.4 |
| EXPENSES (\$000): | | | | | | | | | |
| Salaries and benefits | 131,831 | 147,510 | | 15,679 | 11.9 | 159,270 | 11,760 | 850 | 11.0 |
| Travel and transportation of persons | 7,022 | 7,731 | | 709 | 10.1 | 8,581 | | | |
| Transportation of house- hold effects | 572 | 626 | | 54 | 9.4 | 700 | 74 | | 11.8 |
| Communications | 10 | 11 | | 1 | 10.0 | 12 | 1 | | 9.1 |
| Other services | 459 | 503 | | 44 | 9.6 | 548 | 45 | | 8.9 |
| Supplies and materials | 93 | 106 | | 13 | 14.0 | 119 | 13 | | 12.3 |
| Total Accrued Costs | 139,987 | 156,487 | | 16,500 | 11.8 | 169,230 | 12,743 | | 8.1 |

Description

Law enforcement includes costs associated with investigative and law enforcement 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.

CATEGORY VI
A&EO - 4
ADMINISTRATION OF POSTAL RATES
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|---|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | 75 | 81 | 6 | 8.0 | 83 | 2 | 2.5 |
| 2. Workyears | 75 | 81 | 6 | 8.0 | 83 | 2 | 2.5 |
| EXPENSES (\$000): | | | | | | | |
| Salaries and benefits | 2,440 | 2,831 | 391 | 16.0 | 3,123 | 292 | 10.3 |
| Travel and transportation of persons | 23 | 25 | 2 | 8.7 | 28 | 3 | 12.0 |
| Total Accrued Costs | 2,463 | 2,856 | 393 | 16.0 | 3,151 | 295 | 10.3 |

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. Acting upon requests from the U. S. Postal Service or on its own initiative, the Commission recommends to the Postal Service Governors,

changes in rates or fees for classes of mail or type of service. After holding hearings on the record, as required by law, the Postal Rate Commission submits a recommended decision on requested changes in rates of postage or in fees for service to the Governors. The Governors may either approve, reject, or modify the recommended decision.

CATEGORY VI
A&O - 5
GENERAL ADMINISTRATIVE
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|---------|--------|------------------|---------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Fair Labor Standards Act accruals | -42,887 | ... | 42,887 | ... | ... | ... | ... |
| Annual leave repricing | 47,712 | 60,492 | 12,780 | 26.8 | 51,125 | -9,367 | -15.5 |
| Holiday leave variance | 1,399 | ... | -1,399 | -100.0 | ... | ... | ... |
| Subtotal salaries | 6,224 | 60,492 | 54,268 | ... | 51,125 | -9,367 | -15.5 |
| CSC Retirement principal | 305,007 | 219,014 | -85,993 | -28.2 | 245,912 | 26,898 | 12.3 |
| CSC Retirement interest | 362,196 | 455,277 | 93,081 | 25.7 | 497,339 | 42,062 | 9.2 |
| Workers' Compensation | 755,119 | 750,000 | -5,119 | -0.7 | 1,100,000 | 350,000 | 46.7 |
| Adverse action contributions | 296 | 1,640 | 1,344 | ... | 1,787 | 147 | 9.0 |
| Subtotal benefits | 1,422,618 | 1,423,931 | 3,313 | 0.2 | 1,845,038 | 419,107 | 29.4 |
| Total salaries and benefits | 1,428,842 | 1,486,423 | 57,581 | 4.0 | 1,896,163 | 409,740 | 27.6 |
| Other services | 3,688 | 4,042 | 354 | 9.6 | 4,402 | 360 | 8.9 |
| Supplies and materials | -56 | -64 | -8 | -14.3 | -72 | -8 | -12.5 |
| Interest expense | 175,208 | 145,981 | -29,227 | -16.7 | 136,265 | -9,716 | -6.7 |
| Employee losses | 36 | 39 | 3 | 8.3 | 43 | 4 | 10.3 |
| Sale of property | -50 | -57 | -7 | -14.0 | -64 | -7 | -12.3 |
| Total Accrued Costs | 1,607,668 | 1,636,364 | 28,696 | 1.8 | 2,036,737 | 400,373 | 24.5 |

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, Fair Labor Standards Act accruals, supplies and services, insurance claims and indemnities, and interest expense.

2/11/80

GENERAL ADMINISTRATIVE - RESOURCE SUMMARY

III-37

CATEGORY VII
SERVICEWIDE EXPENSES
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 | | Change | | 1981 | | Change | |
|---|----------------|----------|----------|----------|-------|----------|---------|--------|------|
| | | Estimate | Estimate | Amount | Pct. | Estimate | Amount | Amount | Pct. |
| RESOURCES: | | | | | | | | | |
| 1. Positions | 140 | 140 | | ... | ... | 140 | ... | ... | ... |
| 2. Workyears | 138 | 137 | | -1 | -0.7 | 137 | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | | | |
| Salaries and benefits . | 3,724 | 3,979 | | 255 | 6.8 | 4,225 | 246 | 6.2 | |
| Travel and trans. of persons | 218 | 240 | | 22 | 10.1 | 266 | 26 | 10.8 | |
| Trans. of household effects | 3 | 3 | | ... | ... | 3 | ... | ... | ... |
| Instructional services | 718 | 787 | | 69 | 9.6 | 857 | 70 | 8.9 | |
| Supplies and materials | 133 | 151 | | 18 | 13.5 | 170 | 19 | 12.6 | |
| Subtotal General Management Systems | 4,796 | 5,160 | | 364 | 7.6 | 5,521 | 361 | 7.0 | |
| Unemployment Compen- sation | 15,010 | 36,300 | | 21,290 | ... | 44,000 | 7,700 | 21.2 | |
| Insurance Claims and Indemnities | 32,264 | 32,388 | | 124 | 3.9 | 35,253 | 2,865 | 8.8 | |
| Other Services | 96,417 | -151,862 | | -248,279 | ... | 15,344 | 167,206 | ... | |
| Embossed Envelopes ... | 8,723 | 7,807 | | -916 | -10.5 | 8,197 | 390 | 5.0 | |
| Reimbursements | -8,653 | -8,286 | | 367 | 4.2 | -6,539 | 1,747 | 21.1 | |
| Subtotal General Administrative | 143,761 | -83,653 | | -227,414 | ... | 96,255 | 179,908 | ... | |
| Total Accrued Costs ... | 148,557 | -78,493 | | -227,050 | ... | 101,776 | 180,259 | ... | |

