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TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS FOR
FISCAL YEAR 1982

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HEARINGS

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BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

FIRST SESSION

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

EDWARD R. ROYBAL, California, *Chairman*

JOSEPH P. ADDABBO, New York
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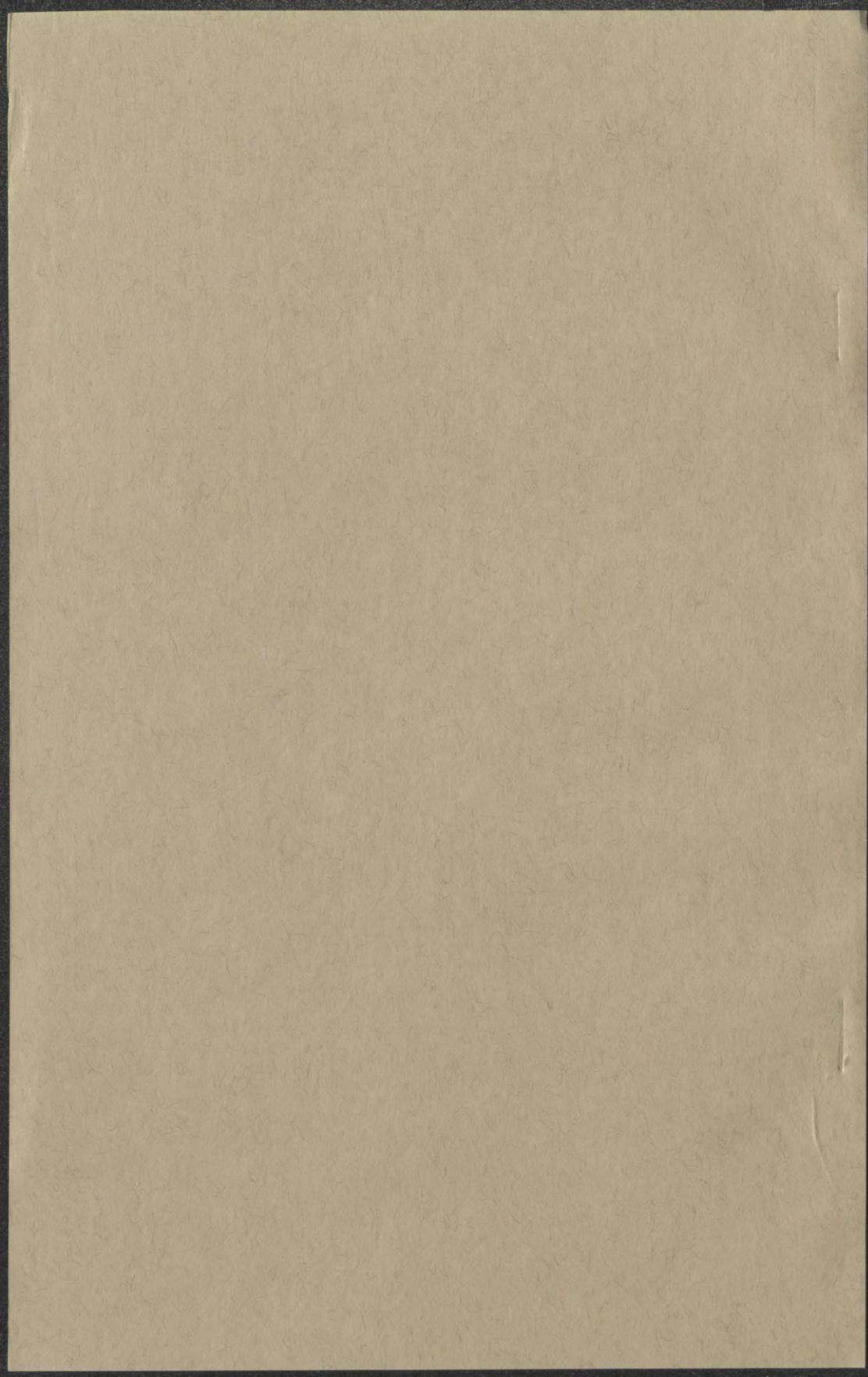
PART 2

UNITED STATES POSTAL SERVICE

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GOVERNMENT APPROPRIATIONS FOR
FISCAL YEAR 1982**

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PART 2
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WASHINGTON : 1981

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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1982

WEDNESDAY, MAY 6, 1981.

U.S. POSTAL SERVICE

WITNESSES

WILLIAM F. BOLGER, POSTMASTER GENERAL
JIM FINCH, SENIOR ASSISTANT POSTMASTER GENERAL, FINANCE

Mr. ROYBAL. The committee will come to order.

The committee is in session this morning to hear from the United States Postal Service with regard to its budgetary request for 1982.

Will you please proceed in any manner in which you desire?

Mr. BOLGER. Thank you.

Mr. Chairman, for fiscal year 1982, the President is requesting a total appropriation to the Postal Service of \$869,240,000. This is a reduction of \$643,911,000 from the Postal Service request of \$1,513,151,000, based on full authorized levels.

PUBLIC SERVICE APPROPRIATION

The appropriation request for this year covers the three categories included in previous years: Public service, revenue forgone, and transitional appropriations.

The President's public service appropriation request is for \$300 million, which is \$344 million below the authorized level.

As part of his economic recovery program, President Reagan is proposing to accelerate the long-scheduled decline in this appropriation. The Postal Service recognizes that strong national action is required to deal with the persistent inflation which is draining our economy and damaging the Postal Service in particular. We are prepared to fulfill our share in the economies to be made as all government programs undergo review.

A cut in this appropriation at the level proposed by the President will challenge the Postal Service to improve its efficiency and productivity. We will not look to changes in 6-day delivery or other major, nationwide services to accomplish this \$344 million reduction.

I would like to insert that we will not have any wholesale closings of small post offices. We will instead redouble our cost control efforts and press ahead with plans for automating mail processing through the ZIP plus 4 program, which will make us more produc-

tive and better able to deal with the proposed elimination of this appropriation several years from now.

This is not to say that this assignment will be easy for the Postal Service to accomplish at this time. While inflation is driving up our costs, we face uncertainties in the months ahead in the areas of both rates and labor negotiations.

In March the Governors of the Postal Service allowed a smaller rate increase than needed to take effect under protest and returned the case to the Postal Rate Commission for reconsideration. If additional relief is not forthcoming in this case, another rate filing is likely later this year.

While these factors place a limit on how much we can accomplish in the short term without placing further pressure on rates, the level of the President's proposed cut is reasonable, and we will do our best to make up for it by doing our job more economically.

We hope the Congress will not enact measures which would restrict our ability to gain these efficiencies.

REVENUE FORGONE APPROPRIATION

For revenue forgone, which funds statutory authorizations for reduced rates of postage, the President is requesting \$500 million. This is a reduction of \$299,911,000 from the currently authorized subsidies.

If the cut is approved in this amount, and in the absence of other allocation instructions, I would regard this cut as covering the phasing portion of the subsidy. As provided under the law in case of a failure of appropriations, the Postal Service would make needed adjustments in the rates for the affected preferred-rate mailers, effective October 1, 1982, by moving from Step 10 on the rate-phasing schedule to Step 16.

We are at Step 9 now. Step 10 takes effect July of this year. This would eliminate the remaining years of rate phasing, which was authorized as a way to spread out postage increases for the mailers who in 1970 had the farthest to go to begin paying the costs associated with their own mail.

By allocating the cut to the entire phasing subsidy request, we would leave intact the continuing subsidy, which covers free mail for the blind and limits the rates for nonprofit mailers and in-county publications to the cost of their particular mailings, without contribution to our overhead.

While the requested cut exceeds the phasing request by about \$45 million, the necessary adjustment in the phasing step could be expected to reduce volume, thereby lowering the amount of revenue forgone to about the level of the balance of the appropriation.

As to the policy decision on whether this subsidy program for mailers should be cut, the Postal Service defers, as it should, to the President and the Congress.

TRANSITIONAL APPROPRIATIONS

The President and the Postal Service are requesting \$69,240,000 for transitional appropriations. As in previous years, this covers two surviving obligations of the former Post Office Department. One part is the next \$31 million installment toward the unfunded

annual leave outstanding on June 30, 1971. The last payment is scheduled for 1984.

The second part is \$38,240,000 to be transferred to the Department of Labor for workers' compensation being paid for injuries which occurred prior to June 30, 1971.

BORROWING RESTRICTIONS

On our borrowing restrictions, as part of a credit control program, the budget transmitted in January proposed restrictions on the Postal Service borrowing authority provided under permanent legislation. One restriction would limit total borrowing in fiscal year 1982 to no more than \$1 billion, with no more than \$500 million for operating purposes.

A second restriction would require any borrowing for operating purposes to be repaid within 12 months.

The Postal Service has not planned to borrow these amounts; we have not borrowed in over four years. It will be five years at the end of this fiscal year. Uncertainties in the current rate situation, however, illustrate the continuing need for the flexibility which our borrowing authority provides.

I believe our record shows that we do not abuse our borrowing authority and that these limitations are not needed.

I will try to answer any questions you may have.

I am accompanied this morning by Mr. Finch, and between the two of us we will try to answer any questions you might have.

COPING WITH REDUCTIONS IN APPROPRIATIONS

Mr. ROYBAL. Shall we go over some of your figures for just a moment?

Mr. BOLGER. Yes, sir.

Mr. ROYBAL. The reduction that you have forthcoming is \$643,911,000. There was also a rescission of \$250 million?

Mr. BOLGER. In fiscal year 1981.

Mr. ROYBAL. But I am trying to determine just how much was cut back just recently, so that makes a grand total of approximately \$894 million; is that correct?

Mr. BOLGER. Right.

Mr. ROYBAL. All right; then can you tell us what the overall financial condition of the Postal Service is at this time and what are the prospects for the future?

Mr. BOLGER. The prospects are bright if we get the revenue we need.

Any cut in moneys we have available that might be necessary for spending, would make it tough to cope with. But as I see this, we have to deal with this situation by further improvements in our productivity.

We have scheduled for fiscal year 1981 and for fiscal year 1982, as part of our plans on the assumption we would get all of the authorized appropriations, productivity increases of at least 3 percent a year. To cope with these reductions, we have to increase that productivity to somewhat close to 5 percent in this fiscal year and at least to 5 percent in fiscal year 1982.

Each 1 percent of productivity increase in the Postal Service has a value of about \$160 million. Currently, this fiscal year where we set the target at 3 percent, we are currently operating at a level of 4.7 percent. We are moving into the lighter periods of the year, and that will reduce down to 4.3 percent in the overall.

We will be able to deal with most of the \$250 million rescission if the rescission takes place. In fiscal year 1982, I have worked our budget over and I have talked to our regional people. They understand what we have to do, and I am upping the ante, if you will, from a 3 percent increase in productivity to a 5 percent increase in productivity.

IMPROVEMENTS IN EFFICIENCY AND PRODUCTIVITY

Mr. ROYBAL. Now you stated that the President's proposed cut is reasonable, and you go on to say that it will be a challenge for the Postal Service to improve its efficiency and productivity.

What is it that you have in mind that will improve efficiency and productivity?

Mr. BOLGER. Using more mechanization, having pre-sort incentives for people that use our services, encouraging them to do it, having an increased growth in volume because our pricing is right and our service is good.

We had a point in our history since 1971, when everyone was predicting that we had reached a peak in our volume of 89 billion pieces; we kept increasing our prices and our service was not improving. Recently, we have been able through price stabilization programs and pre-sort programs to make our volume grow without letting our expenses grow.

This is the type of road we are traveling, and we can continue to travel it and continue to improve.

I have not seen all the efficiency gains in the Postal Service that I think are possible.

Mr. ROYBAL. Can all of this be done within the projected income?

NEED FOR ADDITIONAL REVENUE

Mr. BOLGER. It can be done within the projected income for the two years we are talking about if the Rate Commission comes back and gives us the rate increase we need. If it does not, then this year somewhere along the line, we will have to introduce another rate increase proposal.

Mr. ROYBAL. This is dependent upon whether or not the rate increase is approved?

Mr. BOLGER. There is some tie but not a direct tie because the revenue shortfall in the rate case is not \$344 million. It is \$1 billion. It is a part of it and it makes our job that much more difficult, but even if you gave us this \$344 million and the Rate Commission didn't act responsibly on our request for reconsideration, we would still have to file a rate case this year. The shortfall is \$1 billion.

SAVINGS FROM ZIP+4 PROGRAM

Mr. ROYBAL. All right. Now, what expected savings do you think would result from the implementation of the nine-digit zip code?

Mr. BOLGER. We have an anticipated savings, after full implementation, of approximately \$600 million a year.

Getting a start on it, I think we have the potential in 1982, depending upon going on schedule, we probably could get \$100 million out of it in fiscal year 1982. Our planning for fiscal year 1982, we didn't plan that much coming out of automation.

Our planning is still geared to mechanization and pre-sort programs, but if we had the ability to go forward with this and take some steps, perhaps accelerating contracts through the practice of getting our equipment sooner, giving an incentive to our contractors to get our equipment sooner, we could have that potential to get some savings out of automation.

Mr. ROYBAL. Will you please provide for the record a detailed cost analysis of the proposal?

Mr. BOLGER. OK.

[The information follows:]

ADDENDUM TO
THE PROPOSAL TO BOARD OF GOVERNORS

AUTOMATED SYSTEM FOR
EXPANDED ZIP CODE PROGRAM

I. INTRODUCTION

During the Board of Governors' meeting of November 6, 1980, it was requested that a thorough cash flow analysis of the Automated Mail Processing System be presented at the December meeting. Included herein are program costs for capital and expense items, and an explanation of each chart provided. Cost factors have been depicted for each equipment type and by the year in which the expenditure is incurred. Inflation factors have been applied to future labor costs and to equipment investment costs.

The verbal presentation will contain a detailed explanation of the manner in which labor savings were calculated.

Also included in this addendum is a financial analysis of only the Phase I portion of the total program. This information is contained in Section III and includes charts 6, 7, 8 and 9.

CAPITAL INVESTMENTS

The Schedule of Capital Investments, Chart 1, shows the capital requirements for each item of automation. This chart also reflects the deployment schedule for this equipment. For example, during 1983, 120 OCR's are scheduled to be deployed, and the required capital funding for this equipment will be \$78 million.

Since a two phased procurement is planned, unit costs for mechanization to be deployed during 1984-1986 have been increased to account for inflation. Therefore, based upon the total equipment requirements for the period 1981-1986, the capital investment is projected to be \$761.9 million.

PROGRAM EXPENSES

The Schedule of Program Expenses, Chart 2, outlines the expense funding required through the period 1981-1986. This funding is necessary to support the equipment which was purchased with capital funds. Specifically, site and depot spares or initial spare parts are required to support the equipment initially installed in postal facilities.

Also required are operating and maintenance manuals and the basic drawing configurations for each item of automation. These expenditures are necessary in order to provide recurring maintenance support for the equipment. In addition, expense funding will be needed for equipment installation, site preparation at mail processing facilities, and minor equipment modifications.

The total expense funding is projected to be \$124.9 million. When this expense cost is combined with the capital funding outlined in the previous chart, the total program is projected to cost \$886.8 million.

SCHEDULE OF PROGRAM EXPENSES - (HARDWARE RELATED) X (\$'000)

	YEAR 0 1981	1 1982	2 1983	3 1984	4 1985	5 1986	TOTAL
SITE & DEPOT SPARES	1,300	12,910	12,642	16,876	18,636	13,827	76,191
O & M MANUALS	1,600	738	-	-	-	-	2,338
DRAWING CONFIGURATION	750	462	-	-	-	-	1,212
EQUIPMENT MODS (SAFETY)	105	885	900	-	-	-	1,890
EQUIPMENT INSTALLATION	650	6,455	6,754	8,925	9,540	6,914	39,238
SITE PREPARATION	72	732	768	672	912	846	4,002
TOTAL COSTS	<u>4,477</u>	<u>22,182</u>	<u>21,064</u>	<u>26,473</u>	<u>29,088</u>	<u>21,587</u>	<u>124,871</u>
GRAND TOTAL-PROGRAM COSTS (SUMMARY - CHARTS 1 AND 2)	<u>17,477</u>	<u>151,282</u>	<u>147,484</u>	<u>195,231</u>	<u>215,450</u>	<u>159,860</u>	<u>886,784</u>

Chart 2

PROGRAM COSTS BY EQUIPMENT TYPE

Chart 3, Program Costs by Equipment Type, displays the same information provided in Charts 1 and 2. However, this chart outlines the capital and expense funding required for each item of equipment during the years 1981-1986. For example, during 1982, the Small BCR's will cost \$41.182 million. \$35.4 million will be required for the basic hardware, \$3.54 million for site and depot spare parts, \$1.77 million for installation, and \$472 thousand for site preparation. The total program is again projected to cost \$886.8 million.

SCHEDULE OF PROGRAM COSTS BY EQUIPMENT TYPE

		TOTAL SYSTEM						
AL		(X(\$000)						
UNITS		YEAR 0	1	2	3	4	5	TOTAL
		1981	1982	1983	1984	1985	1986	
561	<u>OPTICAL CHARACTER READER</u>							
	CAPITAL	9,100	76,700	78,000	103,800	103,800	59,685	431,085
	SITE & DEPOT SPARES	910	7,670	7,800	10,380	10,380	5,968	43,108
	O&M MANUALS	800	-	-	-	-	-	800
	DRAWING CONFIGURATION	500	-	-	-	-	-	500
	EQUIPMENT MODS (SAFETY)	105	885	900	-	-	-	1,890
	EQUIPMENT INSTALLATION	455	3,835	3,900	5,190	5,190	2,984	21,554
	SITE PREPARATION	24	236	240	240	240	138	1,118
	TOTAL	11,894	89,326	90,840	119,610	119,610	68,775	500,055
382	<u>SMALL BAR CODE READER</u>							
	CAPITAL	3,900	35,400	18,000	-	-	-	57,300
	SITE & DEPOT SPARES	390	3,540	1,800	-	-	-	5,730
	O&M MANUALS	185	-	-	-	-	-	185
	DRAWING CONFIGURATION	58	-	-	-	-	-	58
	EQUIPMENT INSTALLATION	195	1,770	900	-	-	-	2,865
	SITE PREPARATION	48	472	240	-	-	-	760
	TOTAL	4,776	41,182	20,940	-	-	-	66,898
561	<u>LARGE BAR CODE READER</u>							
	CAPITAL	-	17,000	24,600	59,138	80,185	78,588	259,511
	SITE & DEPOT SPARES	-	1,700	2,460	5,914	8,018	7,859	25,951
	O&M MANUALS	615	738	-	-	-	-	1,353
	DRAWING CONFIGURATION	192	462	-	-	-	-	654
	EQUIPMENT INSTALLATION	-	850	1,230	2,957	4,009	3,930	12,976
	SITE PREPARATION	-	24	288	452	672	708	2,124
	TOTAL	807	20,774	28,578	68,441	92,884	91,085	302,569
289	<u>EXPANDED ZIP RETROFIT*</u>							
	CAPITAL	-	-	5,820	5,820	2,377	-	14,017
	SITE & DEPOT SPARES	-	-	582	582	238	-	1,402
	INSTALLATION	-	-	724	778	341	-	1,843
	TOTAL	-	-	7,126	7,180	2,956	-	17,262
	GRAND TOTAL	17,477	151,282	147,484	195,231	215,450	159,860	886,784

* THE BOARD OF GOVERNORS PREVIOUSLY APPROVED 150 EXPANDED ZIP RETROFIT KITS ON MARCH 4, 1980.