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.

CATEGORY VIII
DEPRECIATION AND OTHER COSTS
RESOURCE SUMMARY
FY 1979 - 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|--------|------|------------------|--------|------|
| | | | Amount | Pct. | | Amount | Pct. |
| RESOURCES: | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... |
| EXPENSES (\$000): | | | | | | | |
| Depreciation | 226,050 | 238,268 | 12,218 | 5.4 | 256,340 | 18,072 | 7.6 |
| Expendable equipment and charge-offs | 2,658 | 2,658 | ... | ... | 2,658 | ... | ... |
| Amortization of debt discount and expense | 55 | 55 | ... | ... | 55 | ... | ... |
| Total Accrued Costs .. | 228,763 | 240,981 | 12,218 | 5.3 | 259,053 | 18,072 | 7.5 |

Description

This category provides for the expenses related to depreciation on buildings and equipment, and other write-offs. Write-offs include costs of expendable equipment, discounts, amortization of bond commission, uncollectible receivables, and lost or damaged property.

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY
FY 1979 - FY 1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|-----------------------------|----------------|------------------|---------|-------|------------------|---------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| <u>RESOURCES:</u> | | | | | | | |
| 1. Positions | ... | ... | ... | ... | ... | ... | ... |
| 2. Workyears | ... | ... | ... | ... | ... | ... | ... |
| <u>COMMITMENTS (\$000):</u> | | | | | | | |
| 1. Facilities | 220,243 | 378,884 | 158,641 | 72.0 | 295,371 | -83,513 | -22.0 |
| 2. Mail Processing | 33,395 | 72,467 | 39,072 | ... | 247,175 | 174,708 | ... |
| Equipment | 57,727 | 40,172 | -17,555 | -30.4 | 136,137 | 95,965 | ... |
| 3. Vehicles | 4,110 | 15,466 | 11,356 | ... | 10,119 | -5,347 | -34.6 |
| 4. Customer Services | 25,948 | 52,260 | 26,312 | ... | 35,791 | -16,469 | -31.5 |
| Equipment | | | | | | | |
| 5. Postal Support | | | | | | | |
| Equipment | | | | | | | |
| TOTAL COMMITMENTS | 341,423 | 559,249 | 217,826 | 63.8 | 724,593 | 165,344 | 29.6 |
| Less Prior Years | | | | | | | |
| Adjustments | -12,812 | ... | 12,812 | ... | ... | ... | ... |
| DIRECT COMMITMENTS | 328,611 | 559,249 | 230,638 | 70.2 | 724,593 | 165,344 | 29.6 |
| EXPENDITURES | 392,519 | 421,120 | 28,601 | 7.3 | 519,440 | 98,320 | 23.3 |
| ACCRUED COSTS | ... | ... | ... | ... | ... | ... | ... |

Description

Facilities:

This category includes acquisition of sites, buildings, purchase of existing facilities, design and construction of new postal-owned and improvement to existing leased and owned post office buildings.

2/6/80

CATEGORY IX - CAPITAL INVESTMENT - RESOURCE SUMMARY

III-40

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1979-1981

Mail Processing Equipment

This category includes fixed mechanization, non-fixed mechanization and other mail handling equipment. Fixed mechanization is custom-made to meet the requirements for a particular mail handling operation or a 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.

Customer Service Equipment

This equipment supports post office lobby, window and self-service programs. The Postal Service's objective 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.

2/6/80

CATEGORY IX - CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)

III-41

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1979-1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|-------------------------------------|----------------|------------------|---------|-------|------------------|---------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| <u>Facilities:</u> | | | | | | | |
| Construction | 122,384 | 289,905 | 167,521 | ... | 246,896 | -43,009 | -14.8 |
| Building Purchase | 31,715 | 28,875 | -2,840 | -9.0 | 1,306 | -27,569 | -95.5 |
| Building Improvements. | 66,144 | 60,104 | -6,040 | -9.1 | 47,169 | -12,935 | -21.5 |
| Sub-Total | 220,243 | 378,884 | 158,641 | 72.0 | 295,371 | -83,513 | -22.0 |
| <u>Mail Processing</u> | | | | | | | |
| <u>Equipment:</u> | | | | | | | |
| Fixed Mechanization . | 9,034 | 24,272 | 15,238 | ... | 16,998 | -7,274 | -30.0 |
| Non-Fixed Mechanization | 5,506 | 43,257 | 37,751 | ... | 226,155 | 182,898 | ... |
| Other Mail Handling Equipment | 18,855 | 4,938 | -13,917 | -73.8 | 4,022 | -916 | -18.6 |
| Sub-Total | 33,395 | 72,467 | 39,072 | ... | 247,175 | 174,708 | ... |
| <u>Vehicles:</u> | | | | | | | |
| Carrier Motorization . | 33,352 | 33,371 | 19 | ... | 104,234 | 70,863 | ... |
| Bulk Transfer | 18,863 | ... | -18,863 | ... | 21,407 | 21,407 | ... |
| Law Enforcement | 974 | 1,512 | 538 | 55.2 | 1,671 | 159 | 10.5 |
| Other Vehicles | 1,791 | 2,830 | 1,039 | 58.0 | 1,628 | -1,202 | -42.5 |
| Vehicle Auxiliary Equipment | 154 | 259 | 105 | 68.2 | 297 | 38 | 14.7 |
| Freight-Motor Vehicles | 2,593 | 2,200 | -393 | -15.2 | 6,900 | 4,700 | ... |
| Sub-Total | 57,727 | 40,172 | -17,555 | -30.4 | 136,137 | 95,965 | ... |