PRESENT SYSTEM

System costs to support the MPLSM's and OCR-I's which are presently deployed throughout the 211 OCR sites are provided in Chart 4. These costs represent the baseline to which the proposed automated system will be compared. Provided in this Chart are costs to support the existing equipment during the period 1981 through 1996. These costs have been increased to account for inflation and reflect costs for maintenance labor, training, and recurring spare parts. It should be noted that no capital investment will be required since the mechanization is already in operation.

PRESENT SYSTEM - BASELINE
X (\$000)

	YEAR 0 1981	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1989	9 1990	10 1991	11 1992	12 1993	13 1994	14 1995	15 1996	TOTAL
EQUIPMENT INVESTMENT																	
MAINTENANCE LABOR	(52,250)	(55,909)	(59,966)	(64,412)	(69,192)	(74,329)	(79,841)	(85,764)	(92,129)	(98,964)	(106,306)	(114,195)	(122,669)	(131,771)	(141,548)	(152,050)	(1,591,295)
MAINTENANCE TRAINING	(4,017)	(4,131)	(4,116)	(4,421)	(4,749)	(5,103)	(5,479)	(5,887)	(6,325)	(6,794)	(7,297)	(7,839)	(8,421)	(9,044)	(9,716)	(10,437)	(103,776)
MAINTENANCE PARTS	(2,790)	(3,320)	(3,619)	(3,981)	(4,379)	(4,817)	(5,259)	(5,828)	(6,411)	(7,052)	(7,758)	(8,533)	(9,387)	(10,325)	(11,358)	(12,494)	(107,111)
TOTAL COST	(59,057)	(63,360)	(67,701)	(72,814)	(78,320)	(84,049)	(90,579)	(97,479)	(104,865)	(112,810)	(121,361)	(130,567)	(140,477)	(151,140)	(162,622)	(174,981)	(1,712,182)

() = COST OUTFLOW

NOTE: The above maintenance costs represent the cost of supporting the present equipment at the 211 sites which would receive OCK's

CASH FLOW - PROPOSED SYSTEM

The cash flow provided in the proposed system, Chart 5, depicts data from the four previous charts along with savings from mail processing operations. The complete program investment and savings are shown for the period 1981 - 1996. As was noted earlier, the deployment of equipment will occur during 1981 - 1986. During this period, the program investments will be made. Also during this early period, increased maintenance support costs will be incurred. For example, the initial maintenance training will be relatively high. On the other hand, savings will increase in the mail processing operations. First, the outgoing savings will increase. Then, as more automation is installed and the ZIP Code usage increases, the managed mail and incoming operations will yield savings.

After the automation is installed and initial deployment costs concluded, then the system was operated for a 10-year period (1987 - 1996). During this period, full system savings were taken. For example, during the first year of complete implementation (1987), the mail processing savings were \$597 million. Costs in this Chart have also been increased to account for inflation.

Therefore, based upon the above costs and savings, the Return On Investment is projected to be over 48 percent; that is, over the period 1981-1996, the investment will yield 48 percent.

PROPOSED SYSTEM - ALTERNATIVE A
X (\$1000)

	YEAR 0 1981	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1989	9 1990	10 1991	11 1992	12 1993	13 1994	14 1995	15 1996	TOTAL
HOUSING INVESTMENT	(13,000)	(129,100)	(126,420)	(168,750)	(186,382)	(138,273 )	..	..	..	..	..	..	..	..	..	..	( 761,913)
PROGRAM EXPENSE COSTS	(4,477)	(22,142)	(21,064)	(26,472)	(29,088)	(21,587 )	..	..	..	..	..	..	..	..	..	..	( 124,870)
MAINTENANCE LABOR	(52,385)	(61,011)	(71,649)	(77,886)	(85,116)	(94,192)	(91,656)	(98,538)	(105,941)	(113,900)	(122,459)	(131,666)	(141,345)	(152,215)	(163,670)	(175,988)	(1,739,937)
MAINTENANCE TRAINING	(5,737)	(10,169)	(9,401)	(10,037)	(9,689)	(6,269)	(4,442)	(4,767)	(5,216)	(5,491)	(5,894)	(6,326)	(6,790)	(7,289)	(7,824)	(8,389)	(113,740)
MAINTENANCE PARTS	(2,790)	(3,576)	(6,882)	(10,349)	(14,302)	(18,561)	(20,235)	(22,458)	(24,484)	(26,932)	(29,625)	(32,488)	(35,847)	(39,431)	(43,334)	(47,712)	(379,096)
SUB-TOTAL OF COSTS	(78,389)	(226,038)	(235,316)	(293,602)	(324,557)	(278,882)	(116,333)	(125,363)	(135,643)	(146,323)	(157,978)	(170,580)	(184,202)	(198,935)	(214,828)	(232,099)	(3,119,466)
OUTSTANDING CLERK SAVINGS	..	2,007	24,790	52,069	82,047	117,511	..	..	..	..	..	..	..	..	..	..	278,424
SYSTEM CLERK SAVINGS (INTERIM)	..	..	20,479	69,619	137,465	295,987	..	..	..	..	..	..	..	..	..	..	543,550
SYSTEM CLERK SAVINGS (TOTAL)	..	..	20,479	69,619	137,465	295,987	..	..	..	..	..	..	..	..	..	..	841,974
SUB-TOTAL OF SAVINGS	..	2,007	45,269	121,688	239,512	413,498	597,283	641,482	688,952	739,934	794,689	853,496	916,635	984,487	1,057,339	1,135,582	9,231,873
TOTAL ALTERNATIVE A	(78,389)	(224,031)	(190,047)	(171,914)	(85,045)	134,616	480,950	515,919	553,311	593,611	636,711	682,916	732,453	785,552	842,511	903,483	6,112,407
LESS BASELINE COSTS	59,057	63,360	67,701	72,814	78,320	84,049	90,579	97,479	104,665	112,810	121,361	130,567	140,477	151,140	162,622	174,981	1,713,182
NET CASH FLOW	(19,332)	(160,671)	(122,346)	(99,100)	(6,725)	218,665	571,529	613,398	658,176	706,421	758,072	813,483	872,930	936,692	1,005,133	1,078,464	7,824,509

NOTE: () = CASH OUTFLOW

ROI 48.5 PERCENT

CHART 5

11

III. PHASE I SYSTEM

The following financial analysis is based upon the assumption that equipment deployment was terminated following the Phase I procurement. The deployment period will be from 1981 to 1983. After the automation is deployed, then it will be operated during the next 10 years (1984 - 1993).

Charts similar to the total system data are provided. First, Chart 6 (Schedule of Capital Investments) outlines the capital funding for the basic hardware, along with equipment deployment schedules. Next, Chart 7 (Schedule of Program Expenses) depicts the expense funding required to support the equipment deployed. Chart 8 (Program Costs by Equipment Type) provides the total funding for each item of automation during the three years of deployment.

Finally, Chart 9 (Phase I - Cash Flow) is provided. This Chart outlines total automation investment, along with maintenance support costs and mail processing savings. Based upon these life-cycle costs and related savings, the Return On Investment for only the Phase I System is 32 percent.

PHASE I

SCHEDULE OF PROGRAM EXPENSES - (HARDWARE RELATED) X (\$000)

	YEAR 0 1981	1 1982	2 1983	TOTAL
SITE & DEPOT SPARES	1,300	12,910	12,642	26,852
O & M MANUALS	1,600	738	-	2,338
DRAWING CONFIGURATION	750	462	-	1,212
EQUIPMENT MDDS (SAFETY)	105	885	900	1,890
EQUIPMENT INSTALLATION	650	6,455	6,754	13,859
SITE PREPARATION	<u>72</u>	<u>732</u>	<u>768</u>	<u>1,572</u>
TOTAL COSTS	<u>4,477</u>	<u>22,182</u>	<u>21,064</u>	<u>47,723</u>
GRAND TOTAL-PROGRAM COSTS (SUMMARY - CHARTS 6 & 7)	<u><u>17,477</u></u>	<u><u>151,282</u></u>	<u><u>147,484</u></u>	<u><u>316,243</u></u>

PHASE I
SCHEDULE OF PROGRAM COSTS BY EQUIPMENT TYPE

TOTAL UNITS		X(\$000) YEAR 0 1981	1 1982	2 1983	TOTAL
252	<u>OPTICAL CHARACTER READER</u>				
	CAPITAL	9,100	76,700	78,000	163,800
	SITE & DEPOT SPARES	910	7,670	7,800	16,380
	O&M MANUALS	800	-	-	800
	DRAWING CONFIGURATION	500	-	-	500
	EQUIPMENT MODS (SAFETY)	105	885	900	1,890
	EQUIPMENT INSTALLATION	455	3,835	3,900	8,190
	SITE PREPARATION	24	236	240	500
	TOTAL	11,894	89,326	90,840	192,060
382	<u>SMALL BAR CODE READER</u>				
	CAPITAL	3,900	35,400	18,000	57,300
	SITE & DEPOT SPARES	390	3,540	1,800	5,730
	O&M MANUALS	185	-	-	185
	DRAWING CONFIGURATION	58	-	-	58
	EQUIPMENT INSTALLATION	195	1,770	900	2,865
	SITE PREPARATION	48	472	240	760
	TOTAL	4,776	41,182	20,940	66,898
78	<u>LARGE BAR CODE READER</u>				
	CAPITAL	-	17,000	24,600	41,600
	SITE & DEPOT SPARES	-	1,700	2,460	4,160
	O&M MANUALS	615	738	-	1,353
	DRAWING CONFIGURATION	192	462	-	654
	EQUIPMENT INSTALLATION	-	850	1,230	1,300
	SITE PREPARATION	-	24	288	2,080
	TOTAL	807	20,774	28,578	50,159
120	<u>EXPANDED ZIP RETROFIT</u>				
	CAPITAL	-	-	5,820	5,820
	SITE & DEPOT SPARES	-	-	582	582
	INSTALLATION	-	-	724	724
	TOTAL	-	-	7,126	7,126
	GRAND TOTAL	17,477	151,282	147,484	316,243

PHASE I - CASH FLOW
 X (\$000)

	YEAR 0 1981	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1989	9 1990	10 1991	11 1992	12 1993	TOTAL
LIQUIDARE INVESTMENT	(13,000)	(129,100)	(126,420)											(268,520)
PROGRAM EXPENSE COSTS	(4,477)	(22,182)	(21,064)											(47,723)
MAINTENANCE LABOR	(52,385)	(61,011)	(71,649)	(76,965)	(82,676)	(88,811)	(95,401)	(102,479)	(110,083)	(118,251)	(127,026)	(136,451)	(146,576)	(1,269,764)
MAINTENANCE TRAINING	(5,737)	(10,169)	(9,401)	(5,843)	(6,277)	(6,742)	(7,243)	(7,780)	(8,357)	(8,977)	(9,643)	(10,359)	(11,128)	(107,656)
MAINTENANCE PARTS	(2,790)	(3,576)	(6,983)	(7,680)	(8,448)	(9,293)	(10,222)	(11,245)	(12,369)	(13,606)	(14,967)	(16,463)	(18,109)	(135,750)
SUB TOTAL OF COSTS	(78,389)	(226,038)	(235,516)	(90,488)	(97,403)	(104,846)	(112,866)	(121,504)	(130,809)	(140,834)	(151,636)	(163,273)	(175,813)	1,829,413
OUTSIDING CLERK SAVINGS	-	2,007	24,790	52,069	55,933	60,083	64,541	69,330	74,474	80,000	85,956	92,312	99,162	760,637
SYSTEM CLERK SAVINGS (INTERIM)	-	-	20,479	69,619	74,785	80,334	86,295	92,698	99,575	106,964	114,901	123,427	132,585	1,001,662
SYSTEM CLERK SAVING (TOTAL)	-	2,007	45,269	121,688	130,718	140,417	150,836	162,028	174,049	186,964	200,837	215,739	231,747	1,762,299
TOTAL ALTERNATIVE A (PHASE I)	(78,389)	(224,031)	(190,247)	31,200	33,317	35,571	37,970	40,524	43,240	46,130	49,201	52,466	55,934	(67,114)
LESS BASELINE COSTS	59,057	63,360	67,701	72,814	78,320	84,049	90,579	97,479	104,865	112,810	121,561	130,567	140,477	1,223,139
NET CASH FLOW	(19,332)	(160,671)	(122,546)	104,014	111,637	119,620	128,549	138,003	148,105	158,940	170,562	183,033	196,411	1,156,325

ROI 32.0 PERCENT

SMALL POST OFFICE CLOSING

Mr. ROYBAL. You also made reference to the fact that there will be no wholesale closing of small post offices.

Mr. BOLGER. Right.

Mr. ROYBAL. What are the possibilities of opening a small post office here and there, wherever it is needed?

Mr. BOLGER. We do open up stations and branches. We have no reluctance to open up a separate post office, but generally the administrative costs still provide the same level of service and cut down the cost by having a station or branch to some nearby post office.

The important thing there is to provide the public with the postal facilities they need, and we do establish and we do an awful lot under what we call a community post office or contract arrangement.

IMPACT OF REDUCTION IN REVENUE FORGONE APPROPRIATION

Mr. ROYBAL. Now, to go into the various rates, I would like to know what the impact of the President's budget will have on all classes of mail. For example, how much will the cost of mailing third class nonprofit increase per item?

Mr. BOLGER. Jim Finch can give you a rundown of the current rates and what would happen if the full \$300 million reduction in public service appropriations, revenue forgone appropriations takes place.

Jim?

Mr. FINCH. Yes, Mr. Chairman.

The request at the full authorized level of the phasing appropriation for fiscal year 1982 is \$255 million. The phasing portion broken down by the preferred class recipients is \$14 million that goes to the benefit of the in-county, second class mailers—publications mailed for delivery within the county of their publication; and \$59 million that goes to the nonprofit second class.

About a million of the \$255 million goes for classroom publications, and \$21 million of the total goes for regular rate publications that deliver less than 5,000 copies outside the county.

Third-class nonprofit is the recipient of \$139 million, the lion's share of the \$255 million. The library rate category would receive \$20 million of the \$255 million.

I have with me, if you would like for the record, a chart which has some illustrative rate examples on it that show in the first column the rate being paid today. An in-county, rural newspaper that weighs 4 ounces, 50 percent advertising content and pre-sorted 5 digits on a per piece basis, they are paying 2.8 cents per piece.

With the administration's proposal to eliminate the total phasing amount, that rate on October 1 would move to 5.2 cents per piece. That would still leave the taxpayer paying the difference between 5.2 and 9.5. The difference between the second column and the fourth column is the continuing appropriation.

The nonprofit circular is the third in that list, three-quarters of an ounce, nationwide distribution, pre-sorted to five digits. Step 10 on July 6, that piece will cost a nonprofit organization 3.6 cents to mail. On October 1, should the \$300 million appropriation be eliminated, that 3.6 would increase to 5 cents apiece, and the full rate is still out there at 8.8 cents with the difference still paid by the taxpayer.

[The information follows:]

COMPARATIVE POSTAL RATES FOR
ILLUSTRATIVE MAILINGS

Current Rates, Rates Without Phasing Appropriations, and
Rates Without Any Revenue Forgone Appropriations

	Average Postage Per Piece				
	(1) Prior To Oct. 1, 1981 (Step 10) Postage Rate	(2) Eliminate Phasing Appropriations Postage Increase Rate Over (1)	(3) Eliminate All Revenue Forgone Appropriations Postage Increase Rate Over (1)		
<u>Second Class Publications</u>					
<u>In County</u>					
Rural Newspaper Frequency: weekly Weight: 4 ounces Advertising: 50% All Delivered In County Presorted to 5 Digits	2.8	5.2	86%	9.5	239%
<u>Nonprofit</u>					
Veteran's Magazine Frequency: monthly Weight: 4 ounces Advertising: 20% New York to Chicago Presorted to 5 Digits	5.3	9.1	72%	9.6	81%
<u>Third-Class Nonprofit</u>					
Fund-Raising Letter Weight: 3/4 ounce Nationwide Distribution Presorted to 5 Digits	3.6	5.0	39%	8.8	144%
<u>Fourth Class Library Rate</u>					
BOOK Between Libraries Weight: 2 pounds New York to Chicago	\$0.34	\$0.67	97%	\$0.86	153%
<u>Free For The Blind</u>					
<u>First Class</u>					
Cassette Tape Weight: 4 ounces Nationwide	-0-	-0-		\$0.69	
<u>Fourth Class</u>					
PARCEL POST Tape Player Weight: 15 pounds New York to Chicago	-0-	-0-		\$4.25	

Mr. ROYBAL. Now, in the third-class nonprofit mail, it is 3.6 cents.

Mr. FINCH. There is a phasing step moving from 9 to 10 that will become effective on July 6 of this year. Right now it is probably 3.4, I think.

Mr. ROYBAL. July 6 it would be 3.6?

Mr. FINCH. Yes.

Mr. ROYBAL. It is scheduled to go to what?

Mr. FINCH. It will stay at that until the following year until the phasing subsidy is eliminated. If the \$300 million is reduced from the revenue forgone, then on October 1 the beginning day of fiscal 1982, it would go from 3.6 to 5.0.

Mr. ROYBAL. October of 1982?

Mr. FINCH. October 1 of this year, beginning of fiscal year 1982.

Mr. ROYBAL. October 1 of 1981?

Mr. FINCH. Yes, sir.

SERVICE CUTS

Mr. ROYBAL. This is a general question with regard to the impact that the President's cuts will have on service. I think you have already stated it is going to be pretty difficult to operate within those cuts but, nevertheless, you felt that it can be done. What about service as a whole; is it going to decrease in any way?

Mr. BOLGER. I don't see service decreasing with these cuts, and in fact whether we got these cuts or not, we are trying to improve service and we would continue to do so.

We have service standards for mail that have been in effect since 1973, and those service standards will not be changed because of these cuts in appropriations.

Mr. ROYBAL. Which also means then as you have stated there will be no elimination of post offices?

Mr. BOLGER. We occasionally discontinue a post office. On a wholesale basis, no planned program to go out and eliminate a—

Mr. ROYBAL. There is no plan at the moment to eliminate Saturday delivery?

Mr. BOLGER. It would be counterproductive. We are still in a growing volume situation, and we will continue to grow. We have enough problem of delivering our mail within five days, and I think—I mean six days—and we would have a real problem if we tried it in five.

Mr. ROYBAL. Are there any other reductions in service that might be of a major nature that you are considering at all?

Mr. BOLGER. I don't see any. From time to time I get complaints and we check them out. Somebody is changing our schedules, reducing them. My attitude is to give the people of this country the service they want and need, and we try to do that community by community.

We have no programs that are connected with any service cuts.

Mr. ROYBAL. Would there be any adverse effect from the cut-backs?

Mr. BOLGER. I think my managers are going to get grayer hair faster.

ENERGY SAVINGS

Mr. ROYBAL. Mr. Miller?

Mr. MILLER. Thank you, Mr. Chairman.