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1979-1981

| ITEM | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|----------------------------------|----------------|------------------|---------|-------|------------------|---------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| <u>Customer Services</u> | | | | | | | |
| <u>Equipment:</u> | | | | | | | |
| Lobby Equipment | 421 | 364 | -57 | -13.5 | 209 | -155 | -42.5 |
| Window Service | | | | | | | |
| Equipment | 1,939 | 6,726 | 4,787 | ... | 2,909 | -3,817 | -56.7 |
| Self-Service Equipment. | 1,750 | 8,376 | 6,626 | ... | 7,001 | -1,375 | -16.4 |
| Sub-Total | 4,110 | 15,466 | 11,356 | ... | 10,119 | -5,347 | -34.6 |
| <u>Postal Support Equipment:</u> | | | | | | | |
| <u>Administrative &</u> | | | | | | | |
| General Support | 10,693 | 15,823 | 5,130 | 48.0 | 10,696 | -5,127 | -32.4 |
| Maintenance Equipment . | 5,240 | 8,176 | 2,936 | 56.0 | 6,373 | -1,803 | -22.1 |
| Automatic Data | | | | | | | |
| Processing | 9,864 | 27,961 | 18,097 | ... | 18,322 | -9,639 | -34.5 |
| Freight (Other than | | | | | | | |
| Vehicles) | 348 | 300 | -48 | -13.8 | 400 | 100 | 33.3 |
| Earned Discount | -197 | ... | 197 | ... | ... | ... | ... |
| Sub-Total | 25,948 | 52,260 | 26,312 | ... | 35,791 | -16,469 | -31.5 |
| Total Capital Investment. | 341,423 | 559,249 | 217,826 | 63.8 | 724,593 | 165,344 | 29.6 |

2/6/80

CATEGORY IX - CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)

III-43

U. S. POSTAL SERVICE
Mail Volumes and Revenues
for the Year Ending
September 30, 1981
Figures in thousands

| Classification | FY 1979 Actual | | | FY 1980 Estimate | | | FY 1981 Estimate | | | |
|---|------------------------|----------------|------------|------------------------|----------------|--------|------------------------|----------------|-------------|--------|
| | Pieces or Transactions | Postal Revenue | % | Pieces or Transactions | Postal Revenue | % | Pieces or Transactions | Postal Revenue | % | |
| Operating Revenue | | | | | | | | | | |
| First class and Mailgrams | 57,925,859 | 3,47 | 9,732,720 | 13.51 | 59,761,873 | 3.17 | 9,912,164 | 1.84 | 62,323,885 | 4.29 |
| Priority (heavy pieces) | 7,497,798 | 26.89 | 148,218 | 49.17 | 60,737 | 21.97 | 239,234 | 47.91 | 74,059 | 21.93 |
| Second class | 8,288,882 | 7.58 | 560,685 | 12.74 | 254,984 | 3.25 | 770,805 | 11.97 | 871,142 | 1.07 |
| Third class | 8,845,844 | 11.16 | 94,937 | 41.35 | 838,521 | 8.87 | 99,754 | 5.67 | 875,545 | 4.42 |
| Fourth class | 27,513,132 | 4.49 | 2,216,255 | 11.57 | 29,417,823 | 6.92 | 2,406,489 | 8.58 | 32,377,897 | 10.06 |
| Penalty and official mail | 614,027 | -11.16 | 615,324 | 9.98 | 2,925,965 | 19.75 | 648,115 | -2.05 | 3,007,244 | 2.08 |
| Free-for-the-blind mail | 374,039 | -16.48 | 42,532 | -9.61 | 468,714 | 45.29 | 58,308 | 37.69 | 294,476 | -37.17 |
| International (originating) | 27,828 | 26.90 | 545 | 10.55 | 33,086 | 18.89 | 584,355 | 1.41 | 950,546 | 22.59 |
| Total Volume and Revenue from Mail | 99,249,893 | 3.01 | 15,377,297 | 13.60 | 103,955,424 | 4.11 | 15,893,874 | 3.40 | 109,515,859 | 5.37 |
| Special Services and Other: | | | | | | | | | | |
| Box rents | 108,162 | -12.50 | 91,247 | 2.68 | 105,429 | -2.53 | 88,942 | -2.53 | 103,321 | ... |
| Special services | 247,881 | -8.70 | 432,079 | 18.86 | 212,118 | -14.43 | 394,500 | -8.70 | 199,508 | -5.76 |
| Other revenue, net | ... | ... | 59,602 | -5.22 | ... | ... | 32,737 | 24.12 | ... | ... |
| Total Special Services and Other Revenues | ... | ... | 734,858 | 15.22 | ... | ... | 745,562 | 1.46 | ... | ... |
| Total Operating Revenues | ... | ... | 16,106,085 | 13.96 | ... | ... | 16,639,436 | 3.31 | ... | ... |
| Receipts from Appropriations: | | | | | | | | | | |
| Appropriations | ... | ... | 1,385,176 | 1.32 | ... | ... | 1,676,810 | 6.97 | ... | ... |
| Less Appropriations | ... | ... | 219,534 | -1.32 | ... | ... | 1,610,155 | -0.56 | ... | ... |
| Net Appropriations | ... | ... | 1,165,642 | ... | ... | ... | 18,249,591 | ... | ... | ... |
| Subtotal | ... | ... | 346,719 | 12.43 | ... | ... | 342,198 | -4.25 | ... | ... |
| Investment Income | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Total Income | ... | ... | 18,174,347 | 13.37 | ... | ... | 18,581,741 | 2.24 | ... | ... |