Mr. Bolger, last year we talked about the possibility of saving additional energy. I am wondering if you have a report for us as to where we stand now. Can you give a rundown of how much energy is consumed by the Postal Service and what plans you have for conservation. You conveyed a message to us last year about what you were planning to do and were doing to hold down the consumption of energy. If we could get an update on that, I would appreciate it.

Mr. BOLGER. We can do it for the record.

[The information follows:]

U. S. POSTAL SERVICE
Energy Conservation Program

The Postal Service has already achieved two of three major energy reduction goals the Department of Energy set for all federal agencies to meet by 1985, but the Postal Service has plans to do even better to offset rising costs.

The total cost of energy to heat and light buildings and for the postal fleet rose more than \$26 million last year, up from just under \$217 million in fiscal 1979 to \$243 million in fiscal 1980.

The Department of Energy has established a goal for all federal agencies to achieve a 20 percent reduction in energy use for existing buildings for 1985 compared to 1975, and the Postal Service has already cut energy use for existing buildings by more than 21 percent.

We achieved our goal five years ahead of schedule in that category, and we've substantially exceeded our second goal of cutting use of heating oil. The goal for all federal agencies is a 30 percent reduction from 1975 to 1985 and the Postal Service has already reduced its use by 48 percent.

To meet or exceed a third goal set by DOE, reducing by 45 percent the energy use in new buildings compared to those built in 1975, the Postal Service will use a variety of different construction materials and techniques, including passive solar features, monitoring systems for controlling lights, heat and ventilating systems, and using bulbs that require less electricity.

For example, the Postal Service is expected to begin construction later this year of its first large mail processing facility to incorporate the most advanced design and material techniques.

The general mail facility at Santa Ana, California, will be as much as 45 percent more energy efficient than a building of similar size constructed in 1975. It will contain a passive solar system that uses natural lighting through skylights or other glassed areas, and an evaporative cooling system. A passive system collects and distributes solar energy by natural radiation, convection or conduction to either harness or exclude heat from the sun.

Later this year a new post office containing a passive solar system will be completed at Parker, Colorado. The system will use water receptors in a two-story section of the building, instead of a radiant wall, to collect energy from the sun. Similar projects for Davis, California, and Islip, New York, are in the planning stages. Yearly savings will amount to an equivalent of 2,100 gallons of fuel oil for heating purposes at Parker.

The Postal Service began using solar energy when the Ridley Park, Pennsylvania, post office was completed early in 1977. Similar projects at Boulder, Colorado, and Houston, Texas, were completed in 1978. All three use active solar systems for both heating and cooling.

Active solar systems to heat water, but not building interiors, were installed in older post offices last year in El Paso, Texas, and San Bruno, California. Plans for 1981 include installation of similar systems at Simi Valley, California; Tyler, Texas; Virginia Beach, Virginia; and Las Vegas, Nevada. An active system distributes water heated in solar panels through pumps and heat exchangers, either to heat the building or heat the water used in washrooms.

At Aspen, Colorado, both solar principles were combined. The building completed late last year has an active system to heat the interior, and also to heat washroom water. A passive system either radiates heat or blocks it from the interior of the building.

In spite of these achievements, the Postal Service plans to cut energy consumption another 5 percent in 1981. The Postal Service cut total energy consumption by 6 percent in 1980 compared to 1979, exceeding the 5 percent reduction in energy use the Postmaster General had established.

In 1980, the Postal Service used less electricity, natural gas, cut the amount of gasoline and diesel fuel used for its own fleet by more than 2½ million gallons, and cut the amount of fuel used by companies that contract to haul mail by 4½ percent.

To continue to meet its goals, several thousand more carrier routes will be demotorized during this year. Since the Service began putting carriers back on foot in 1978, more than 9,000 routes have been demotorized. In addition, the Postal Service plans to increase driver training, use more fuel efficient vehicles--including electrics--to further reduce the energy needs of the Postal Service.

Mr. BOLGER. A quick figure shows that since we started this in 1973, our total energy consumption is down 13 percent despite growth in square footage, and we are trying to find ways to reduce it further.

It is not only the energy but the cost too. I have often said here that when our gasoline goes up a penny it costs about \$3 million.

Up 10 cents is \$30 million additional dollars a year, so we are conscious of energy. We need to conserve it for several reasons, the Nation's energy saving goals as well as the cost factor.

Mr. MILLER. How about the buildings? Are you using some of the plans that we hear about as far as the recent technology concerning solar energy?

Mr. BOLGER. Yes.

Mr. MILLER. Is this taken into consideration when you construct a building?

Mr. BOLGER. We look at all the factors that we can, insulation for one. We are insulating our buildings better. We have run into some formaldehyde foam problems, unfortunately, and I never know when they are going to settle all these issues.

Every time we get a new product to use, three months later somebody says it might be cancer-causing.

We make limited use of solar energy. We have some facilities where it is an auxiliary type of service, some regular heating and cooling systems, and some for heating hot water. We have them in Pennsylvania, Colorado and Texas, and we are going to have more of these.

We are trying to find ways to save, even in offices, and on work room floors where computers have to be properly heated and cooled. In some of our offices we found that we can go back to very simple devices, windows that open and let air in.

Mr. MILLER. Sometimes it seems too easy to accept something that helps solve a problem very simply.

Mr. BOLGER. Our younger engineers have a great deal of difficulty with that one.

VEHICLE FLEET

Mr. MILLER. You have many vehicles either purchased or under lease. Maybe you could give us a little rundown on that, and whether they are all American made.

Mr. BOLGER. We own approximately 125,000 vehicles and lease another 70,000 in one form or another. We have 195,000 vehicles in any given year that we use. For the most part, they are American made.

The ones we buy are all American made with one exception. We had to in the early days get electric vehicles; we had to get British vehicles. They were all that was available at that time. We are procuring 750 electric vehicles right now but they are all American made. We buy American.

You have to watch it every once in a while; you buy these vehicles from American manufacturers and American dealers, and you look and there is a little plate that says: Made in Canada.

Our objective is to contract to buy American made equipment.

Mr. MILLER. Electric vehicles; is this a good thing? Are they efficient? Are we going to look to the Postal Service to use a lot of electric vehicles?

Mr. BOLGER. You have to look at the total energy problem. You have to look at the source of energy in your area that is charging them. If you are burning off petroleum to generate the electricity and if it is more energy consuming, it is really not very smart.

We have about 380 of those vehicles that are in operation every day working to deliver mail with our employees, and we have had very satisfactory experiences, not really cost-effective, but the maintenance proves to be pretty cost-effective. The vehicles and the energy they are consuming compared to gasoline consumption is in good shape.

For our gas combustible engines, the vehicles have about an 8 year life cycle. We are looking at 10 to 12 or even 14 years in these electric cars. Maintenance costs, except for batteries and tires and usual things, are in pretty good shape, and that is where we are getting our payback.

We need to experiment some more on this and that is what we are doing now. I have come to the conclusion that the way the electric vehicles are constructed today and the power that is available through those batteries, we have to settle for something that will operate five and a half to six hours a day.

They are more efficient and their use will probably be restricted for many years to come in what we call the Sun Belt areas. We have tried them in other areas. We have some in Northern Virginia and a couple in New England where we had a lot of heavy snow and very cold mornings. The cold drains the juice out of those batteries, and we have had some pretty bad experiences along that line.

In the Sun Belt, as the years go on, we are going to see an ability to use electric vehicles versus gas combustible with greater efficiency and a favorable return on investment.

We will be using gasoline combustible engines, in most of our vehicles, for some time to come. For the first time we are procuring 4,000 diesels. We have not tried them on any extensive basis, but we think they will be cost effective.

Some of our rural carriers we contract with have used diesels to advantage and are cost-effective from their standpoint, so we are going to try them too.

OIL WELLS ON POSTAL PROPERTY

Mr. MILLER. Looking at the number of post offices that you have, 30,000 and 10,000 additional sub-stations spread out all over the United States; are we overlooking something?

You probably have some oil under some of that property. Should we have some drilling money in here?

Mr. BOLGER. I don't know, but I hope we can find some oil.

Mr. MILLER. We may be able to hold down the rate structure a little. I don't know that that is so far out.

I was over to a college and right outside the front door of a very beautiful building was a pump pumping oil, and it amounted to quite a bit of revenue to the college.

Mr. BOLGER. I would hope we could find something like that. Jim is from Texas, and I will bet those Texans have kept us out of those oil fields pretty well.

ELECTRONIC MAIL

Mr. MILLER. You talked before about what other nations have done in the past and where they are headed with electronic fund transfer, and that this is taking revenue away from the Postal Service.

Can you update us on that as to where we stand on electronic transfer and the revenue loss. What have you been able to learn from other nations?

Mr. BOLGER. The people that are getting most involved in electronics, as far as home delivery, right now are the French.

The Japanese were leading the way, but the French are starting on a facsimile basis. They are even trying to get to home delivery.

I think they are way ahead of the time, and they operate in a different climate than we do. A great deal of their mail to homes is still personal correspondence.

Mainly what we get in our homes are bills and advertising. The technology is available today to give you electronic home delivery if you wanted it.

The problem is there is a monthly recurring charge if you want the service available to you, and I just don't see the American people paying a monthly recurring charge to get their bills and their advertising faster.

There will come a day, and I don't know when it will be, 20, 25, 50 years from now, there will come a day when the technology will be an add-on to other conveniences in your home. If you have home box office, the monthly recurring charge may be \$1.00 or \$2.00, and then and they will be willing to pay for that type of convenience, but that is not coming now.

Electronics is already having an impact in the Postal Service. We are growing; it has had an impact probably for the last 10 to 12 years. I can prove that to you when I think of the chaos that I used to experience up in the New York area when Wall Street had a big day.

We used to think 20 million transactions was a big day, and we would go bananas trying to cope with it. Now we have 50 million transaction days and they are routine. We don't have that anymore because much of the mail that used to come to us does not come anymore. It is electronically transferred.

The whole communications field is growing in volume. We had a 6 billion piece increase last year; 4 billion came out of letter size mail, advertising and bills, and other things that came through the mail on a letter size basis.

Of about 6 billion, 4 billion of that came from the letter size type mail.

Mr. MILLER. You had an increase of 6 billion?

Mr. BOLGER. A total of 106 billion pieces of mail. We are experiencing an increase, and Jim can tell me if I am getting off first base here.

As I look at the statistics to date, I would judge that we will have 110 billion pieces of mail in our system when this fiscal year ends on September 30, another 4 billion piece growth. And I would predict with certainty, that if we can keep our service good and prices reasonable, by 1983 we will be talking about 113 to 114 billion pieces, so it is growing despite the impact electronics is having.

We are moving into that field and already have internationally, but not as much as I would like to. We have some restrictions because of regulatory problems we are having with the FCC and our Postal Rate Commission.

In the international field, we have some problems with the FCC on electronic ventures on the thing called ECOM, electronic com-

puter originated mail, but we will be providing ECOM mail service effective January 4, 1982.

We will have it into effect for people to use, not to where I would like it, but it is there at least. It is a start and we are working in our laboratory for a possible domestic electronic system.

We have some plans, where we will be able to put up a system if we need it in about five to six years.

The way I look at this, however, anything we do electronically has got to be in a partnership arrangement with the private sector. We should not become a telecommunications industry. That has already been established years ago; that belongs in the private sector of our country, and I agree.

We need to use this technology working with the private sector for the benefit of the Nation as long as we continue to have a role in it, and our role is hard copy, production and delivery. That role will stay in vogue long after I am gone.

Mr. MILLER. We had the Bureau of Government Financial Operations come in, and they told us about the volume of electronic transfers that they were using, and Social Security is using that at the present time. They will be increasing several million, or tens of millions this year. Apparently the Federal Government is really not harming the Postal Service, if you are still growing 3 to 4 billion pieces per year, so we are not heading in the wrong direction where the right hand would harm the left hand.

Mr. BOLGER. Very frankly, if the right hand finds a more efficient way of dealing with the problems they have in serving the people of this Nation, I don't see any great problem with that. We are here to serve when we need to serve. We shouldn't be having anything that stands in the way of progress.

If we can't make the progress ourselves, we shouldn't prevent other people from doing it.

DRUGS IN THE MAIL

Mr. MILLER. One more, if I might.

When we spoke of what you were learning from other nations it reminded me of something. We also have Customs here, and they talk about their big problem they have in controlling drug smuggling.

Is there a possibility of someone shipping in drugs in a lot of small boxes.

Do you have some type of protection against that?

Mr. BOLGER. We are working with the Customs officials. All mail is held for examination by the Customs officials, not for opening the first class mail, but screening parcels for drugs and other contraband. We have this working successfully for years.

The Customs agents work with our law enforcement branch, and we have a fine, cooperative arrangement.

The one that I see that operates very efficiently is up in New York in the foreign section of the bulk mail center. It is worthwhile seeing the way the Customs agents work, the dogs sniffing out the marijuana and other narcotics in the packages. We have a

fine cooperative effort with the Customs Department and we will continue that.

Mr. MILLER. It seems that we are covered.

Thank you, Mr. Chairman.

Mr. ROYBAL. Mr. Rudd?

ZIP + 4

Mr. RUDD. Thank you, Mr. Chairman.

There is a great deal of interest in your expected expansion of the zip code number. I can understand how that serves the employees of the Postal Department very well, but would you explain how that will serve the people?

Mr. BOLGER. Basically—

Mr. RUDD. It will confuse them and they are concerned about it.

Mr. BOLGER. I am really sorry that they are concerned about it because the public has no reason to be concerned about it. We are not going to impose this upon the public. We would love to have them use it in their return address.

We don't expect everybody to remember all those numbers, but if they could get it on their return address it would be very useful. Even if they don't do that, it is not going to harm us.

We are trying to get to automation. I would like to use one illustration.

Here is a history of the Postal Service over the last 20 years. On this chart is the 10 years before we changed into an independent agency and when we were able to get mechanization and proper facilities.

HISTORICAL PRODUCTIVITY VERSUS VOLUME

This is a productivity chart showing the volume in the heavy line, and the dotted line the number of employees.

During all those years our volume increased, but we didn't have the means to use new technology, nor employ new ways to do our business. Therefore the number of employees went along with or above the volume growth.

We added more people to the payroll, until we had 741,000 people on our payroll. The first introduction of the zip code came in 1943 during the war years, when we had inexperienced postal employees and massive turnover. We had to find some way to zone the larger cities, and we introduced a one or two zone arrangement, like Washington 25 D.C.

In 1963 we introduced the expanded zip code, the zip zone improved program. We expanded it to five for improvement. With it came more mechanization in the service and that continued in 1963 and 1965 and you can see the difference.

MECHANIZATION INTRODUCED

The volume kept going up and with our first introduction of mechanization, the number of employees to handle and deliver the mail went down. We were a partisan political agency running on partisan politics at the time, and it was not convenient to mecha-

nize because it meant fewer employees in the Postal Service. The volume kept going up but the employees went up well above the volume growth in those years.

We got into some real serious problems in the old Post Office Department. During the term of Johnson, Larry O'Brien was Postmaster General and commissioned a study. They came to the conclusion the Postal Service couldn't continue to operate with the things they had to do under a partisan political system.

So out of the study came the Postal Reorganization Act which meant independence, investment in equipment, new technology to build buildings that we needed, and no waiting for appropriations that might never come, because we had a very low priority in the hierarchy of government: defense, education, welfare.

We introduced mechanization and some unusual programs. We gave cost savings to mailers who did some work in preparing their mail in advance, taking some labor saving steps for the Postal Service.

The result is a 34 percent increase on the aggregate productivity over the last ten years.

Mr. RUDD. A 34 percent increase in what?

Mr. BOLGER. In productivity; that is in the aggregate. Last year was 5.5 percent alone.

Now that gap has been widening. It needs to widen further. We know that since 1971 we process and deliver 20 billion more pieces of mail than we did. We deliver to about 12 million new addresses that weren't in existence in 1971, and we do it with 74,000 fewer employees. Our service, while it has not dramatically improved, has not worsened.

We continue to serve well. We have service problems in some areas of the country.

That mechanization is just about exploited. We have gone just about as far as we can go with the known technologies of mechanization. We have been trying to move into automation. We already have 21 OCRs. We have been using these to process mail for a number of years, but we have not been able to use them very satisfactorily. They have limits.

We have discovered in some of the foreign nations, particularly West Germany, Italy, France, Japan and Canada, too, they have some equipment that they use which can do a better job than our OCRs do today. They can do a good job for us on the 5-digit code. We can get better return on our investment if we use a 9-digit code. We are going to move into that next generation of automation and use it.

That equipment will be manufactured in the United States by United States manufacturers. Under contracts with the United States firms, all of it will be produced here, with the exception of a few parts.

We need to get there and I would use automation for either code. If I am restricted from using a ZIP plus four or the 5-digit code, I would still go to automation.

Mr. RUDD. Will you summarize the benefits to people?

Mr. BOLGER. The ZIP plus 4. The consumers in this country pay all the bills and it is in their interest if we keep the postal rates low for as long as possible.

Mr. RUDD. You think this is going to keep the rates low?

VOLUNTARY USE OF ZIP +4

Mr. BOLGER. It certainly will help. I want to make sure that everybody understands that this use is voluntary, and even with business it is voluntary, so the decision is there to use it or not use it.

Mr. RUDD. If they don't, what happens?

Mr. BOLGER. Although I will be limited in maximizing the utilization of this equipment by using only the 5-digit zip code, it still gives me a 22 percent return on investment, which is not a bad return.

Mr. RUDD. Let's pose an example. Someone will write me a letter, or I will write someone a letter, and I will put instead of 20515, 20513 and that letter comes back to me and says, "Return; no such address" or "Can't reach addressee", or something to that effect, because the zip code is a number off.

Mr. BOLGER. That shouldn't happen.

Mr. RUDD. How will this be affected when we go to 9 digits? We will go to a block, probably. If it is the next house or the next block and whoever processes this mail says, "Oh, that is the wrong digit, send it back to them," this is really going to cause a problem.

Mr. BOLGER. It won't cause a problem. It shouldn't cause a problem with 5 digits. Our computer programs that are associated with our mechanization tells us whether the letter should go to the city and State that is written on the envelope.

When the letter sorting machine operator makes a mistake, somebody will read the correct city and State and see that it gets there. The 5-digit code takes mail from point to point, Washington, D.C. to Florida. The 4-digit add-on is a code that will be used at the delivery point, and it will be done through mechanization. But even if there is a mistake in it, it still should get delivered.

I am not suggesting that mistakes do not happen; they do.

That is the human reluctance factor to take an extra step.

Mr. RUDD. It also happens on the delivery where the street number would be 1234 and the letter says 1235. It goes back.

Mr. BOLGER. It can happen. If you have an inexperienced carrier on that route, most of the carriers on these routes know their customers and they normally should take care of it.

Mr. RUDD. If they decide they don't want to use the 9-digit zip code number and they use the 5-digit instead, it will still get to the addressee?

Mr. BOLGER. Our services have no relationship to the number in the code.

Mr. RUDD. I don't understand how massive confusion won't erupt.

Mr. BOLGER. We are trying to provide all the safeguards and we will be working primarily on a price incentive basis.

I think we can make it work.

REVENUE FORGONE FOR NONPROFIT PUBLICATIONS

Mr. RUDD. I am a little puzzled about your revenue forgone printout here. In-county, for example, is 2.8 cents a letter.

Mr. FINCH. Per piece.

Mr. RUDD. Under nonprofit, Veterans' Magazine, it is 5.3?

Mr. FINCH. Yes, sir.

Mr. RUDD. Third-class, nonprofit, it is 3.6.

Mr. FINCH. Yes, sir.

Mr. RUDD. Where would charitable organizations, such as the Salvation Army, fall into those categories?

Mr. FINCH. A publication, it would be into the nonprofit veterans' magazine.

Mr. BOLGER. There are seven categories: Veterans; fraternal, et cetera.

Mr. RUDD. Yes, but I am wondering why something like the Salvation Army falls in here rather than up in the rural in-county newspapers which are practically subsidized.

Some newspapers are never sold on a news stand.

Mr. FINCH. Those categories were set up prior to the postal reorganization, and the definitions for what qualifies for the in-county rate which applies to rural newspapers and the various 8 categories were—

Mr. BOLGER. If the Salvation Army were to publish those weekly or monthly papers, they would fit into that category.

Mr. RUDD. In glancing at it I can't tell whether this has been done judiciously or fairly or what, or the way you are reorganizing this as to the first, second, and third categories that are listed here.

Mr. FINCH. Yes, sir; the basic classes of mail, the basic rates are those that are established appropriately under the regulatory process set up in the Act to determine what costs are charged to each class of mail, and make sure after the phasing steps are through, each category pays its own direct costs.

In the case of nonprofit and in-county, they don't have to make any contribution. The rates are not something we dreamed up and put on a piece of paper. Those were established through that long and complicated regulatory process.

Mr. RUDD. Do you think they are fair?

Mr. FINCH. Yes, sir.

Mr. RUDD. Why is it fair for the Wall Street Journal to get a much lower rate than it would be for a civic organization such as the Salvation Army?

Mr. FINCH. The Wall Street Journal only gets the in-county rates on those copies that are mailed in the county of publication for delivery in that county.

Mr. RUDD. The same thing applies to this nonprofit status, too?

Mr. FINCH. The rates are based on the cost. That is probably the case that the rural newspaper or the nonprofit organization publishing a publication are probably benefiting from the efficiencies we gain by the makeup of the Wall Street Journal, very efficient mail to handle in terms of their pre-sorting and depositing with us.

Mr. RUDD. The civil organization would do the same thing. They wouldn't get it mailed.

Mr. FINCH. They wouldn't have the volume or the density to give us the ability to avoid all the costs. Obviously, any postage rate is an average price based under the statute on average cost, and obviously many people with different kinds of cost characteristics use the mails.

I don't think the various types of mailers that are in these categories and in-counties regard the various relationships of those prices as being unfair.

Mr. BOLGER. If I may inject here, they are not unfair, but I will tell you one thing, our classification structure and our rate associated structure is getting so complicated with so many subdivisions it is getting very difficult for people to understand.

We are going to try to do something about that. We have so many subclasses, et cetera.

REORGANIZATION OF POSTAL CLASSIFICATION SCHEDULES

Mr. RUDD. Are you going to have a reorganization of the classifications?

Mr. BOLGER. Yes, I would like to be doing more things to make it possible for us to meet the needs of our customers without having regulations that impede their ability to do business with us.

Mr. RUDD. When are you going to do that?

Mr. BOLGER. There are a couple of things we are working on right now. I hope to get to the point where I can have contracts with our customers. We offer them certain services for which they are willing to pay. They have to be cost-effective for us and for them.

DIFFICULTY IN CHANGING CURRENT CLASSIFICATIONS

One of the problems in trying to change anything is we are encumbered by those regulations and the regulatory process we have to go through, particularly in classification. They are just extremely difficult.

Mr. RUDD. I agree, this should be done, and I am glad to hear you say you are going to do it. But you don't have any idea when. Do you have any sort of plan in progress?

Mr. BOLGER. We are doing it the hard way now. I have got my people looking at every regulation we have and trying to get rid of them in an organized fashion as quickly as we can. Most of our regulatory changes have to be litigated instead of a simple notification in the FEDERAL REGISTER.

Mr. RUDD. Do you have a time schedule on this?

Mr. BOLGER. If I had more freedom to get it done, and I don't mean reckless abandon or freedom, if I didn't have to go through the regulatory process, I could get it done in a couple of years.

Mr. RUDD. Two years?

Mr. BOLGER. With the controls that I have, I couldn't give you any assurance at all.

Mr. RUDD. You have said two years as of this point?

Mr. BOLGER. I said I could do this in a couple of years if we didn't have to go through our regulatory process. We have a Postal Rate Commission.

Mr. RUDD. If you do have to go through it, then what?

Mr. BOLGER. I can't tell you, sir. I know what my plans are to get rid of those things over the next two years. Whether we have their cooperation and support, I don't know. I think it will take a change in legislation on classification matters.

Mr. RUDD. Do you think the Congress can do that, sir?

Mr. BOLGER. Yes, sir.

Mr. RUDD. Would you be willing to prepare some legislation to that end?

Mr. BOLGER. We are working on that right now.

Mr. RUDD. Maybe that will hurry it up. That doesn't seem very satisfactory, but we will do the best we can, I guess.

Mr. BOLGER. Where we have the authority, we are doing it. We are doing it, and we should.

Mr. RUDD. I thank you, sir.

Mr. ROYBAL. Mr. Campbell?

Mr. CAMPBELL. Thank you, Mr. Chairman.

Let me tag onto one thing Mr. Rudd said. Where do your church newsletters and so forth fit into this schedule?

Mr. FINCH. They would fall in the third-class, nonprofit category, unless they have a second-class permit in terms of a frequently published thing that could be possibly nonprofit second-class.

LABOR COSTS COMPARISON

Mr. CAMPBELL. Let me ask you, for the record, with regards to your automation, you are operating with 74,000 employees now.

Could you provide a comparison of your labor costs in 1960 and 1981, maybe a 20-year differential; I would be interested to see where we are on dollar volume in labor and how much increase we have had.

I will tell you why I asked that question.

In one of my regional offices, I had some GSA employees come to see me and bring an advertisement for custodians for the Post Office. They were custodians for GSA. The starting salary, I believe, on a scale listed at about \$16,000, or \$14,000 to \$16,000.

I have forgotten the figure. I will be glad to provide you the advertisement. They were asking me the question, is this the normal starting salary for a custodian in the post office because it is not for us, and they gave me a copy of the listed positions that were being advertised and I kept it there.

I wasn't even prepared to ask that question. It just came to me.

I would like to know, in the last 20 years when we have had an increase in postal rates from 500 to 1,000 percent, including a postcard that has gone from a penny postcard to ten cents, what kind of corresponding labor increases have been identified in the unit cost of labor, percentage-wise, compared to the growth of the country, the economy, and inflation?

Mr. BOLGER. We will provide it to you. I would like to make sure that everybody understands one thing.

[The following was provided for the record.]

U. S. POSTAL SERVICE
Comparison of Postal Rates, Salaries, GNP
and CPI
Fiscal Years 1963 - 1981

Fiscal Year	First-Class Stamp		Base Salaries <u>1</u> / Percent Change	GNP Percent Change	CPI Percent Change
	Effective Date	Rate Per Ounce (cents)			
1963	January 7, 1963	5	...	...	...
1968	January 7, 1968	6	20	46	12
1971	May 16, 1971	8	60	81	33
1974	March 2, 1974	10	100	140	57
1976	December 31, 1975	13	160	160	83
1978	May 29, 1978	15	200	261	112
1980	March 22, 1981	18	260	372	191

1/ Represents a PS Level 5 step 1.

5/13/81

Mr. BOLGER. Rates were held artificially low, highly subsidized by the taxpayer dollars for many, many years. Postal employee salaries and fringe benefits were equally held low below the private sector, and that is why we had what amounted to a major strike in 1970.

Mr. CAMPBELL. I totally agree with you and I realize that was done but I would still like for you to point out that fact for the record.

Mr. BOLGER. I hope your figure is wrong, \$16,000 custodial; it shouldn't be.

Mr. CAMPBELL. It is in that range, and I am sorry I don't have it with me in order to present it to you, but I will be glad to show it to you. If that is where we are, then I would have to ask why we are there.

Mr. BOLGER. So will I, sir.

Mr. CAMPBELL. They were advertised positions.

If you could provide that, I would appreciate it. Please be sure and point out, of course, the fact that they were artificially low so there won't be any looking at it through rose colored glasses or anything.

[The information follows:]

U.S. POSTAL SERVICE, SALARIES—CUSTODIAL EMPLOYEES¹

[Fiscal years 1963-80]

Fiscal year	Annual salaries	Percent change
1963.....	\$4,230	
1968.....	4,826	14.1
1971.....	6,050	43.0
1974.....	8,312	96.5
1976.....	10,422	146.4
1978.....	12,894	204.8
1980.....	² 17,229	307.3

¹ Reflects base salaries of a PFS/PS level 3, step 1.

² Includes \$2,933 for cost of living allowance.

Mr. BOLGER. Our salaries for some comparable jobs in the rest of the government are higher. We have a responsibility under the law to meet the private sector requirements. Some of the things we are going through with the rest of the government, with the adjustments that they get, are not up to where people expect them to be, and I think they have run behind us because of that.

COST OF LIVING ADJUSTMENTS AND THE CPI

We have cost of living adjustments in our labor contracts that are geared to the CPI, unfortunately. We made those contracts, and it is unfortunate they are. This accounts for a great deal of the adjustments, and the rest of the Federal schedule has not gone that way.

Mr. CAMPBELL. I was very supportive of the salary increases for most of my postal employees. I just want to see where we are. I would just like to determine whether we are in some areas pricing ourselves out of business. I would have to also ask that when we make adjustments in the system and make cuts in certain areas, why line personnel are generally the first to go and people who

graduate to higher paying positions when a line person is removed in that process, whether that is good management practice or not good practice.

That is what I am looking at, unit labor cost, and whether you have control to run that post office the way you ought to have.

Mr. BOLGER. Our labor costs, our employees for the most part are well compensated and you will find, you have to take those a step at a time as you get into bargaining. In some cases we probably made some mistakes.

It is in there now, and it has been in there for some years, gearing the cost of living adjustments to the CPI, not just in our industry but everybody's industry. It is dead wrong, but we are in that trap right now.

Mr. CAMPBELL. It really ought to be geared to the wage rate. The CPI is a false index basically.

I am not faulting the payments at all. I am really trying to seek some information to see where we are and to see whether some of the complaints we get are valid or not. I don't have the information to do it.

RURAL DELIVERY ROUTE BOUNDARIES

Let me ask you a question on rural delivery. In a rural route that goes into a remote area in one State that joins another State, do those rural carriers have to stop at the State line, turn around and go back, or do you extend that route in order to be efficient in that process?

Mr. BOLGER. We try to confine our services within natural political boundaries, but we do cross state boundaries.

Mr. CAMPBELL. I am thinking of my area where we have two routes running together.

Mr. BOLGER. When we look at rural routes, we look at the possibility of merging the two together to make one good rural route out of them, and state boundaries do not give us any headache. However, I must say that in most of our activities we try to confine to the natural political boundaries for many good reasons.

Mr. CAMPBELL. Someone had mentioned to me, that they had to turn around, and I didn't know whether that was a requirement.

Mr. BOLGER. I won't sit here and tell you that we don't have some type of ridiculous situation, two routes and they practically meet each other, that they have to turn around.

Mr. CAMPBELL. That answers my question.

ADVERTISING PROPOSAL

Last time you were here I mentioned something to you that other nations do regarding postal advertising, and the possibility of looking into it.

Have you had a chance to look at it at all?

Mr. BOLGER. Yes, sir.

Mr. CAMPBELL. I would be curious to see.

Mr. BOLGER. We have you tied up with the stamp proposal. I had a lot already assigned to you, but we are about to publish a Federal Register notice on this to get a reaction from the public, how they would feel about this.

My people combined your advertising proposal with the stamp proposal. We are advertising stamps.

Mr. CAMPBELL. I am not proposing advertising stamps so there will be no confusion among the various proposals.

Mr. BOLGER. That is why I put the brakes on last night when I read this, the advertising on vehicles and post offices.

Mr. CAMPBELL. We didn't propose to say where you had to advertise; some other legislation did. We propose to leave that to your discretion because you would have the wherewithal to make the decision.

We did, of course, have interest in the vehicles, in the space in the post office or even on the covers of the stamp booklets or on your blank pages, things of that nature that is dead space.

I do not think you ought to be using the face of stamps, but that was the spirit of the proposal that I made. I would greatly appreciate if it would not be confused with those who are trying to push you into creating soda pop stamps.

I am not interested in that proposal.

Mr. BOLGER. They better have a lot of inertia to push me.

Mr. CAMPBELL. I am not in that category. I would appreciate your looking at it.

Mr. BOLGER. Mr. Campbell, I would like to. We have this ready, discount the stamp portion of it, if you or your staff would like to take a look at it and see if it is the intention that you had before we publish it.

Mr. CAMPBELL. I do not wish to be combined with those that are promoting the other, because I think they are totally separate and distinct types of proposals.

Mr. BOLGER. That is the reaction I had last night when I read the combined proposals.

We will send that up.

Mr. CAMPBELL. Mr. Chairman, I am almost out of time.

TRAVEL MONITORING

I have one very little quick question I want to ask.

The monitoring of travel, do you have methods of tracking your travel costs, people from regional areas and where they go?

Mr. BOLGER. Yes.

Mr. CAMPBELL. I am sure this is a local sort of thing and I will prejudice my own question by saying that we have people serviced out of the Memphis Regional Office. They go to Florida sometimes before they give us service. Maybe we are not quite as attractive an area.

I want to know if you have a method of monitoring travel costs and whether the service is even-handed in those districts and not slanted to a more attractive type area for the travel that takes place out in the district offices?

Mr. BOLGER. I would hope not, but dealing with a lot of human beings, I wouldn't guarantee that we don't have here our prejudice moving in.

Mr. CAMPBELL. You will take a look at it.

Thank you.

Mr. ROYBAL. Mr. Akaka?

Mr. AKAKA. Thank you, Mr. Chairman.

Thank you very much.

ISLAND COMMUNITY DELIVERY

I want to say Mr. Hon Chee in Hawaii does a good job for us, and we have modern facilities there that have been doing a good job.

We are concerned, like anybody else who lives in an island community. I don't know whether Puerto Rico has the problems we do, but Samoa and some of these offshore islands have delays that take about three weeks, even a month for delivery. And this is, of course, seriously affecting delivery of special newspapers and magazines.

I know that you do contract with the airlines for services overseas. I think, and I want you to explain this to me, I think that the CAB or another agency does it for you.

Mr. BOLGER. The rates?

Mr. AKAKA. Explain to me; would you rather contract it yourself in the future?

Mr. BOLGER. Well, one of the things, I am well aware of the problems with the offshore areas that we have to serve, and particularly the delays in parcel post and newspapers and magazines getting out there.

I had Puerto Rico under my direct jurisdiction, and I worked out of our New York regional office. I am constantly reminded of one of our Governors, Mr. Hung Wai Ching, who tells me about it and the problems.

I have been trying to get the airlines interested in contract rates. The current CAB rates are just too high to allow us to move anything but first-class mail and express mail, priority mails, but we do have on the books, trying to get arrangements with some of the certificated airlines to get into contractual arrangements with us now.

The CAB is the problem. They are not a problem, but they set the rates, and they are too high to move other classes of mail. I want to get, as soon as possible, arrangements with the airlines on a container movement basis where we can move all classes of mail at a price that is cost-effective for us and will not adversely affect our postage rates, so we are trying to get there.

Currently, we will be able to get there by 1984. CAB is supposed to sunset in 1984 and at that time the Postal Service will have contractual authority.

I understand there is a movement afoot, which I support as far as the Postal Service is concerned, to sunset CAB in 1982, the end of calendar year 1982, and that will help us accelerate our efforts.

We are already working in that direction, and I hope to have some answers for you soon.

We have been working with United and a couple of other airlines trying to get there without waiting for CAB to sunset.

That is where we are tied up now. The rates are just too high. There are several areas, the Pacific area, Puerto Rico, and Alaska which interest me very much.

We have a selfish interest besides services. The selfish interest is it is almost impossible to schedule manpower. This mail is moving

by ship. You don't know when they are going to sail or arrive. You have an estimate of that, and manpower available and paying it on a standby basis, and it is almost impossible to schedule manpower to sort this mail.

I agree with you on Hon Chee. He is one of our best postmasters. He was a roommate of mine.

Mr. AKAKA. Have you looked at the possibility of flying the mail out at idle times or night rates?

Mr. BOLGER. One of the problems with the airline is trying to get a contract. They don't have anything to return. We have one other problem. Right now under CAB rules we enjoy third priority for mail as passengers, passenger baggage and mail. One of the things when the CAB sunsets, we are not going to have that priority anymore. We will have to fight for that space.

If we can get decent contracts, I would envision this type of thing improving the service. We might not have a flight every day, but I can see going to Hawaii, moving all classes of mail, having the ability to hold the mail for a couple of days and fly one big cargo 747 out there and get it done, even though we wouldn't have that much mail coming back. I could see us engaging in a contracting arrangement with some merchant, some fruit grower that would use the return movement.

We get so tied up with regulations in this world that we don't have any practical point of view.

Mr. AKAKA. You would please the farmers out there, especially on the big Island who have trouble transporting some of their goods to the Mainland.

Mr. BOLGER. It makes a lot of sense to me, and it is another energy saver, too, if we could work that way.

Mr. AKAKA. Is this true, I was just reading here where it takes 18-plus days for mail to get to Honolulu from Cleveland?

Mr. BOLGER. If you are talking parcel post or third class mail. It should not take that on first-class mail. First-class mail ought to move this way.

If it is mailed in Cleveland by five o'clock this afternoon, it ought to be in San Francisco or Los Angeles the next day. It ought to be moving out Friday at the latest to Hawaii, and it ought to be there Friday and delivery on Saturday.

ZIP PLUS 4 IMPACT

Mr. AKAKA. You point out in your testimony that you are planning on moving to automating mail processing to ZIP plus 4, and I guess we call it the 9-digit zip code.

My concern would be neighbor islands, rural routes in our country and I think I am correct by saying this is being set up to take care of the high volume areas. My concern, therefore, is with the low volume areas.

Can you explain to me the kind of impact this would make on rural, low volume areas?

Mr. BOLGER. For the individuals who receive mail from the Postal Service it should have no impact. We are not going to impose this upon them. We want to tell them about the added zip code. They already have a zip code. We would request them to use it in their return address, that is all.

Mr. AKAKA. It is optional?

Mr. BOLGER. All the way and voluntary.

Mr. AKAKA. How would that affect the carrier or maybe I should say the person in the post office who processes the mail and also the carrier?

Mr. BOLGER. If we are successful, the processing will be done automatically. That automated sortation would identify it with a certain carrier route. The carrier will still have to look at the name of the person and the street address. He will not deliver the mail by the ZIP plus 4 unless he happens to have a business firm or a building that has that code, but he will still be delivering or she will still be delivering mail by the street number or identification of persons.

Most of our carriers know the people that live in those houses.

Mr. AKAKA. Do you look forward to using this completely with the business sector?