2/11/80

U. S. POSTAL SERVICE
SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE
FISCAL YEARS 1979 - 1981
(in thousands)

| Classification | Actual 1979 | | | 1980 Estimated | | | 1981 Estimated | | |
|------------------------|--------------|--------|---------|----------------|--------|---------|----------------|--------|---------|
| | Transactions | % | Revenue | Transactions | % | Revenue | Transactions | % | Revenue |
| Special Services: | | | | | | | | | |
| Registry-Paid and Free | 53,670 | - 3.07 | 157,160 | 50,237 | - 6.40 | 147,106 | 48,730 | - 3.00 | 142,683 |
| Certified | 81,385 | - .82 | 98,414 | 83,902 | 3.09 | 101,457 | 85,580 | 2.00 | 103,487 |
| Insurance | 59,642 | -18.67 | 56,497 | 46,681 | -21.73 | 44,219 | 39,212 | -16.00 | 37,144 |
| Collect-on-Delivery .. | 12,213 | -20.72 | 19,566 | 11,231 | - 8.04 | 17,993 | 10,782 | - 4.00 | 17,274 |
| Special Delivery | 40,971 | - 9.64 | 84,769 | 32,168 | -21.49 | 66,556 | 27,343 | -15.00 | 56,572 |
| Stamped Envelopes | ... | ... | 15,673 | ... | ... | 17,169 | ... | ... | 16,825 |
| Total Special Services | 247,881 | - 8.70 | 432,079 | 224,219 | - 9.55 | 394,500 | 211,647 | - 5.61 | 373,995 |

2/6/80

SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE

IV-2

TOTAL OBLIGATIONS BY OBJECT
 FY 1979 - 1981
 (in thousands of dollars)

| ITEM | 1979 Actual | 1980 Estimate | 1981 Estimate |
|--|----------------|------------------|------------------|
| Direct Obligations: | | | |
| Personnel compensation: | | | |
| Permanent positions | 9,473,628 | 10,532,905 | 11,415,517 |
| Positions other than permanent | 1,589,011 | 1,686,719 | 1,887,608 |
| Other personnel compensation | 1,191,376 | 1,299,043 | 1,422,942 |
| Special personal services payments | 58,918 | 31,000 | 31,000 |
| Total personnel compensation | 12,312,933 | 13,549,667 | 14,757,067 |
| Personnel benefits | 2,454,008 | 2,457,243 | 2,932,957 |
| Benefits for former personnel | 15,036 | 36,470 | 44,170 |
| Travel and transportation of persons | 51,106 | 57,500 | 64,006 |
| Transportation of things | 1,186,191 | 1,408,870 | 1,695,284 |
| Standard level user charge | 25,784 | 27,620 | 29,939 |
| Rent, communications, and utilities | 418,812 | 483,513 | 543,933 |
| Printing and reproduction | 33,987 | 38,442 | 43,246 |
| Other services | 278,159 | 60,695 | 245,891 |
| Supplies and materials | 209,273 | 254,434 | 288,440 |
| Equipment | 150,989 | 147,107 | 213,750 |
| Lands and structures | 242,050 | 274,534 | 306,350 |
| Insurance claims and indemnities | 32,300 | 32,427 | 35,296 |
| Interest on notes and bonds | 175,208 | 145,981 | 136,265 |
| Interest on civil service unfunded liability | 362,196 | 455,277 | 497,339 |
| Total direct costs funded | 17,948,032 | 19,429,780 | 21,833,933 |
| Change in selected resources | - 23,073 | 138,129 | 205,153 |
| Total direct obligations | 17,924,959 | 19,567,909 | 22,039,086 |
| Reimbursements | 114,452 | 111,866 | 110,701 |
| TOTAL OBLIGATIONS | 18,039,411 | 19,679,775 | 22,149,787 |