Mr. BOLGER. We need it for volume mailers, mailers that print or type or computerize address their mail, and the personal mail, particularly that which is hand-written, it isn't possible to get the equipment to read it and give you that type of sortation, so we are really concentrating on business mail.

The benefits to the individual will be, the individuals pay all the bills in this country, you subscribe to a magazine and it costs so much to send it; they bill you for that, even your utilities. They have their postage figured in their costs. If we can get the costs down for volume mailers, the individual will be the beneficiary of this.

Mr. AKAKA. You indicated you will be contracting some of these services out to private carriers.

To what extent do you feel you would be moving into that over the next three to five years?

Mr. BOLGER. Transportation?

Mr. AKAKA. Yes.

Mr. BOLGER. I would say that if we can sunset the CAB sooner, we will be moving extensively that way, and we want to.

NLRB ASSISTANCE

Mr. AKAKA. My last question is: I want to ask about negotiations that are going on, or not going on, I understand you went to the NLRB for assistance, and also for opinions and even for help, and I would like to know what the status is now.

Second, if you can mention it, what is the problem?

Mr. BOLGER. OK; actually, the problem is, as we see it, management. The postal unions, if I may use the term, "fractured" their arrangements in negotiating with us for a contract. When we first started, we had one contract with all of the major organizations participating with us, and we did this in 1971, 1973 and 1975.

In the 1978 negotiations, we fractured slightly the rural letter carriers, I guess by invitation to the other organizations. The rural letter carriers in the AFL-CIO negotiated with us separately, and while that did have a problem associated with it, that is, rural letter carriers and the work they do, they are distinct enough so we could work that out and it remained worked out.

This year after some internal bickering back to the 1978 negotiations, the mail handlers, and what we generally call the clerks or the APWU; special delivery messengers and motor vehicle operators and everything else; had a parting of the ways. We came up against this situation, that the National Association of Letter Carriers, the city carriers, and the APWU, this consolidation of four units, decided they would have joint bargaining with us for one contract.

The rural letter carriers and the mail carriers notified us that they wanted to have coordinated bargaining at one table for the two of them with the possibility of two contracts, and I am still not sure on the joint bargaining attempts whether we might not have had two contracts there.

It just looks to me and still does that it is almost impossible for us to reach agreements that will meet our public responsibilities and just as important our responsibilities to our employers.

We found in the Postal Reorganization Act, in the wisdom of Congress, that they carried forward the exclusive representation of those four major unions into the new Postal Service, but they also said that at an appropriate time, the National Labor Relations Board ought to designate the bargaining unit. Nobody took advantage of that.

I did not in 1978, as well as in the other years. I probably should have. I was not new to the Postal Service. I came aboard in March and started negotiations in April and all the preliminary work had been done anyway, so I didn't do it, when the rural letter carriers split off.

We felt we had the legal right and the legal responsibility to petition the NLRB and to see what they would do with it, to exercise their responsibilities, as I saw it, as our lawyers saw it under the law.

To date, we filed our petition with the regional office in Baltimore as we had to, and to date, without a hearing, without even looking at the merits of the case, our petition has been denied.

I have certain appeal rights that have to be exercised by May 13 before the full Board, the National Labor Relations Board, and I have indicated I might take advantage of those appeal rights. I have not made up my mind. I am going to very carefully explore this thing.

I am as anxious, I believe, as the labor union leaders are, to get the negotiations going. I just don't need this hanging around my neck, and they don't either. I would be very happy under the proper circumstances to get there as quickly as we can to negotiate successful contracts.

As you have this fracturing under the law, and if we don't reach successful negotiations and ratified contracts, we have binding arbitration. There is a possibility you could face this type of situation, have four panels of arbitrators trying to decide the fate of the Postal Service, and boy, to me that would just be one of the biggest messes this country has ever faced on labor negotiations.

I think we have to do the right thing to avoid this. I would be hopeful that we could find a way working together with the labor leaders that we could get a labor contract, or minimal numbers of contracts properly administered by our management in the Postal

Service; and if somebody would give me the way to do that this afternoon and work together on it, I would do it and sit down and talk to anybody anywhere about this.

Mr. AKAKA. Thank you.

I have another question later.

Mr. ROYBAL. Mr. Bolger, the Postal Reorganization Act authorizes appropriations for three principal items, public service costs, free and reduced rate mail, and previous unfunded liabilities of the Post Office Department.

Would you review the method used to develop your estimates for each of those items?

Mr. BOLGER. Mr. Finch can do a much better job.

PUBLIC SERVICE COSTS

Mr. FINCH. The public service item beginning with the passage of the statute of 1970, and I guess beginning with fiscal 1972 appropriations, set at that time a flat amount of \$920 million for public service appropriations. That amount stayed constant and provided for the authorization in the statute through fiscal year 1979 at which time under a schedule set out in the statute, that amount was to be reduced by 10 percent each year.

So in 1980, the amount was down \$92 million and in 1981, this year, the amount was down an additional \$92 million, and the statutory amount for fiscal 1982 was down another \$92 million, which sets it at \$644.

It is scheduled under the statute to go on down two more years until it comes to a remaining authorization on the books, if requested by the Postal Service, of \$460 million.

Our request in terms of public service appropriation is merely putting in the request for the amount the statute provides for.

POST OFFICE DEPARTMENT LIABILITIES

With regard to the two items which compose the amounts the Congress and the statute in 1970 decided to continue funding, which were liabilities of the Post Office Department, approximately half of that \$69 million covers accrued leave for the postal employees as of June 30 of 1971. Congress provided in the law at that time and has continued up to this time to reimburse the Postal Service annually for the value of that accrued leave. The balance is for payments for injuries that had occurred to postal employees in the course of their work prior to the passage of the Act.

With regard to the leave on the books, it was agreed that amount would be paid out over 12 years, and that the final request will be made in fiscal year 1984.

REVENUE FORGONE

With regard to the revenue forgone appropriations, those are appropriations that pay the difference, for certain classes of preferred mail, between the rate for those preferred classes that the rate payer pays and the normal full commercial rate.

The way the Postal Service arrives at their request each year, we have our economists and econometricians looking at the volume history of these particular categories, library rate, books, nonprofit

magazines, and what that rate history has done, what we see in the economic climate of the country, and what the economic situation is in the publishing industry with regard to nonprofit second class will be.

We then take into account any recent adjustments with rates and estimate for the upcoming fiscal year the number of pieces of that particular subcategory of preferred rate mail that we will have in the system the following fiscal year. We then take the price difference between the subsidized rate and the full rate and multiply that by our volume presenting you with a category by category volume.

Three years ago we came up with and discussed with the committee and staff the fact that because we are estimating volumes that we believe will come through in these various categories in the future, we are looking out into the future, and we don't always hit it right in the number of pieces.

In some cases we have overestimated the volume and in other categories, we have underestimated the volume and therefore had a shortfall.

After discussion and negotiations, we came to kind of an internal reconciliation process, if you will, and agreed with the committee. We have been doing it now for two years. When we get our final audit, the volumes for the past year, by outside CPAs, will be factored into our subsequent year request.

If we have asked for too much money and gotten too much for the phasing subsidies for prior years, we offset our request. If the amount has been too small, we add that onto our request.

The adjustment has run both ways. We cannot accurately predict down to the last piece what our volume will be.

Mr. GUNNELS. It seems to be working very well, Mr. Chairman.

POST OFFICE PERFORMANCE

Mr. ROYBAL. Where our post offices are spread throughout the country, I would like to know what functions these post offices perform on a reimbursable basis.

Mr. BOLGER. We do a lot of functions for other Federal agencies. We do all the registration for the Justice Department. In January of each year we have been doing Selective Service registration for them.

We distribute in some cases food stamps for the Agriculture Department. We are always ready, willing and able to do more when we can interest other Federal agencies in utilizing our services. That is one of the ways I plan to keep small post offices. They have a lot of value, and they keep community identity and do a fine job in providing normal mail services to people.

I would like to find ways on a reimbursable basis, whether State, local, county, or other Government agencies to use our services, and we keep trying to interest people to do that.

Mr. ROYBAL. Are the services cost-effective?

Mr. BOLGER. Very much so. We determine with them what it would cost us to handle the transactions and, on top of that, like rates, we look to see if they are contributing to our share of the overhead. We set the contract price, and they pay us, and we have adjustments from time to time.

SELF-SUPPORTING CLASSES OF MAIL

Mr. ROYBAL. With regard to the increases in postal rates, are you attempting to reach a point where all classes of mail will be self-supporting?

Mr. BOLGER. Our obligation under the law is to live within that income and part of our income are those appropriations. As they disappear, the obligation under that law is to find other ways to live within our income and the only source of money available to us is through rates and fees, so the answer is yes.

MAIL FOR THE BLIND AT COMMERCIAL RATES

Mr. ROYBAL. With regard to mail for the blind, going back to this again, would you explain to me how you reached this figure of \$4.25?

Mr. FINCH. Yes, sir.

The statute provides a distinction between the subsidy for mail free for the blind and the others. A mailer pays a portion at the time he mails a piece and the taxpayer, through the revenue for nonprofits, makes up the difference.

We make no charge at the time of mailing to qualified persons who mail qualified things to blind persons, or to the blind person making returns to a library for the blind or association for the blind. Therefore, we have no mailer contribution for the mail for the blind.

What the figures for the 69 cents and the \$4.25 in the last column indicate is the regular commercial rate. That assumes that if the whole \$799 million appropriation for revenue forgone were eliminated, we would charge them whatever the current commercial rate would be.

The administration's recommendation is not figured in this at all. Still under the administration's request, if it were enacted into law, the free mail for the blind would still be free mail, no adjustment at all.

Mr. ROYBAL. I see.

Mr. FINCH. Unless you instructed us in the enactment otherwise.

Mr. ROYBAL. That is the question I had in mind and I wanted to pinpoint that one thing, whether or not the blind will continue to get this benefit and the answer, of course, is yes.

Mr. BOLGER. Yes.

Mr. FINCH. Yes.

CONSTRUCTION PROGRAM

Mr. ROYBAL. What about your construction program? What are you planning there?

Mr. BOLGER. We were looking at that yesterday. We were looking to see if some of this could be deferred.

CASH FLOW

If we had any problem with construction, it would be a cash flow problem for expenditures in fiscal year 1982. We have certain things that we must do for safety and health reasons and certain things that we must do for operating reasons. We did this on a preliminary basis with our Board of Governors, approving all capi-

tal expenditures, exceeding \$5 million for any one project. We have been reviewing these, and I have an obligation to go back to them at our June meeting with our priority list to tell them what things could be properly deferred as far as cash expenditures go in 1982.

Also, I have the obligation to tell them what cost impact that might be. Looking down the road, delays in construction could cost you 15 percent more a year. If we have that money, our earnings could offset part of it. We are still involved in construction projects, procurement of vehicles, automated equipment, as far as major capital investments are concerned.

We have also gone to our regional offices to control a great many dollars that are spent in the field and put some restrictions on them, again on a deferral basis, and also put some severe restrictions on the amount of money in total that has been for non-personnel items.

LEASE-PURCHASE PLAN

Mr. ROYBAL. Do you use the lease-purchase plan?

Mr. BOLGER. We have a lease-purchase plan since 1971. However, for the most part, with any new building over 5,000 square feet, we find it is valuable to us to own it. When we lease buildings, they are not usually designed for postal purposes, and when we move out of them, we have to put them back in the shape we found them.

Mr. ROYBAL. Under the lease-purchase plan, while you do lease it ultimately, you become the owners?

Mr. BOLGER. We had a lot of that in the 1950's and the early 1960's. We could not get appropriations to build buildings, and so we went on the lease-purchase route and the most notable one was a lease we signed in 1960 for an automated mechanized post office in Providence, Rhode Island, and we bought that place in 1980. Even the postmaster's desk was leased.

Mr. ROYBAL. That one building, as an example, did it cost more in the long run or less?

Mr. BOLGER. It cost more. We had a contract with them, a whole deal, including maintenance. I had never signed a contract like this. It was a cost plus. The more they spent the more they got.

Mr. ROYBAL. How many of those purchase plans do you have now that would fall into that particular category?

Mr. BOLGER. I hope none, but the few we negotiated in recent years, I think they are sound leases. We have one problem, and we just remedied this problem. We have some long-term leases with options for renewals with smaller investors that built them, that had no escalator clauses in them at all.

Quite recently, knowing the financial hardship people were suffering and also the hardships we were suffering, we have gone through a program of offering to relieve them. We can't relieve them of the leases because they are contractual obligations of the United States Government, but we found ways that we could offer them opportunities to perhaps renegotiate the leases. We have offered to buy those buildings, looking at the market price, the price of those buildings, but that has some deterrents too because this takes them off the tax base in the community, and we hear a little about that.

Mr. ROYBAL. Mr. Miller?

INVESTMENT INCOME

Mr. MILLER. Last year we spoke of investment income and borrowing limitations.

Could you give us a little rundown as to how we stand now and what investment income you would expect for 1982?

Mr. BOLGER. I will let Jim give you the figures on it. Our investment income has been pretty good. We invest in Government securities, Treasury notes and bills and, our results have been very good, because with inflation we have one Government agency paying those high interest rates to another, and the final sufferer on this is the taxpayer, but as far as our ability to invest in this way, we have done very well with it.

Mr. FINCH. In fiscal 1980, our investment income was \$500 million. This is money earned from the investment of cash in Treasury bills and notes.

Mr. MILLER. You said it was something around \$350 million that was anticipated, but again, because the interest rate went up you received more, so you had about a one-half billion dollar investment.

Mr. FINCH. Investment income in fiscal year 1980. Our projections which you have in the congressional budget submission for fiscal 1982 project an investment income of \$444 million, and that was a projection which made several assumptions, one of which was that we would be successful in getting the 20 cent stamp and associated rates.

We now have an 18 cent stamp, and on an annual basis, we are a billion dollars short in revenue, so that would have to be revised down. We would be looking at a revised investment income figure for fiscal year 1982 in the \$250 million to \$300 million range.

Mr. MILLER. You feel that you would lose about one billion dollars, or you would need to draw down one billion dollars of the investment money that you have in Treasury stock because you have an 18 cent stamp instead of 20 cents?

Mr. FINCH. We have done some preliminary cash flow analyses, assuming we got no relief from that 18 cent stamp during fiscal year 1982. If we get no relief from the Rate Commission, we will have to look for a rate change before the end of 1982, but if we have no relief from that 18 cent stamp, we would eat into our cash position which is now \$3.5 billion. It would be down to less than a half billion by the end of fiscal year 1982.

We would move from a strong position which has given us the financial stability to make what we consider some wise management decisions about the timing of the rate increases and other things. It would be totally eroded.

WORKER SAFETY

Mr. MILLER. In another area, I have a copy of a newspaper article, "Postal worker deaths and injuries prompt demands for greater safety." Undoubtedly, your people are aware of that.

What can you tell us about safety? In this particular article it is stated that there are many employees that are injured and some fatalities.

Give us a little update of what you are doing in order to help protect the safety of the employees.

Mr. BOLGER. We are very conscious of health and safety to make sure we don't injure employees. We are also very interested in the cost, and it is very expensive when we get those injuries.

We are trying to, and I think successfully, improve our safety and health programs and cut down on injuries.

I will have to furnish you some statistics for the record on what we have been able to accomplish in recent years, reduction in lost work time, reduction in motor vehicle accidents, et cetera. And we have a lot of work to do. We are still very high.

They compare us unfairly to other government agencies, and that is an unfair comparison, because not all of our people are desk-bound, and theirs are injuries or incidents connected with office work.

We are a production line. We have thousands, hundreds of thousands of vehicles running every day. One fatality is too many.

We have about 15 or 16 a year, but in our statistics on fatalities, they include all types of things, people murdered during the robbery of a post office, rape and murder on rural routes, as well as the ones you might call normal, if there is anything normal about a death, are usually motor vehicle accidents.

[The following was provided for the record:]

ACCIDENTS - TYPES AND COSTS

The attached chart is a distribution of all accidents occurring in the Postal Service for FY 1980. In using this chart, it should be noted that some accidents (e.g. property damage or motor vehicle accidents) do not result in an injury.

Amplification of Terms

Manual Handling: Injuries in this category usually involve actions such as lifting, reaching, pulling or pushing.

Falls: Involves falls on the same level (e.g. to the street, sidewalks or floor) or falls from elevation (e.g. on stairs, from vehicles, chairs, docks, etc.)

Comment: Associated with falls is inattention or a failure to recognize a walking surface hazard. For example, slippery sidewalk conditions, chipped or broken pavement, debris, etc.

Motor Vehicle: Includes accidents in which injury or property damage resulted, incident to the use of a motor vehicle.

Comment: Most vehicle accidents involve, as a contributing cause, driver error either by one or both drivers involved.

Slips, Twists, and Trips: Similar to the "falls" type with the primary difference being that a fall does not result. Such accidents involve slipping and twisting, tripping on or tripped by an object, or stepping in or on an object.

Comment: Causes of this type accident parallels that of the "fall" type in that a contributing factor is usually inattention or failure to recognize a working surface hazard or a loss of balance.

Animals: Although this type accident involves all animals, including insects, the majority do involve dogs. Most dog related injuries are dog bites, while a small percent occur as the employee attempts to retreat from a hostile dog.

Striking Against: Includes, in general, an accident in which a person in motion strikes a stationary object or material.

Comment: Accidents of this type usually involve, as a contributing cause, momentary inattention to one's immediate surroundings while working or walking.

All Others: This classification includes the following accident types:

1. Caught in, under, or between
2. Exposure to extreme temperature
3. Inhalation
4. Jumping to or from places
5. Contact with: electric current, chemical,
hot or cold substances
6. Struck by material or objects
7. Violence
8. Fires
9. Not elsewhere classified

Additional Remarks: The comments made under each accident type above do not necessarily reflect the results of a causal analysis of each accident group, but do represent accepted or recognized opinion of causes associated with similar type accidents in general.

USPS Accidents
Distribution by Accident Type
Fiscal Year - 1980

	<u>NUMBER</u>	<u>PERCENT</u>
Manual Handling	17,023	23.2
Falls of Persons	8,838	12.0
Motor Vehicle	11,758	16.0
Slips, Twists and Falls	8,038	11.0
Striking Against	4,998	6.8
Animals	8,841	12.0
All Other Types	<u>13,902</u>	<u>19.0</u>
Total Events	73,398	100.0%

Source: Selected events top 220 offices Program PBC 391C0

INJURY/ILLNESS INCIDENCE RATES
(PER 200,000 MANHOURS)
CALENDAR YEAR

<u>Employer</u>	No Lost Workday Cases		
	<u>1979</u>	<u>1978</u>	<u>1977</u>
U. S. Postal Service	3.73	3.59	3.50
Total Federal Government	3.31	3.21	3.23
Veterans Administration	2.33	1.65	2.02
Government Printing Office	11.30	17.21	18.24
Panama Canal	5.93	3.97	4.63
Department of Transportation	1.43	1.73	1.09
Tennessee Valley Authority	14.02	16.65	15.09
General Services Administration	1.01	.88	.54
Department of Defense (civilian)	3.96	4.05	4.05
Architect of the Capitol	7.81	7.08	5.18
Department of Labor	.64	2.00	.85
Federal Trade Commission	.43	1.69	.97
Library of Congress	1.20	1.72	2.01
Department of Justice	4.68	4.33	3.34

SOURCES: Occupational Safety and Health Statistics of Federal Government - CY-1978, OSHA Publication 2066 (November 1979), CY-1977 (1979), any CY-1979 November 1980.

NOTE: Incidence rates represent the number of injuries and illnesses or lost work days per 100 full-time workers and were calculated as: the number of injuries and illnesses divided by the total hours worked by all employees during the calendar year, times 200,000 (100 full-time employees working 40 hours per week, 50 weeks per year).

INJURY/ILLNESS INCIDENCE RATES
(PER 200,000 MANHOURS)
CALENDAR YEAR

<u>Employer</u>	<u>Lost Workday Cases</u>		
	<u>1979</u>	<u>1978</u>	<u>1977</u>
<u>U. S. Postal Service</u>	6.23	6.71	7.28
Total Federal Government	3.39	3.30	3.15
Veterans Administration	4.70	4.63	4.22
<u>Government Printing Office</u>	7.10	6.81	8.62
Panama Canal	6.70	5.82	5.08
Department of Transportation	1.05	1.16	.77
<u>Tennessee Valley Authority</u>	8.03	7.21	6.30
General Services Administration	2.48	2.67	2.28
Department of Defense (civilian)	2.93	2.77	2.20
Architect of the Capitol	7.39	5.61	5.36
Department of Labor	3.74	1.06	.48
Federal Trade Commission	.38	.54	.52
Library of Congress	.99	1.92	1.82
Department of Justice	2.06	2.04	1.63

SOURCES: Occupational Safety and Health Statistics of Federal Government - CY-1978, OSHA Publication 2066 (November 1979), CY-1977 (1979). CY-1979 November 1980.

NOTE: Incidence rates represent the number of injuries and illnesses or lost work days per 100 full-time workers and were calculated as: the number of injuries and illnesses divided by the total hours worked by all employees during the calendar year, times 200,000 (100 full-time employees working 40 hours per week, 50 weeks per year).

SAFE WORKING ENVIRONMENT

It is the policy of the Postal Service, through the Employee Relations Department, to inspect each Postal Facility at least once a year for safety problems and practices. Approximately 450 full-time professional personnel are dedicated to safety with all personnel especially supervisors at every facility being formally assigned safety responsibility as part of their job. From the Postmaster General's efforts via face to face meetings with top managers, memoranda, articles in the Postal Leader and emphasis in his other communications, safety continues to be a paramount consideration in the entire Postal Service. This emphasis by management causes a scheduled and documented safety talk with every worker at least once a month. The eight element safety program--administration, training, engineering, accident investigation, promotion and education, standards, committee and inspection program--provides a thorough, integrated, system-wide application of Postal Service policy.

In conjunction with the Installation Head or Safety Officer's safety inspections, the Postal Service has established 44 Building Maintenance Engineering Offices to perform scheduled inspections on the physical condition of each facility in the entire Postal Service. As a result of these engineering inspections, additional safety deficiencies may be identified. The engineer then prepares cost estimates, scopes of work, recommended schedule of repairs and task assignments for abatement and correction of deficiencies, including roofs, parking lots, boilers, elevators, building shell, floors, ventilation, cooling, lighting, water, sewer and electrical services. About 8000 buildings are inspected each year with more than 60,000 project repair orders being prepared. Repairs are accomplished by local authority, Field Real Estate and Buildings Offices, or owner, as applicable and economical.

SAFETY PROGRAM

The Du Pont Report indicated that all levels of the line organization do not accept responsibility for safety. Du Pont stated this failure may be attributed to a lack of training, the absence of accountability for safety, management's failure to set an example and insensitivity or nonresponsiveness to employees' needs.

Du Pont stated safety in the Postal Service is not equal to productivity, quality, cost and other aspects of managing a business.

Du Pont further stated, "much good safety theory has been written within the Postal Service..." additionally, "programs emanating from Headquarters and regions show good intentions but lack line management support..."

Du Pont's recommendations centered around establishing the line organization approach to managing safety. Through this approach, management establishes safety policies and commits the necessary resources to get the desired result. This would also change the role of the safety staff from the doers to consultants to management thus assisting management to develop safety guidelines.

The Postal Service is adopting the Du Pont approach by establishing executive safety committees through the line organization.

Additionally we are strengthening the level of our safety training efforts with safety training programs being developed for employees, supervisors, management officials and safety personnel.

THE SUSAN B. ANTHONY DOLLAR

Mr. MILLER. Last year we spoke of the Susan B. Anthony dollar and how you were helping to circulate them. That is a point of interest to the committee because the Bureau of the Mint will be in to justify their budget. We have complained about the dollar, but maybe you can update us on that.

Is it going well? Did you stop the program? Do the people refuse to take it?

Mr. BOLGER. We have never forced anybody to take it. If they wanted dollar bills, we gave them those and still do. It isn't going. There is no demand for them.

I have not heard much about it. People usually don't want to take them. We keep them there.

If people want them, it is no problem for us. There is a good cooperative effort with another government agency to get them into circulation. I would say the program is dormant.

Mr. MILLER. You did the same as I do. We tried to circulate them, and that is the best we could do, try without forcing them. Some people did want them or request them at the counters at the post office. They have not changed?

Mr. BOLGER. No; and I think that is probably one of those things where it was a good idea whose time had not come.

REGIONAL OPERATIONS

Mr. MILLER. For the record, you have figures on the number of post offices you have, the number of branches, and the number of employees. You told us of the 195,000 automobiles, those that you own and those that you lease, and it would not hurt to have the payroll.

You did give us some figures on that.

[The information follows:]

U. S. POSTAL SERVICE
Selected Operating Statistics
Fiscal Years 1971 - 1980

Fiscal Year	Number of Post Offices	Contract Stations & Branches	Total P.O. Stations & Branches	City Delivery		No. of Rural Routes	Mail Volume (Millions)
				No. of Routes	No. of Poss. Del. (Millions)		
1971	31,947	4,437	42,287	132,923	57.0	31,517	86,983
1972	31,685	4,603	42,254	135,262	58.4	31,440	87,156
1973	31,385	4,096	41,434	136,449	60.1	30,674	89,683
1974	31,000	3,952	40,914	130,417	63.0	31,345	90,098
1975	30,754	3,808	40,546	130,000	62.6	32,648	89,266
1976	30,521	3,796	40,392	125,938	63.2	32,616	89,768
1977	30,521	3,798	40,322	124,071	64.7	32,741	92,224
1978	30,518	3,438	39,870	124,631	65.5	33,683	96,913
1979	30,449	3,415	39,733	127,531	67.1	35,142	99,829
1980	30,326	3,346	39,486	131,902	68.5	36,082	106,311

57781
Selected Operating Statistics

U. S. POSTAL SERVICE
 Personnel Statistics
 Fiscal Years 1971 - 1980

Fiscal Year	Number of Employees			Avg. Salaries & Benefits		Total Compensation and Benefits (\$ Millions)
	Total	Full-time	Other	Basic	Salaries & Benefits	
1971	728,911	545,911	183,000	\$ 9,111	\$10,187	7,467
1972	706,400	570,688	135,712	10,005	11,236	8,146
1973	701,051	548,876	152,175	10,660	12,085	8,451
1974	710,433	564,015	146,418	11,698	13,283	9,642
1975	702,257	559,064	143,193	12,943	14,823	10,805
1976	678,949	542,604	136,345	14,051	16,298	11,986
1977	655,097	528,556	126,541	15,157	17,696	13,124
1978	655,567	526,115	129,452	16,380	19,061	14,031
1979	663,067	533,749	129,318	17,495	20,258	15,162
1980	666,823	536,373	130,450	19,233	22,342	16,541

Personnel Statistics

5/7/81

5/7/81

U. S. POSTAL SERVICE
Selected Operating Statistics
Fiscal Years 1971 - 1980

Fiscal Year	Interior Sq. ft. of Space (000)	Vehicles		Total Vehicle Fleet
		U.S.P.S. Owned	Under Contract	
1971	158,997	83,095	N/A	N/A
1972	161,298	94,359	N/A	N/A
1973	166,710	98,906	92,746	191,652
1974	166,860	106,911	91,413	198,324
1975	170,149	113,516	87,835	201,351
1976	182,747	117,170	86,353	203,523
1977	183,046	118,569	78,591	197,160
1978	180,132	119,320	80,346	199,666
1979	183,538	121,850	81,586	203,436
1980	184,371	121,533	69,314	190,847

N/A, Not Available

5/11/81

Mr. MILLER. One question was that the operating expenses for administration and regional operations are up to 22.9 percent. Compensation and benefits for the administration and regional operations are up.

When you say regional operations, are we including the rank and file or is this only administration?

Mr. FINCH. Those two categories talk about our regional headquarters and related operations.

The reason there is a 22 percent increase in terms of administration in regional operations is not because an increase of personnel or salaries there, but because of some organizational transfer.

For instance, we have over the course of, I guess the last 18 months, created 350 new positions in the safety field. People that actually have line safety responsibility. Those are on the payroll of those regional offices, and we have added some women's programs coordinators who are on the regional administration payroll and some EEO coordinators that are new positions.

They used to be ad hoc positions. They used to show up in the general category of postal field operations.

We have had an actual decline in regional positions except for transfers, program responsibilities.

LEGISLATION RESTRICTING ZIP+4

Mr. MILLER. Mr. Chairman, I have a number of other questions, but I have another I would like to ask because it was prompted by the statement.

On page 2 the third paragraph down, you say:

While those factors place a limit on how much we can accomplish in a short time without placing further pressure on rates, the level of the President's proposed cut is reasonable, and we will do our best to make up for it by doing our job more economically.

But then the next sentence is where I have a question: "We hope the Congress will not enact measures which would restrict our ability to gain those efficiencies."

It makes a lot of sense, but I am not real positive just exactly what those efficiencies are that you are talking about or why you might be alarmed of what the Congress would enact that would create a problem for you.

Mr. BOLGER. The major one is all the activity up here in the introduction of legislation that would prevent us from getting full advantage of our automation, the voluntary ZIP plus 4.

Mr. MILLER. Thank you.

Mr. ROYBAL. Mr. Akaka?

Mr. AKAKA. One more question. It has to do with your foreign restrictions and limitations on borrowing.

BORROWING AUTHORITY

Will a rescission of \$250 million for fiscal year 1981 affect your level of borrowing for 1981 and 1982?

Mr. BOLGER. No; the only thing it would affect would be the restrictions that might come out of this appropriations process, and that is in 1982. We do not plan to borrow. Right now under the law we have borrowing authority for two billion dollars in any given

fiscal year, and a half billion of that is restricted for operating purposes.

We have not borrowed for any reason in four years. I have no plans to ask for any borrowing this year with or without the \$250 million.

Mr. ROYBAL. Mr. Bolger, on that same subject matter, will you please provide for the record a listing of the funds that have been borrowed to date, what your plans are regarding additional borrowings under this authority, and briefly describe your borrowing authority for the record, and indicate how you borrow, from whom, the interest rates, the purpose, the limitations, and repayment requirements.

Mr. BOLGER. Right.

[The information follows:]

U. S. Postal Service
Borrowing Schedule
As of Sept. 30, 1980
(millions of dollars)

	Rate	Amount Borrowed	R E P A Y M E N T S				Balance 9/30/80
			Refinanced	PL 94-421 (10/1/76 & 5/4/77)	Prepayment (9/28/79)	Regular	
<u>Capital</u>							
Bonds.....	6.875	250	...	...	...	250
Notes:							
2.....	8.20	500	...	...	100	400
6.....	8.075	800	...	...	160	640
8.....	7.80	375	...	...	60	315
Total Capital ...		1,925	...	...	320	1,605
<u>Operations</u>							
Notes:							
1.....	9.305	500	500 ^{1/}	...	200	...	
3.....	7.80	500	...	205	...	...
4.....	6.126	500	500 ^{2/}	...	...	...
5.....	7.65	500	...	300	...	...
7.....	7.78	700	...	420	140	140	
9.....	6.85	125	...	75	25	25	
Total Operations		2,825	1,000	1,000	365	165	
Total		4,750	1,000	1,000	365	1,770	

1/ Repaid with proceeds of Note 4.
2/ Repaid with proceeds of Note 5.

Mr. ROYBAL. We appreciate that.

ADVERTISING FOR CONTRACT SERVICES

The Postal Service established contract services.

Mr. BOLGER. Yes, sir.

Mr. ROYBAL. In one particular instance the contract services to be established in Los Angeles, in my district, and I was told that they only had one bidder.

We were lucky to get one bidder, because the method used, the so-called advertising, nobody seemed to know anything about it.

Mr. BOLGER. They just posted it in the lobby of a post office, and that was it.

Mr. ROYBAL. If it went out to the newspapers and was made available to this community in general, I would think you would get more than one bidder.

Mr. BOLGER. I will get it readvertised.

Mr. ROYBAL. Any other questions?

Mr. GUNNELS. We had planned, Mr. Postmaster General, for Chairman Whitten to be here, but he couldn't make it.

EFFECT OF BUDGET CUTS ON SERVICE

You have responded to this in part during the morning. In the event the \$250 million rescission is enacted, in the event this \$644 million reduction for 1982 is enacted, in the event you do not receive the additional \$1.1 billion income from the 20-cent versus the 18-cent stamp, in the event all of those things occur, do you feel you can continue to provide service to the American at your present level, including Saturday delivery of mail?

Mr. BOLGER. Tex, I have got to break those out. The reductions in the appropriations we are talking about, the \$250 million rescission in 1981 and the \$644 million in 1982, confine it to that, the answer is, I do not have to eliminate any service.

As to the \$1.1 billion reduction in income due to the Rate Commission, my plan would be not to eliminate any service. I won't move in that direction, but it has an impact, a real major impact. I would have to accelerate the filing of the rate case. We don't have all the time in the world to wait. They have that case back for reconsideration now. If they act soon, there won't be any problem, if they act responsibly.

Somewhere along the line, I am going to ask the Board for another filing.

I have no intention of taking a course of action that would reduce the level of service we are giving the public.

UNION CONTRACTS

Mr. GUNNELS. Let me lead you one step further out into the deep waters. You are facing a series of negotiations with the unions, I believe, in July.

Could that possibly not have a serious impact on your financial position if the unions prevail in negotiating an agreement that is substantially more than you presently have in view?

Mr. BOLGER. They won't be able to get a negotiated agreement because I won't agree to negotiate something that is going to go out

of bounds. We have built into our 1981 and 1982 appropriations, without factoring out as a separate line item, what we anticipate should be the maximum cost for the results of any labor negotiations, and I don't want to go beyond that.

Mr. GUNNELS. You have factored what you think would be reasonable into your 1982 operating plan?

Mr. BOLGER. Yes.

FIRST CLASS RATE OF 20 CENTS

Mr. ROYBAL. The increase from 18 to 20 cents is most crucial?

Mr. BOLGER. Yes, sir; it is crucial in this way, Mr. Chairman.

If they give us this 20 cents as they should have in the beginning, reasonably soon, I will be able to hold our rates for a couple of years.

If they don't, when we have to file again we are not talking about a 20 cent rate; we will have to project into a new future, and we could well be filing for a 22 or 23 cent rate.

Mr. ROYBAL. How high is it going to go without any government subsidy?

Mr. BOLGER. I think as long as we keep our rates reasonable people will use it; our rates are still reasonable compared to any other nation in the world.

REASONABLENESS OF POSTAL RATES

Mr. ROYBAL. I am glad you said compared to other nations in the world, because my constituents don't think it is reasonable.

Mr. BOLGER. What we render for that service and compare it to other nations, they would find it is reasonable, but we want to keep our rates as low as possible for as long as possible, and I do think that we have been successful in doing that. We have had three-year increments. The last one was 34 months ago with double digit inflation in the years since. I can assure you, my interest is not in raising postage rates.

Mr. ROYBAL. Mr. Addabbo, you are here just in time.

LABOR NEGOTIATIONS

Mr. ADDABBO. Have you started negotiations with the unions as far as the new contract is concerned? There seems to be some question about who is refusing to sit down and negotiate.

Mr. BOLGER. Well, Mr. Addabbo, we have some negotiations going on now with what we might call minor union contracts. On the major unions, we have not started negotiations yet. If you are looking for the person that might be responsible, that person is right across the table.

I did not go to the bargaining table on April 22 with the unions. If we could find the proper way to get the negotiations started, I am ready. I still have some reservations, and I still have an appeal right that is possible for me to take with the National Labor Relations Board, and I am studying that right now.

REDUCTION IN CUSTOMS SERVICE PERSONNEL

Mr. ADDABBO. There has been discussion before this committee about a possible reduction in the number of Customs Service people proposed by the new administration.

How would that impact on the Postal Service, because you have had a good working relationship with the Customs people, especially New York?

Mr. BOLGER. We have. I was suggesting if those gentlemen want to see a good operation in Customs, go up to New York.

It would probably have an adverse impact moving mail through. I don't know. I would have to talk to the Customs people, see what they could do by rescheduling manpower, but it could have an adverse impact in moving the mail through on a timely fashion.

We face that every once in a while at Christmas time when they can't get overtime apportionments and we have our employees on overtime. Usually we have been able to work it out, and I will be glad to sit down with the Customs people and see where we are going, and I will be glad to give them my support.

Mr. ADDABBO. It has been a good operation. We try to point out to the administration witnesses that just because you don't have a problem doesn't mean you should cut them back.

ABSORBING BUDGET CUTS

With regard to \$644 million reduction, for my own information, are you able to still absorb that \$644 million?

Mr. BOLGER. Three-hundred million of that will be revenue forgone, and we will increase the rates for the nonprofit organizations, so we really have to absorb \$344 million, and I plan to, without closing small post offices and cutting out six-day delivery, I think we can do it.

RATE INCREASE FOR SECOND- AND THIRD-CLASS MAIL

Mr. ADDABBO. Second-class, third-class and fourth-class mailers will have an increase?

Mr. BOLGER. We provided a schedule as to what kind of impact there will be.

Mr. ADDABBO. Will you need the approval of the Board of Governors?

Mr. BOLGER. Yes; for the increases in rates. These won't take place until October 1 at the earliest.

APPEAL PENDING TO POSTAL RATE COMMISSION

Mr. ADDABBO. What is the status of your appeal on your two-cent increase?

Mr. BOLGER. It is still pending. I am anxious to have them get it back as soon as possible. It will help us in this whole economic picture. The sooner we get it, if they don't give us this in a reasonable length of time, I am going to have to consider asking the Governors to file for another rate increase. The PRC has no time restrictions at all.

There is no time restriction on a reconsideration, which is unfortunate.

EFFECT OF BUDGET CUTS ON SERVICE

Mr. ADDABBO. My mail is no different from anyone else's mail and it has been filled with complaints about the failing Postal Service. I get letters postmarked a month before delivery. I get mail a week or even two weeks late, inviting me to an affair which already occurred.

If the reduction is granted by this committee, I opposed \$250 million rescission and, I oppose this, unless you get a fair rate increase, you are going to have to make reductions someplace. Will one be by not filling job positions?

Mr. BOLGER. No; it is by using better methods of processing mail, not cutting down the work force.

You get the same result as cutting down the work force by using more automation, but the answer is we are not going to do anything that deteriorates services.