1/9/80

TOTAL OBLIGATIONS BY OBJECT

IV-3

U. S. POSTAL SERVICE
SUMMARY OF POSITIONS
FY 1979 - 1981

| Personnel Category or Cost Component | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|-------------|---------------|--------|-------|---------------|--------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| I | | | | | | | |
| Postal Field Operations: | | | | | | | |
| 1. Postmasters | 28,400 | 28,283 | - | 0.41 | 28,013 | - 270 | -0.95 |
| 2. Supervisors & Technicians | 36,065 | 36,710 | 645 | 1.79 | 36,713 | 3 | 0.01 |
| 3. Clerks & Mailhandlers, CAG A-J | 291,136 | 285,740 | -5,396 | -1.85 | 293,511 | 5,493 | 1.92 |
| 4. Clerks, MAG K | 187,133 | 184,890 | -2,243 | -1.20 | 183,832 | -1,058 | -0.57 |
| 5. Vehicle Drivers | 5,957 | 6,082 | 125 | 2.10 | 5,985 | -97 | -1.59 |
| 6. Rural Carriers | 2,663 | 2,737 | 74 | 2.78 | 2,737 | ... | ... |
| 7. Special Delivery Messengers | 51,264 | 51,623 | 359 | 0.70 | 51,777 | 154 | 0.30 |
| 8. Rural Carriers | 29,051 | 29,458 | 407 | 1.40 | 28,868 | - 590 | -2.00 |
| 9. Custodial (Maintenance) Service | 4,788 | 4,872 | 84 | 1.75 | 4,873 | - 199 | -4.08 |
| 10. Motor Vehicle Service | ... | ... | ... | ... | ... | ... | ... |
| 11. Miscellaneous Operating Expense | 650,435 | 644,189 | -6,246 | -0.96 | 647,878 | 3,689 | 0.57 |
| Total Field Operations | ... | ... | ... | ... | ... | ... | ... |
| II | | | | | | | |
| Transportation | ... | ... | ... | ... | ... | ... | ... |
| III | | | | | | | |
| Building Occupancy | ... | ... | ... | ... | ... | ... | ... |
| IV | | | | | | | |
| Supplies and Services | 355 | 357 | 2 | 0.56 | 359 | 2 | 0.56 |
| V | | | | | | | |
| Administration & Regional Operations | 12,212 | 12,395 | 183 | 1.50 | 12,428 | 33 | 0.27 |
| VI | | | | | | | |
| Service-wide Costs | 140 | 140 | ... | ... | 140 | ... | ... |
| VII | | | | | | | |
| Depreciation and Other Costs | ... | ... | ... | ... | ... | ... | ... |
| VIII | | | | | | | |
| Capital Investment | ... | ... | ... | ... | ... | ... | ... |
| IX | | | | | | | |
| Subtotal | 663,142 | 657,081 | -6,061 | -0.91 | 660,805 | 3,724 | 0.57 |
| Less Postal Rate Commission employees included in VI | - 75 | - 80 | - 5 | 6.67 | - 80 | ... | ... |
| Total Positions | 663,067 | 657,001 | -6,066 | -0.91 | 660,725 | 3,724 | 0.57 |

1/29/80

SUMMARY OF POSITIONS

U. S. POSTAL SERVICE
SUMMARY OF WORKYEARS
FY 1979 - FY 1981

| Personnel Category or Cost Component | 1979 Actual | 1980 Estimate | Change | | 1981 Estimate | Change | |
|--|----------------|------------------|--------|-------|------------------|--------|-------|
| | | | Amount | Pct. | | Amount | Pct. |
| I | | | | | | | |
| Postal Field Operations: | | | | | | | |
| 1. Postmasters | 36,110 | 29,993 | - 117 | -0.39 | 29,716 | - 277 | -0.92 |
| 2. Supervisors & Technicians | 45,966 | 46,799 | 833 | 1.81 | 46,816 | 17 | 0.04 |
| 3. Clerks & Mailhandlers, OIG A-J | 300,677 | 294,910 | -5,767 | -1.92 | 300,670 | 5,760 | 1.95 |
| 4. Clerks, OIG K | 3,335 | 3,355 | 20 | 0.60 | 3,420 | 65 | 1.93 |
| 6&7 City Delivery Carriers | 193,300 | 193,007 | -2,133 | -1.17 | 191,976 | -1,051 | -0.54 |
| 8. Vehicle Drivers | 9,128 | 9,216 | 88 | 0.96 | 9,276 | 100 | 1.07 |
| 9. Special Delivery Messengers | 3,128 | 3,216 | 88 | 2.81 | 3,216 | 0 | 0.00 |
| 10. Rural Carriers | 39,940 | 40,230 | 290 | 0.73 | 40,361 | 131 | 0.33 |
| 11. Custodial (Maintenance) Service | 29,656 | 30,079 | 423 | 1.43 | 29,484 | - 595 | -1.98 |
| 12. Motor Vehicle Service | 5,036 | 5,125 | 89 | 1.77 | 4,917 | - 208 | -4.06 |
| 13. Miscellaneous Operating Expense | 705 | 705 | ... | ... | 705 | ... | ... |
| Total Field Operations | 660,097 | 653,796 | -6,301 | -0.95 | 657,538 | 3,742 | 0.57 |
| II | | | | | | | |
| Transportation | ... | ... | ... | ... | ... | ... | ... |
| Building Occupancy | ... | ... | ... | ... | ... | ... | ... |
| Supplies and Services | 397 | 360 | - 37 | -9.32 | 362 | 2 | 0.56 |
| Research and Development | ... | ... | ... | ... | ... | ... | ... |
| Administration | 12,425 | 12,612 | 187 | 1.51 | 12,648 | 36 | 0.29 |
| Construction | 138 | 137 | - 1 | -0.72 | 137 | ... | ... |
| Depreciation and Other Costs | ... | ... | ... | ... | ... | ... | ... |
| Capital Investment | ... | ... | ... | ... | ... | ... | ... |
| Subtotal | 673,057 | 666,905 | -6,152 | -0.91 | 670,685 | 3,780 | 0.57 |
| Less Postal Rate Commission employees included in VI | -75 | -81 | - 6 | 8.00 | -83 | - 2 | 2.47 |
| Total Workyears | 672,982 | 666,824 | -6,158 | -0.92 | 670,602 | 3,778 | 0.57 |