I would rather go back and ask for another rate increase.

Mr. ADDABBO. Mechanization has not been the success that we thought it would be. We have seen the problems we have had in the center in New York, the many other centers have not been the success we had hoped they would be.

Are you still proceeding with your program of leasing instead of buying when it is cheaper to lease rather than buy?

Mr. BOLGER. If it is cost-effective, yes, we certainly should.

Mr. ADDABBO. Thank you; I have no further questions, Mr. Chairman.

Mr. ROYBAL. Mr. Bolger, we would like to thank you and your colleagues for your presence and for your testimony.

Mr. BOLGER. Thank you.

Mr. ROYBAL. The committee will recess until 2 o'clock.

[The justifications follow:]

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PART I
APPROPRIATION REQUEST

U. S. POSTAL SERVICE
Appropriations

The following schedules reflect the Postal Service's budget for fiscal year 1982 as submitted to the Office of Management and Budget without revision. Funding requested reflects the amounts authorized in Title 39 § 2401.

President Reagan has proposed that funding for public service costs and revenue forgone on free and reduced rate mail be reduced from the amounts authorized in Title 39 § 2401.

The Administration has revised the subsidy for public service costs to reflect a proposed \$250 million rescission in fiscal year 1981 and a reduction of \$344 million in fiscal year 1982. It is also proposed that the public service subsidy be phased out by fiscal year 1984.

A proposal has also been made to reduce the subsidy for revenue forgone on free and reduced rate mail from \$800 million to \$500 million in fiscal year 1982, a reduction of \$300 million.

The following schedule provides a summary and reconciliation of the appropriations requested with the funding recommended:

U. S. POSTAL SERVICE
 Appropriation Reconciliation
 FY 1980 - FY 1982
 \$000

	FY 1980 Actual	FY 1981 Continuing Resolution	FY 1982 Estimate
Budget estimate	1,676,810	1,593,217	1,513,151
<u>Recommended by President Carter:</u>			
Public service costs .....	....	-250,000	-394,000
Total recommended by President Carter	1,676,810	1,343,217	1,119,151
<u>Recommended by President Reagan:</u>			
Public service costs .....	....	....	+50,000
Revenue forgone .....	....	....	-299,911
Total recommended by President Reagan	1,676,810	1,343,217	869,240

3/9/81

APPROPRIATION RECONCILIATION

I-1a

U. S. POSTAL SERVICE
 Appropriations Summary
 FY 1980 - 1982
 (in thousands of dollars)

Item	FY 1980 Appropriations	FY 1981			FY 1982		
		Requested	President Recommended	Variance	Request	President Recommended	Variance
A. Total Budget Authority (appropriation)	1,676,810	1,593,217	1,343,217	-250,000	1,513,151	869,240	-644,000
B. Program by Activities:							
1. Public service costs	828,000	736,000	486,000	-250,000	644,000	300,000	-344,000
2. Free and reduced- rate mail (revenue forgone)	782,155	789,108	789,108	...	799,911	500,000	-299,911
3. Nonfunded Liabilities of the former Post Office Department.	66,655	68,109	68,109	...	69,240	69,240	...
Total Appropriations	1,676,810	1,593,217	1,343,217	-250,000	1,513,151	869,240	-644,000

2/23/81

APPROPRIATION SUMMARY

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U. S. POSTAL SERVICE
 Appropriation by Program
 FY 1980 - 1982
 (in thousands of dollars)

ITEM	FY 1980 Appropriations		FY 1981			FY 1982		Increase or decrease compared with FY 1981	
	Requested	President Recommended	Continuing Resolution	Request	President Recommended	Request	President's Recommendation		
Program by Activities:									
1. Public service costs	828,000	486,000	736,000	644,000	300,000	92,000	-186,000		
2. Revenue forgone:									
a. Continuing appropriation	289,895	310,990	310,990	527,894	...	216,904	...		
b. Phasing appropriation	445,518	366,910	366,910	255,189	...	-111,721	...		
Total current year estimate	735,413	677,900	677,900	783,083	...	105,183	...		
c. Reconciliation adjustment actual versus estimate:									
(1) Continuing	-7,009	140,193	140,193	36,490	...	-103,703	...		
(2) Phased rates	53,751	-28,985	-28,985	-19,662	...	9,323	...		
Total reconciliation adjustment	46,742	111,208	111,208	16,828	...	-94,380	...		
Total revenue forgone	782,155	789,108	789,108	799,911	500,000	10,803	-289,108		
Total Operating Appropriations	1,610,155	1,275,108	1,525,108	1,443,911	800,000	-81,197	-475,108		
3. Nonfunded liabilities of the former Post Office Department									
a. Annual leave liability	31,000	31,000	31,000	31,000	31,000	...	...
b. Employees' compensation fund	35,655	37,109	37,109	38,240	38,240	1,131	1,131		
Total Post Office Department liabilities	66,655	68,109	68,109	69,240	69,240	1,131	1,131		
Total Appropriations	1,676,810	1,343,217	1,593,217	1,513,151	869,240	-80,066	-473,977		

Appropriation by Program

I-3

3/4/81

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, \$1,513,151,000.

The following language was included in the President's Budget:

During 1982, and within the resources and authority available, obligations against borrowing authority shall not exceed \$1,000,000,000. Not more than \$500,000,000 of this total annual amount is to be provided for operating expenses. Funds borrowed for operating expenses shall be repaid within a period not to exceed 12 months.

Program and Financing
(in thousands of dollars)

	1980 <u>Actual</u>	1981 <u>Actual</u>	1982 <u>Request</u>
<u>Program by activities:</u>			
Payment to the Postal Service fund for:			
Previous nonfunded liabilities of the Post			
Office Department	66,655	68,109	69,240
Public service costs	828,000	736,000	644,000
Free and reduced-rate mail	782,155	789,108	799,911
Total payment to the Postal Service Fund (costs-obligations) (object class 41.0).	1,676,810	1,593,217	1,513,151

Financing:
Budget authority (appropriation) 1,676,810 1,593,217 1,513,151

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

	1980 Actual	1981 Actual	1982 Request
Relation of obligations to outlays:			
Obligations incurred net	1,676,810	1,593,217	1,513,151
Adjustments in expired accounts 1/..	68		
Outlays	<u>1,676,878</u>	<u>1,593,217</u>	<u>1,513,151</u>

This appropriation of \$1,513,151 thousand is for the purpose of reimbursing the Postal Service for public service costs and loss in revenue associated with carrying certain categories of mail at free and reduced rates and for previously unfunded liabilities of the former Post Office Department. The \$69,240 thousand provides \$38,240 thousand to cover payments to the employees' compensation fund in 1982 for injuries to postal employees which occurred prior to July 1, 1971, and \$31 million to cover one-twelfth of the \$372,796,423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

The transactions of the Postal Service appear in Part IV of the Appendix under Off-Budget Federal Entities.

The following table represents the estimated revenue forgone by the Postal Service in 1982 for carrying certain categories of mail at free and reduced rates.

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

APPROPRIATIONS
Justifications

Estimated Revenue Forgone Appropriations, FY 1982
(in thousands of dollars)

Class of Service	Phasing appropriations	Continuing appropriations	Total Revenue Forgone
Second-class:			
In-county	14,242	17,741	31,983
Nonprofit	59,303	28,045	87,348
Classroom	929	5,769	6,698
Regular-rate	21,362	12,314	33,676
Total	<u>95,836</u>	<u>63,869</u>	<u>159,705</u>
Controlled circulation	...	...	...
Third-class:			
Bulk nonprofit	139,552	414,899	554,451
Fourth-class:			
Special rate	...	...	...
Library rate	19,801	32,429	52,230
Total	<u>19,801</u>	<u>32,429</u>	<u>52,230</u>
Free for blind, etc.	...	16,697	16,697
GRAND TOTAL	<u>255,189</u>	<u>527,894</u>	<u>783,083</u>

1/ Excludes reconciliation adjustment.

1/26/81 ESTIMATED REVENUE FORGONE APPROPRIATIONS, FY 1982 I-6

APPROPRIATIONS
Justifications - Cont'd

1. FY 1982 Appropriation Requested for Public Service Costs \$644,000,000.

ITEM	FY 1980		FY 1981		FY 1982	
	Amount	Change Over Prior Year	Amount	Change Over Prior Year	Amount	Change Over Prior Year
Postal Service request	828,000		736,000	-92,000	644,000	-92,000
Appropriation received	828,000		736,000	-92,000	...	...

In compliance with Title 39 U.S.C., public service appropriations are authorized to the Postal Service for fiscal year 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;

3/4/81

APPROPRIATIONS - Cont'd

I-7

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 three 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.

APPROPRIATIONS
Justifications - Cont'd

2. FY 1982 Appropriation Requested for Revenue Forgone \$799,911,000:

ITEM	(in thousands of dollars)		
	FY 1980	FY 1981	FY 1982
	Amount	Change Over Prior Year	Amount
a. Continuing appropriation ...	289,895	21,095	527,894
b. Phasing appropriation	445,518	-78,608	255,189
Subtotal	735,413	677,513	783,083
c. Reconciliation adjustment ..	46,742	64,466	16,828
Total Revenue Forgone	782,155	789,108	799,911
		6,953	10,803

1/ FY 1982 includes new rates effective March, 1981.

An appropriation of \$799,911,000 is requested in fiscal year 1982 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 1982 Continuing Appropriation Requested, \$527,894,000.

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. 3403 (a) (1) and the full unphased rates they would mainly pay if they were regular commercial mailers). Funds for this appropriation request are authorized by 39 U.S.C. 2401 (c).

b. FY 1982 Phasing Appropriation Requested, \$255,189,000.

Of the total requested for free and reduced-rate mail, \$255,189,000 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).

1/26/81

APPROPRIATIONS - Cont'd

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APPROPRIATIONS
Justifications - Cont'd

c. Reconciliation adjustment, Revenue Forgone, \$16,828,000.
(in thousands of dollars)

ITEM	FY 1980		FY 1981		FY 1982	
	Amount	Change Over Prior Year	Amount	Change Over Prior Year	Amount	Change Over Prior Year
(1) Continuing	-7,009	147,202	140,193	36,490	-103,703	
(2) Phasing	53,751	-82,736	-28,985	-19,662	9,323	
Subtotal	46,742	64,466	111,208	16,828	-94,380	

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 fiscal year 1979, indicate that the appropriation received for free and reduced-rate mail was 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 fiscal year 1979, it was estimated that appropriations amounting to \$799,544,000 would be required for free and reduced-rate mail. However, audited mail volumes indicate that \$816,372,000 - a shortfall of \$16,828,000 - would be required to fully reimburse the Postal Service for services provided.

1/26/81

APPROPRIATIONS - Cont'd

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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 \$16,828,000 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
Phasing appropriation			
Second-class	231,270	248,393	17,123
Controlled circulation	8,512	16,886	8,374
Third-class, bulk nonprofit	257,279	212,697	-44,582
Fourth-class	67,376	66,799	-577
Total Phasing Appropriation	564,437	544,775	-19,662
Continuing appropriation			
Second-class	31,240	53,218	21,978
Third-class	165,824	167,979	2,155
Fourth-class, library rate	28,556	33,754	5,198
Free for the blind and qualified handicapped	9,487	16,646	7,159
Total Continuing Appropriation	235,107	271,597	36,490
Total Revenue Forgone	799,544	816,372	16,828

1/28/81

APPROPRIATIONS - Cont'd

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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, labor, 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.

2/9/81

APPROPRIATIONS - Cont'd

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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.

1/21/81

APPROPRIATIONS - Cont'd

I-13

APPROPRIATIONS
Justifications - Cont'd

3. FY 1982 Appropriation Request for the nonfunded liabilities of the former Post Office Department, \$69,240,000.

ITEM	(in thousands of dollars)					
	FY 1980		FY 1981		FY 1982	
	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	...
b. Employees' Compensation Fund	35,655	1,454	37,109	1,454	38,240	1,131
Total Post Office Department Liabilities	66,655	1,454	68,109	1,454	69,240	1,131

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

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APPROPRIATIONS - Cont'd

APPROPRIATIONS
Justifications - 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, \$38,240,000:

An annual amount is requested to fund compensation paid to postal employees for injuries which occurred prior to July 1, 1971, while employed by 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)
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
1980	1982	5,069	38,240

1/26/81

APPROPRIATIONS - Cont'd

PART II
SUPPLEMENTAL APPROPRIATIONS
TO BE REQUESTED

U. S. POSTAL SERVICE
FEDERAL FUNDS

Analysis of Additional Funds Requested
(in thousands of dollars)

	FY 1981 Appropriation	Revised Estimate	Proposed Supplemental
<u>Transitional Expense:</u>			
POD Annual Leave Liability	31,000	31,000	...
POD Liability for Workers' Compensation	37,109	37,109	...
Total	<u>68,109</u>	<u>68,109</u>	...
<u>Public Service Costs</u>	<u>736,000</u>	<u>736,000</u>	...
<u>Revenue Forgone:</u>			
Continuing (P.L. 91-375)	310,990	413,410	102,420
Phasing (P.L. 93-328)	366,910	346,910	-20,000
Total	<u>677,900</u>	<u>760,320</u>	<u>82,420</u>
Reconciliation adjustment	111,208	111,208	...
<u>Total Appropriation</u>	<u>1,593,217</u>	<u>1,675,637</u>	<u>82,420</u>

This request will provide funds to cover the additional revenue forgone by the Postal Service as a result of rate changes proposed to be implemented in March, 1981.

U. S. POSTAL SERVICE

Supplemental now requested, existing legislation

General and special funds:

Payment to the Postal Service Fund

For an additional amount for "Payment to the Postal Service Fund," for revenue forgone on free and reduced rate mail pursuant to 39 U.S.C. 2401 (c) as amended, \$82,420,000.

	<u>1980</u>	<u>1981</u>	<u>1982</u>
	Actual	Estimate	Estimate
Program and Financing (in thousands of dollars)			
Program by activities:			
Payment to the Postal Service fund (costs-obligations)	82,420	...

Financing:

Budget authority (supplemental now requested)

82,420

Relations of obligations to outlays:

Obligations incurred, net	82,420	...
Outlays	82,420	...

This supplemental appropriation is requested to cover the additional revenue forgone by the Postal Service as a result of rate changes proposed to be implemented in March, 1981. The amount requested is equal to the difference between the revenues the Postal Service would have received at the new rate levels and what it actually receives for carrying certain classes of mail at free and reduced rates pursuant to section 2401 (c) of Public Law 91-375.

U.S. POSTAL SERVICE
 FY 1981
 REVENUE FORGONE SUBSIDY
 (in thousands of dollars)

<u>Mail Category</u>	<u>Presently Available</u>	<u>Revised Request</u>	<u>Proposed Supplemental</u>
<u>Second-Class Mail:</u>			
Within-the-county	39,989	41,486	1,497
Outside-the-county:			
Nonprofit publications	102,065	103,506	1,441
Classroom publications	7,664	7,435	- 229
Regular-rate publications	14,853	43,516	28,663
<u>Third-Class Mail:</u>			
Bulk Rate Non-Profit	419,507	489,190	69,683
<u>Fourth-Class Mail:</u>			
Library Material	69,580	56,756	-12,824
Free Mail for Blind and Handicapped	<u>24,242</u>	<u>18,431</u>	<u>- 5,811</u>
Total	<u>677,900</u>	<u>760,320</u>	<u>82,420</u>

PART III
PROGRAM AND FINANCING

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 investments in obligations and securities.

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.

1/6/81

PROGRAM AND FINANCING

III-1

U. S. POSTAL SERVICE

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, 1982, it is expected that indebtedness outstanding pursuant to this borrowing authority will amount to \$1.5 billion.

Operating - Estimated receipts will total \$24.0 billion in 1982. This includes \$22.0 billion from mail and services revenue, \$444.3 million from investment income, \$1.5 billion from appropriations including \$69.2 million to cover unfunded liabilities of the Post Office Department, and miscellaneous other income of \$17.6 million.

1/22/81

PROGRAM AND FINANCING - (Cont'd)

III-2

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

ITEM	1980	1981	1982
	Actual	Estimate	Estimate
Program by activities:			
Direct operating costs, funded:			
Postal field operations	15,250,609	16,645,430	17,765,466
Transportation	1,274,453	1,738,289	2,001,190
Building occupancy	486,366	547,380	612,937
Supplies and services	291,943	380,653	419,102
Research and development	23,825	45,297	36,599
Administration and regional operations	2,078,084	2,012,303	2,472,499
Servicewide expenses	-72,892	82,989	88,250
Subtotal	<u>19,332,388</u>	<u>21,452,341</u>	<u>23,396,043</u>
Adjustment for prior year obligations:			
(a) Workers' compensation	35,655	37,109	38,240
(b) Employees' earned and unused annual leave	31,000	31,000	31,000
(c) Other transactions	60	...	...
Total direct operating costs, funded	<u>19,399,103</u>	<u>21,520,450</u>	<u>23,465,283</u>
Change in selected resources (undelivered orders) $\frac{1}{}$	94,501	...	...
Total direct operating obligations	<u>19,493,604</u>	<u>21,520,450</u>	<u>23,465,283</u>
Reimbursable program:			
Operating services	120,983	157,282	178,059
Total operating obligations	<u>19,614,587</u>	<u>21,677,732</u>	<u>23,643,342</u>

1/12/81

PROGRAM AND FINANCING - (Cont'd)

III-3

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

ITEM	1980 Actual	1981 Estimate	1982 Estimate
Capital investment funded:			
Capital investment	378,064	507,756	742,262
Adjustment for prior year obligations	8	...	...
Change in selected resources (undelivered orders)	140,914	236,566	161,541
Total capital obligations	<u>518,986</u>	<u>744,322</u>	<u>903,803</u>
Total obligations	<u>20,133,573</u>	<u>22,422,054</u>	<u>24,547,145</u>
Financing:			
Receipts, other income and reimbursements from:			
Federal Funds:			
Receipts from other Government agencies for mail and other postal services	-744,767	-816,355	-967,023
Other income and reimbursements	-151,055	-177,799	-194,439
Public service and transitional subsidies	-1,676,810	-1,675,637	-1,513,151
Liquidation of Post Office Department liabilities	-68	...	...
Receipts from investments	-499,345	-366,550	-443,881
Non-Federal sources:			
Mail and other postal services	-16,375,366	-18,864,059	-21,042,801
Other income and reimbursements	-25,213	-23,743	-29,105
Receipts from investments	-720	-350	-419
Unobligated balance available, start of year:			
Authority to borrow	-5,315,549	-4,655,320	-4,157,759
Fund balance	-217,457	-183,740	-183,740

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PROGRAM AND FINANCING - (Cont'd)

III-4

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

ITEM	1980 Actual	1981 Estimate	1982 Estimate
Unobligated balance available, end of year:			
Authority to borrow	4,655,320	4,157,759	3,801,433
Fund balance	183,740	183,740	183,740
Adjustment in unobligated balance	33,717	...	...
Budget authority	...	...	...
Relation of obligations to outlays:			
Obligations incurred, net	660,229	497,561	356,326
Obligated balance, start of year:			
Authority to borrow	2,847,451	3,574,680	4,304,241
Fund balance	2,113,478	2,477,805	2,108,814
Obligated balance, end of year:			
Authority to borrow	-3,574,680	-4,304,241	-4,727,567
Fund balance	-2,477,805	-2,108,814	-2,505,771
Outlays	-431,327	136,991	-463,957

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
Inventories	55,007	76,671	76,671	76,671
Unpaid, undelivered orders	180,399	253,236	253,236	253,236
Total at end of year	235,406	329,907	329,907	329,907
Prior year adjustments	...	...	...	...
Adjusted balance	235,406	329,907	329,907	329,907
Change in selected resources	...	94,501	...	...