12/17/79

SELECTED OPERATING STATISTICS

| ITEM | 1971 | | 1977 | | 1978 | | 1979 | | 1980 | | 1981 | |
|---|---------|------|---------|-------|---------|-------|---------|------|---------|-------|---------|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Mail Volume (billions of pieces) (GTY) | 87.0 | 2.5 | 92.2 | 2.7 | 96.9 | 5.1 | 99.8 | 3.0 | 103.9 | 4.1 | 109.5 | 5.4 |
| City Delivery: | 132,923 | 1.9 | 124,071 | -1.5 | 124,631 | 0.5 | 127,531 | 2.3 | 130,100 | 2.0 | 132,200 | 1.6 |
| Possible deliveries (millions) | 57.0 | ... | 64.7 | 2.4 | 65.5 | 1.2 | 67.1 | 2.4 | 68.5 | 2.1 | 69.6 | 1.6 |
| Special Deliveries (millions of pieces) | 103.6 | -6.0 | 54.2 | -21.7 | 45.3 | -16.4 | 41.0 | -9.6 | 32.2 | -21.5 | 27.3 | -15.0 |
| Rural Delivery: | | | | | | | | | | | | |
| Number of routes | 31,517 | 0.5 | 32,741 | 0.4 | 33,883 | 2.9 | 35,142 | 4.3 | 35,645 | 1.4 | 36,158 | 1.4 |
| Average daily route miles | 66.0 | 1.3 | 68.7 | -1.2 | 66.0 | -3.9 | 64.8 | -1.8 | 65.5 | 1.1 | 65.5 | ... |
| Post Offices: | | | | | | | | | | | | |
| CAG A-G | 5,182 | 3.7 | 5,614 | 1.8 | 5,724 | 2.0 | 5,903 | 3.1 | 6,000 | 1.6 | 6,100 | 1.7 |
| CAG H-I | 12,356 | 0.9 | 12,550 | 1.2 | 11,555 | 0.1 | 11,705 | 2.0 | 7,800 | 1.2 | 7,900 | 1.3 |
| CAG J | 4,500 | 3.2 | 4,500 | 0.0 | 4,500 | 0.0 | 4,500 | 0.0 | 4,500 | 0.0 | 4,500 | 0.0 |
| CAG K | 6,838 | -3.0 | 5,263 | -3.8 | 5,244 | -0.4 | 4,920 | -6.2 | 11,825 | -6.4 | 11,225 | -8.6 |
| Total | 31,947 | -0.2 | 30,521 | ... | 30,518 | ... | 30,149 | -0.2 | 30,300 | -0.5 | 30,050 | -0.8 |
| Contract Stations | 3,335 | -8.9 | 3,798 | 0.1 | 3,438 | -9.5 | 3,416 | -0.6 | 3,425 | 0.3 | 3,450 | 0.7 |
| Total Active Vehicle Fleet (number) | 83,095 | 9.3 | 118,569 | 1.2 | 119,320 | 0.6 | 121,850 | 2.1 | 116,428 | -4.4 | 106,433 | -8.6 |
| Interior Space Occupied (thousands of square feet .. | 158,997 | 1.8 | 183,046 | 0.2 | 180,132 | -1.6 | 183,538 | 1.9 | 184,371 | 0.5 | 184,788 | 0.2 |

* reflects change over prior year

2/6/80

Financing of Obligations Incurred
(in thousands of dollars)

| | FY 1979 Actual | | | FY 1980 Estimate | | | FY 1981 Estimate | | | | |
|--|----------------|------------|---------------|------------------|------------|---------------|------------------|------------|---------------|----------|--------|
| | Total | Operating | Capital Other | Total | Operating | Capital Other | Total | Operating | Capital Other | | |
| Gross obligations - current year... | 18,030,078 | 17,644,340 | 328,106 | 19,679,775 | 19,053,871 | 559,249 | 66,655 | 22,149,787 | 21,357,085 | 724,593 | 68,109 |
| Prior year adjustments | 1,333 | 828 | 505 | ... | ... | ... | ... | ... | ... | ... | ... |
| Total obligations incurred | 18,039,411 | 17,645,168 | 328,611 | 19,679,775 | 19,053,871 | 559,249 | 66,655 | 22,149,787 | 21,357,085 | 724,593 | 68,109 |
| Sources of financing: | | | | | | | | | | | |
| Revenues, reimbursements and other income | 16,595,903 | 16,292,927 | 302,976 | 17,115,390 | 16,627,167 | 488,023 | 66,655 | 17,724,246 | 17,442,538 | 581,607 | 68,109 |
| Drawdown from U.S. Treasury | 3,783,176 | 3,719,544 | ... | 1,076,910 | 1,910,135 | ... | ... | 1,595,217 | 1,525,108 | ... | ... |
| Prior year items | 1,333 | 828 | 505 | ... | ... | ... | ... | ... | ... | ... | ... |
| Retirement of debt, obligations unfinanced | - 527,000 | - 460,000 | - 67,000 | - 67,000 | ... | - 67,000 | ... | - 232,000 | - 165,000 | - 67,000 | ... |
| Totals | 18,039,411 | 17,645,168 | 328,611 | 19,679,775 | 19,053,871 | 559,249 | 66,655 | 22,149,787 | 21,357,085 | 724,593 | 68,109 |

| Borrowing authority established by P.L. 91-375, June 30, 1971 | Unobligated Balance at Beginning of Year | | Activity During Year Issued, Retired, Borrowing Authority | | Unobligated Balance at End of Year | |
|--|--|-----------|---|--------------------|------------------------------------|----------------|
| | of Year | of Year | Excessing Authority Obligated | Retired (-) Issued | Borrowing Authority | at End of Year |
| Fiscal Year 1972 | 10,000,000 | 264,570 | 264,570 | 250,000 | 12,570 | 9,737,430 |
| Fiscal Year 1973 | 9,737,430 | 718,539 | 718,539 | 500,000 | 718,539 | 9,018,891 |
| Fiscal Year 1974 | 9,018,891 | 683,606 | 683,606 | 1,000,000 | 183,606 | 8,335,285 |
| Fiscal Year 1975 | 8,335,285 | 1,566,876 | 1,566,876 | 1,500,000 | 566,876 | 6,768,399 |
| Fiscal Year 1976 | 5,130,718 | 477,464 | 477,464 | 1,500,000 | 977,464 | 5,808,182 |
| Transition Quarter | 5,808,182 | 321,702 | -1,067,000 | 1,288,702 | 5,486,480 | 5,486,480 |
| Fiscal Year 1977 | 5,486,480 | 527,000 | 527,000 | 183,993 | 5,315,549 | 5,315,549 |
| Fiscal Year 1978 | 4,972,548 | 4,684,451 | 1,837,000 | 2,847,451 | ... | ... |
| Balance at September 30, 1979 | | | | | | |

1/21/80

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS
(\$'000)

| Details of Gross Receipts | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|--|----------------|----------------|------------------|------------------|
| Balance at beginning of year: | | | | |
| Accounts receivable and advances | 159,116 | 123,597 | 203,009 | 152,009 |
| Deferred credits | -417,507 | -552,480 | -590,640 | -688,640 |
| Total beginning balances | -258,391 | -428,883 | -387,631 | -436,631 |
| Current year revenues, operating receipts and appropriations | 16,209,512 | 18,382,302 | 18,792,000 | 19,317,463 |
| Subtotal | 15,951,121 | 17,953,419 | 18,404,369 | 18,880,832 |
| Less: Balances at end of year: | | | | |
| Accounts receivable and advances | -123,597 | -203,009 | -152,009 | -138,509 |
| Deferred credits | 552,481 | 590,640 | 588,640 | 590,640 |
| Total at end of year | 428,884 | 387,631 | 436,631 | 452,131 |
| Gross receipts | 16,380,005 | 18,341,050 | 18,841,000 | 19,332,963 |
| Net Outlay | | | | |
| Gross expenditures | 15,915,336 | 17,465,480 | 19,018,543 | 20,938,634 |
| Gross receipts | 16,380,005 | 18,341,050 | 18,841,000 | 19,332,963 |
| Net outlay (-) from operations .. | 464,669 | 875,570 | -177,543 | -1,605,671 |
| Adjustment to reconcile with Treasury Department | 31,764 | 15,178 | | |
| Net outlay (-) | 496,433 | 890,748 | -177,543 | -1,605,671 |
| Net borrowing, repayment (-) | -67,000 | -527,000 | -67,000 | -232,000 |

1/22/80 DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

IV-8

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS (\$000)

| Details of Gross Expenditures | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|--------------------------------|----------------|----------------|------------------|------------------|
| Balances at beginning of year: | | | | |
| Unpaid, undelivered orders: | | | | |
| Capital | 119,248 | 145,598 | 180,399 | 180,399 |
| Total | 315,115 | 293,246 | 218,833 | 360,962 |
| Current liabilities | 434,363 | 438,844 | 399,232 | 541,361 |
| Mortgages payable | 1,203,895 | 1,418,139 | 1,390,904 | 1,417,025 |
| Other liabilities | 36,784 | 40,732 | 51,237 | 47,237 |
| Deferred costs | 8,095,057 | 9,308,419 | 12,271,044 | 13,174,905 |
| Total beginning balances | 6,550,356 | 7,178,391 | 9,510,743 | 9,917,622 |
| | 3,219,743 | 4,027,743 | 4,601,674 | 5,262,906 |
| Commitments: | | | | |
| Operating | 16,323,448 | 17,644,340 | 19,053,871 | 21,357,085 |
| Capital | 334,110 | 328,106 | 559,249 | 724,593 |
| Other | 65,778 | 66,965 | 66,655 | 68,109 |
| Total commitments | 16,723,336 | 18,039,411 | 19,679,775 | 22,149,787 |
| Subtotal | 19,943,079 | 22,067,154 | 24,281,449 | 27,412,693 |
| Less balances at end of year: | | | | |
| Unpaid, undelivered orders: | | | | |
| Capital | -145,598 | -180,399 | -180,399 | -180,399 |
| Total | -293,246 | -218,833 | -360,962 | -570,115 |
| Current liabilities | -438,844 | -399,232 | -541,361 | -750,514 |
| Mortgages payable | -1,418,139 | -1,390,904 | -1,417,025 | -1,477,113 |
| Other liabilities | -40,732 | -51,237 | -47,237 | -43,237 |
| Deferred costs | -9,308,419 | -12,271,044 | -13,174,905 | -14,516,905 |
| Total ending balances | 7,178,391 | 9,510,743 | 9,917,622 | 10,313,710 |
| | -4,027,743 | -4,601,674 | -5,262,906 | -6,474,059 |
| Gross expenditures | 15,915,336 | 17,465,480 | 19,018,543 | 20,938,634 |

1/22/80

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

IV-9

SELECTED WORKING CAPITAL
(\$000)

| | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|--|-----------------|-----------------|------------------|------------------|
| <u>Accounts Receivable and Advances:</u> | | | | |
| <u>Accounts Receivable:</u> | | | | |
| U. S. Government agencies | 130,241 | 147,505 | 133,505 | 121,505 |
| Foreign countries | 22,569 | 28,916 | 27,916 | 26,916 |
| Other | 9,479 | 74,416 | 38,916 | 38,416 |
| Total | <u>162,289</u> | <u>250,837</u> | <u>200,337</u> | <u>186,837</u> |
| Less: Allowance for doubtful accounts | -11,170 | -12,915 | -12,415 | -11,915 |
| Accounts receivable-net.. | <u>151,119</u> | <u>237,922</u> | <u>187,922</u> | <u>174,922</u> |
| Advances and prepayments | 9,733 | 11,359 | 10,359 | 9,859 |
| Adjustment for reclassifications and unfunded receivables | <u>-37,255</u> | <u>-46,272</u> | <u>-46,272</u> | <u>-46,272</u> |
| Total accounts receivable and advances | <u>123,597</u> | <u>203,009</u> | <u>152,009</u> | <u>138,509</u> |
| <u>Deferred Credits</u> | | | | |
| Estimated prepaid postage in hands of the public | -621,000 | -621,000 | -622,500 | -624,000 |
| Prepaid permit mail | -190,773 | -229,000 | -226,000 | -226,400 |
| Box rentals | -40,707 | -40,640 | -40,140 | -40,240 |
| Total | <u>-852,480</u> | <u>-890,640</u> | <u>-888,640</u> | <u>-890,640</u> |
| Less: Unfunded postage in hands of the public | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |
| Deferred credits | <u>-552,480</u> | <u>-590,640</u> | <u>-588,640</u> | <u>-590,640</u> |

1/22/80

SELECTED WORKING CAPITAL

IV-10

SELECTED WORKING CAPITAL
(\$'000)

| | 1979 <u>Actual</u> | 1979 <u>Actual</u> | 1981 <u>Estimate</u> |
|---|-----------------------|-----------------------|-------------------------|
| <u>Liabilities</u> | | | |
| <u>Current Liabilities:</u> | | | |
| Outstanding money orders..... | 158,817 | 183,040 | 183,040 |
| Accrued payroll | 139,876 | 100,250 | 215,250 |
| Payroll taxes and Civil Service retirement: | | | |
| Retirement funds | 217,034 | 229,541 | 275,655 |
| Federal payroll taxes | 123,508 | 145,787 | 148,700 |
| Social security taxes | 1,527 | 1,450 | 1,600 |
| Life insurance funds | 2,081 | 3,164 | 4,400 |
| Health insurance funds | 15,063 | 16,780 | 18,550 |
| State and city payroll taxes | 60,587 | 55,588 | 57,450 |
| Total | <u>419,800</u> | <u>452,310</u> | <u>506,355</u> |
| Workers' compensation | 142,828 | 157,082 | 230,000 |
| Payable to Gov't agencies: | | | |
| Trust funds | 36,073 | 27,068 | 27,068 |
| Savings bond deductions | 16,086 | 11,773 | 12,773 |
| Interest payable | 82,637 | 81,577 | 38,040 |
| Procurement and misc. accruals | 64,047 | 67,598 | 64,555 |
| Total | <u>198,843</u> | <u>188,016</u> | <u>148,016</u> |
| Other payables and accrued expenses: | | | |
| Carriers of mail | 130,540 | 143,561 | 162,300 |
| Foreign countries | 52,570 | 65,442 | 66,200 |
| Union dues, charitable & financial withholding | 40,929 | 46,904 | 48,700 |
| Misc. undistributed collections | 19,950 | 1,192 | 1,600 |
| Misc. accruals and approved invoices | 282,708 | 306,649 | 166,694 |
| Interest payable - bonds | 2,755 | 2,755 | 2,755 |
| Total | <u>529,452</u> | <u>566,503</u> | <u>448,249</u> |

1/22/80

SELECTED WORKING CAPITAL

IV-11

SELECTED WORKING CAPITAL
(\$'000)

| | 1978 Actual | 1979 Actual | 1980 Estimate | 1981 Estimate |
|---|----------------|----------------|------------------|------------------|
| Total current liabilities excluding notes payable, prepaid permit mail, box rents, and postage in the hands of the public | 1,589,616 | 1,647,201 | 1,673,322 | 1,733,410 |
| Less: | | | | |
| Outstanding money orders and trust funds | -171,478 | -256,297 | -256,297 | -256,297 |
| Current liabilities - working capital | 1,418,138 | 1,390,904 | 1,417,025 | 1,477,113 |
| Other liabilities: | | | | |
| Employees' accumulated leave | 501,887 | 529,606 | 559,606 | 584,606 |
| Workers' compensation | 1,597,000 | 2,190,000 | 2,721,850 | 3,591,850 |
| Other | 303,385 | 300,000 | 300,000 | 300,000 |
| Amounts payable for retirement benefits | 7,075,568 | 9,389,859 | 9,700,870 | 10,116,870 |
| Total | 9,477,840 | 12,408,465 | 13,282,326 | 14,593,326 |
| Less: Unfunded leave | -169,421 | -138,421 | -107,421 | -76,421 |
| Other liabilities - working capital ... | 9,308,419 | 12,271,044 | 13,174,905 | 14,516,905 |

SELECTED WORKING CAPITAL

1/23/80

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