1/12/81

PROGRAM AND FINANCING - (Cont'd)

III-5

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

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
Unpaid, undelivered orders	218,833	340,236	581,802	748,343
Mortgages payable	51,237	70,756	65,756	60,756
Total at end of year	270,070	410,992	647,558	809,099
Prior year adjustments	8	...	...	...
Adjusted balance	270,078	410,992	647,558	809,099
Change in selected resources		140,914	236,566	161,541

1/6/81

PROGRAM AND FINANCING - (Cont'd)

III-6

PART IV
U. S. POSTAL SERVICE
PROGRAM BUDGET

BUDGET HIGHLIGHTS
Fiscal Year 1982

The Postal Service's budget for Fiscal Year 1982 reflects the following assumptions and objectives:

- Mail volume will reach 110,606 million pieces, an increase of 2,156 million pieces or about 2.0 percent increase over Fiscal Year 1981.
- Over-all productivity, based on total workyears and pieces delivered, are projected to increase 3.0 percent in 1981 and 3.5 percent in 1982.
- End-of-year employment for 1981 to be 660,601, a decrease of 6,292 from 1980, and by end of Fiscal Year 1982 to be 651,278.
- No borrowing is included in FY 1981 or FY 1982. Debt repayments of \$232 million in FY 1981 and \$67 million in FY 1982 are included in the budget. Outstanding borrowing as of the end of FY 1982 is estimated to be \$1.471 billion.
- Contributions to the fund deficit of the Civil Service Retirement and Disability Fund involving postal pay raises since July 20, 1971, includes \$758 million in 1981, and \$1,074 million in 1982.

BUDGET HIGHLIGHTS - (Cont'd)

- Total revenues and subsidy appropriations for 1982 are estimated to be \$23.9 billion.
- Accrued costs are estimated to be \$23.4 billion for 1982 - an increase of \$1.9 billion or 9.1 percent over Fiscal Year 1981.
- Estimated net income to be \$0.3 billion in 1982.
- A capital investment program for 1982 of \$904 million in commitments, up \$159 million from 1981. Major components include \$469 million for building construction, purchases and improvements; \$147 million for mail processing equipment; \$200 million for vehicles; and \$88 million for customer services and other equipment.
- Only the Federal payment to the Postal Service is included in the budget totals. Information on postal operations is shown in the annexed section of the Budget appendix.

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BUDGET HIGHLIGHTS - (Cont'd)

IV-2

BUDGET HIGHLIGHTS - (Cont'd)
1980 - 1982

ITEM	FY 1980 Actual	FY 1981 Estimate	FY 1982 Estimate
Filled positions (end of year)	666,893	660,601	651,278
Workyears	679,184	672,816	663,070

Mail volume (millions of pieces)	106,311	108,450	110,606
Mail volume (percent change over previous year)	6.5%	2.0%	2.0%
Workyears (percent change over previous year)	0.9%	-0.9%	-1.5%
Over-all productivity (percent change over previous year)	5.5%	3.0%	3.5%

Revenue and operating receipts	19,252,980	21,672,920	23,915,630
Total expenses	19,559,372	21,675,862	23,629,081
Net income or loss (-)	-306,392	-2,942	286,549
Capital commitments	518,986	744,322	903,803

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

	1980 Actual	1981 Estimate	1982 Estimate
<u>Revenue and operating receipts:</u>			
Mail and service revenues	17,120,131	19,680,414	22,009,824
Investment income	500,065	366,900	444,300
Other income	22,629	18,078	17,595
Revenue other than subsidies	<u>17,642,825</u>	<u>20,065,392</u>	<u>22,471,719</u>
Total appropriations	1,676,810	1,675,637 1/	1,513,151
Less: POD transitional costs	-66,655	-68,109	-69,240
Net appropriations	<u>1,610,155</u>	<u>1,607,528</u>	<u>1,443,911</u>
Total revenue	<u>19,252,980</u>	<u>21,672,920</u>	<u>23,915,630</u>

Operating expenses:

<u>Payable from the Postal Service Fund, funded:</u>			
Postal field operations	15,250,609	16,645,430	17,765,466
Transportation	1,274,453	1,738,289	2,001,190
Building occupancy	486,366	547,380	612,937
Supplies and services	291,943	380,653	419,102
Research and development	23,825	45,297	36,599
Administration and regional operations	2,078,084	2,012,303	2,472,499
Service-wide expenses	-72,892	82,989	88,250
Total accrued costs	<u>19,332,388</u>	<u>21,452,341</u>	<u>23,396,043</u>

Other operating expenses (nonfunded):

Depreciation and amortization of fixed assets	232,366	245,551	255,653
Expendable equipment and other write-offs	2,288	-14,630	-14,565
Total other operating expenses (non-funded)	<u>234,654</u>	<u>230,921</u>	<u>241,088</u>
Total operating expenses	<u>19,567,042</u>	<u>21,683,262</u>	<u>23,637,131</u>

1/14/81

STATEMENT OF REVENUE AND EXPENSE

IV-4

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

	1980 Actual	1981 Estimate	1982 Estimate
Net operating income or loss (-)	-314,062	-10,342	278,499
Proceeds from sale of assets	32,656	26,182	27,890
Net book value of assets	-24,986	-18,782	-19,840
Gain or loss(-) on sale of assets	<u>7,670</u>	<u>7,400</u>	<u>8,050</u>
Net income or loss (-)	<u>-306,392</u>	<u>-2,942</u>	<u>286,549</u>

1/ The FY 1981 appropriation reflects the full amount included in Public Law 96-536.

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STATEMENT OF REVENUE AND EXPENSE - (Cont'd)

1/22/81

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
<u>Assets</u>				
Current Assets:				
Cash	144,163	174,922	192,747	229,704
Investments	2,238,716	2,526,816	2,140,000	2,500,000
Accounts receivable:				
U. S. Government agencies	147,505	123,824	144,824	141,324
Foreign countries	28,916	39,701	42,701	43,701
Other	74,416	5,847	7,347	7,847
Total	250,837	169,372	194,872	192,872
Less: Allowance	-12,915	-11,935	-12,435	-12,435
Accounts receivable, net	237,922	157,437	182,437	180,437
Inventories	55,007	76,671	76,671	76,671
Advances and prepayments	11,359	11,098	11,598	11,298
Total Current Assets	2,687,167	2,946,944	2,603,453	2,998,110
Other Assets	955	900	845	790
Property and Equipment, net	4,192,986	4,331,127	4,584,235	5,060,624
Deferred Retirement Costs	9,510,743	9,925,600	10,551,600	15,112,600
Total Assets	16,391,851	17,204,571	17,740,133	23,172,124
<u>Liabilities</u>				
Current Liabilities:				
Outstanding money orders	183,040	210,853	210,853	210,853
Accrued payroll	100,250	200,913	245,613	282,113
Payroll taxes and civil service retirement including amounts withheld	452,310	527,372	561,917	716,808
Workers' Compensation 1/	157,082	174,146	193,200	208,900
Accounts payable to other Government agencies	188,016	164,891	159,180	157,617
Other accounts payable and accrued expenses	566,503	958,769	428,769	423,769

STATEMENT OF FINANCIAL CONDITION-(Cont'd)

12/19/80

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
Current Liabilities (Cont'd)				
Notes payable - FFB 2/	67,000	232,000	67,000	67,000
Mortgages payable	3,600	5,000	5,000	5,000
Prepaid permit mail and box rentals	269,640	279,343	287,843	284,343
Estimated prepaid postage in hands of the public	621,000	675,000	833,000	836,000
Total Current Liabilities	<u>2,608,441</u>	<u>3,428,287</u>	<u>2,992,375</u>	<u>3,202,403</u>
Long-term Debt:				
Notes payable - FFB 2/	1,520,000	1,288,000	1,221,000	1,154,000
USPS bonds payable	250,000	250,000	250,000	250,000
Mortgages payable	47,637	65,756	60,756	55,756
Total Long-term Debt	<u>1,817,637</u>	<u>1,603,756</u>	<u>1,531,756</u>	<u>1,459,756</u>
Other Liabilities:				
Employees' accumulated leave 3/	529,606	589,902	636,902	682,402
Workers' compensation 1/	2,190,000	2,510,000	2,912,291	3,426,191
Other claims	300,000	25,000	5,000	5,000
Amounts payable for retirement benefits	9,389,859	9,766,557	10,352,682	14,769,696
Total Other Liabilities	<u>12,409,465</u>	<u>12,891,459</u>	<u>13,906,875</u>	<u>18,883,289</u>
Total Liabilities	<u>16,835,543</u>	<u>17,923,502</u>	<u>18,431,006</u>	<u>23,545,448</u>
Government Equity				
Undelivered Orders:				
Operations	180,399	253,236	253,236	253,236
Capital investment	218,833	340,236	581,802	748,343
Total Undelivered Orders	<u>399,232</u>	<u>593,472</u>	<u>835,038</u>	<u>1,001,579</u>
Uncommitted balances:				
Authority to borrow	5,315,549	4,655,320	4,157,759	3,801,433
Total unexpended balance	5,714,781	5,248,792	4,992,797	4,803,012
Undrawn borrowing authorizations	-8,163,000	-8,230,000	-8,462,000	-8,529,000
Total funded balance	<u>-2,448,219</u>	<u>-2,981,208</u>	<u>-3,469,203</u>	<u>-3,725,888</u>

12/19/80

STATEMENT OF FINANCIAL CONDITION-(Cont'd)

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
Government Equity (cont'd)				
Receivable established for future appropriations	31,000	31,000	31,000	31,000
Investment in property, equipment and inventories, net	1,973,527	2,231,277	2,747,330	3,321,664
Total Government Equity/Defi- ciency (-)	-443,692	-718,931	-690,873	-373,324
Total Liabilities and Equity ...	16,391,851	17,204,571	17,740,133	23,172,124

Analysis of Changes in Government
Equity:

Non-interest bearing capital:				
Start of period	-945,222	-443,692	-718,931	-690,873
Transfers and adjustments 4/ ..	31,694	31,153	31,000	31,000
Net income or loss (-) for year .	469,836	-306,392	-2,942	286,549
Total	-443,692	-718,931	-690,873	-373,324

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

1/ The Postal Service records as an operating expense in the year of injury the discounted present value of the total estimated costs of claims based upon estimates of length of time claims will be paid depending upon severity of injury, age, assumed mortality and other factors.

2/ Notes payable transactions in thousands of dollars:

	Issued	Retired	Total	Outstanding	
				Current	Long-term
Sept. 30, 1979, Balance	4,500,000	2,913,000	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
Sept. 30, 1982	...	67,000	1,221,000	67,000	1,154,000

3/ At the beginning of 1972, the Postal Service carried a liability of \$372,796 thousand from the former Post Office Department for earned and unused annual leave of postal employees. This liability is being funded over a period of 12 years through the appropriation process.

Employees' accumulated annual leave in thousands of dollars:

	Total	
	Unfunded	Funded
9/30/79	138,421	391,185
9/30/80	107,421	482,481
9/30/81	76,421	560,481
9/30/82	45,421	636,981

1/23/81

STATEMENT OF FINANCIAL CONDITION-(Cont'd)

IV-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>1980 Actual</u>	<u>1981 Estimate</u>	<u>1982 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>153</u>	...	...
Total transfers and adjustments	<u>31,153</u>	<u>31,000</u>	<u>31,000</u>

U. S. POSTAL SERVICE

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

	1980 Actual	1981 Estimate	1982 Estimate
<u>Sources of Working Capital:</u>			
Net income or loss (-)	-306,392	- 2,942	286,549
Charges to operations not requiring current out- lay of working capital:			
Depreciation, amortization and non-fund costs.	234,654	230,921	241,088
Increase in provision for non-current workers' compensation claims	320,000	402,291	513,900
Increase in employees' accumulated annual leave	60,296	47,000	45,500
Total sources from operations	<u>308,558</u>	<u>677,270</u>	<u>1,087,037</u>
Capital contributions by U. S. Government	153	...	...
Increase in mortgages payable	24,158	...	...
Appropriations for POD liabilities	66,655	68,109	69,240
Assets sold - net book value	24,986	18,782	19,840
Increase in non-current amount payable for retirement benefits	<u>376,698</u>	<u>586,125</u>	<u>4,417,014</u>
Total Sources	<u>801,208</u>	<u>1,350,286</u>	<u>5,593,131</u>

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STATEMENT OF CHANGES IN FINANCIAL POSITION - (Cont'd)

1/22/81

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

	1980 <u>Actual</u>	1981 <u>Estimate</u>	1982 <u>Estimate</u>
Uses of Working Capital:			
Additions to property and equipment	397,726	502,756	737,262
Reduction in mortgages payable	4,639	5,000	5,000
Payment of notes payable	67,000	232,000	67,000
Payment of POD liabilities	35,655	37,109	38,240
Increase in deferred retirement costs-net	414,857	626,000	4,561,000
Decrease in other claims	275,000	20,000	..*
Total Uses	<u>1,194,877</u>	<u>1,422,865</u>	<u>5,408,502</u>
Increase or Decrease (-) in Working Capital <u>1/</u>	<u>- 393,669</u>	<u>- 72,579</u>	<u>184,629</u>

1/ Current portion of notes and mortgages payable excluded.

1/7/81

STATEMENT OF CHANGES IN FINANCIAL POSITION

IV-12

CATEGORY SUMMARY
OPERATING EXPENSES
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	666,893	660,601	-6,292	-0.9	651,278	-9,323	-1.4
2. Workyears	679,184	672,816	-6,368	-0.9	663,070	-9,746	-1.4
CATEGORY							
I. Postal Field Operations ..	15,250,609	16,645,430	1,394,821	9.1	17,765,466	1,120,036	6.7
II. Transportation	1,274,453	1,738,289	463,836	36.4	2,001,190	262,901	15.1
III. Building Occupancy	486,366	547,380	61,014	12.5	612,937	65,557	12.0
IV. Supplies and Services ..	291,943	380,653	88,710	30.4	419,102	38,449	10.1
V. Research and Development	23,825	45,297	21,472	90.1	36,599	-8,698	-19.2
VI. Administration and							
Regional Operations ..	2,078,084	2,012,303	-65,781	-3.2	2,472,499	460,196	22.9
Service-wide Expenses ..	-72,892	82,989	155,881	...	88,250	5,261	6.3
VIII. Depreciation and Other							
Costs	234,654	230,921	-3,733	-1.6	241,088	10,167	4.4
Capital Investment	518,986	744,322	225,336	43.4	903,803	159,481	21.4
Subtotal	20,086,028	22,427,584	2,341,556	11.7	24,540,934	2,113,350	9.4
Less: Gain on Sales of Assets	-7,670	-7,400	270	3.5	-8,050	-650	-8.8
Capital Investment	-518,986	-744,322	-225,336	-43.4	-903,803	-159,481	-21.4
Total Operating Expenses	19,559,372	21,675,862	2,116,490	10.8	23,629,081	1,953,219	9.0

1/22/81

CATEGORY SUMMARY OPERATING EXPENSES

IV-13

CATEGORY I
 POSTAL FIELD OPERATIONS
 SUMMARY BY COST SEGMENT
 FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Amount	Pct.
RESOURCES:								
1. Positions	653,327	647,042	- 6,285	- 1.0	637,813	- 9,229	- 1.4	
2. Workyears	665,692	659,331	- 6,361	- 1.0	649,678	- 9,653	- 1.5	
EXPENSES (\$000):								
1. Postmasters	711,061	775,132	64,071	9.0	831,474	56,342	7.3	
2. Supervisors and Technicians	1,258,883	1,374,877	115,994	9.2	1,474,560	99,683	7.3	
3. Clerks and Mailhandlers,								
CAG A-J	6,627,827	7,185,820	557,993	8.4	7,473,910	288,090	4.0	
CAG K	57,019	59,932	2,913	5.1	63,908	3,976	6.6	
6&7. City Delivery								
Carriers	4,242,428	4,664,036	421,608	9.9	5,089,763	425,727	9.1	
Vehicle Drivers	143,643	157,990	14,347	10.0	170,856	12,866	8.1	
8. Special Delivery								
Messengers	67,638	65,681	-1,957	-2.9	64,251	-1,430	-2.2	
Rural Carriers	1,111,907	1,231,503	119,596	10.8	1,357,690	126,187	10.2	
11. Custodial (Maintenance)								
Service	673,403	739,198	65,795	9.8	804,148	64,950	8.8	
Motor Vehicle Service	294,227	322,106	27,879	9.5	358,889	36,783	11.4	
13. Miscellaneous Costs	62,573	69,155	6,582	10.5	76,017	6,862	9.9	
Total Accrued Costs	15,250,609	16,645,430	1,394,821	9.1	17,765,466	1,120,036	6.7	

CATEGORY I - POSTAL FIELD OPERATIONS - COST SEGMENT SUMMARY

IV-14

CATEGORY I

POSTAL FIELD OPERATIONS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change		
			Amount	Pct.		Amount	Pct.	
RESOURCES:								
1. Positions	653,327	647,042	- 6,285	-1.0	637,813	- 9,229	-1.4	
2. Workyears	665,692	659,331	- 6,361	-1.0	649,678	- 9,653	-1.5	
EXPENSES (\$000):								
Salaries and benefits	14,790,920	16,101,230	1,310,310	8.9	17,133,364	1,032,134	6.4	
Travel of persons	35,058	38,846	3,788	10.8	42,865	4,019	10.3	
Transportation of things ...	229,714	288,528	58,814	25.6	345,996	57,468	19.9	
Rent, communications and utilities	1,628	1,771	143	8.8	1,938	167	9.4	
Other services	54,120	58,878	4,758	8.8	64,314	5,436	9.2	
Supplies and materials	140,153	157,250	17,097	12.2	178,165	20,915	13.3	
Subtotal	15,251,593	16,646,503	1,394,910	9.1	17,766,642	1,120,139	6.7	
Reimbursements	- 984	- 1,073	- 89	- 9.0	- 1,176	- 103	- 9.6	
Total Accrued Costs	15,250,609	16,645,430	1,394,821	9.1	17,765,466	1,120,036	6.7	

Description

This category includes all activities covering postal field operations. Activities performed include window services, processing of mail, administration and support functions, delivery of mail--city delivery, rural delivery, and special delivery--maintenance of equipment and facilities, maintenance of motor vehicles, and miscellaneous non-mail processing activities.

COST SEGMENT 1
POSTMASTERS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Amount	Pct.
RESOURCES:								
1. Positions	28,967	28,860	- 107	- 0.4	28,750	- 110	- 0.4	
2. Workyears	30,446	30,334	- 112	- 0.4	30,218	- 116	- 0.4	
EXPENSES (\$000):								
Salaries and benefits	706,588	770,247	63,659	9.0	826,108	55,861	7.3	
Travel and transportation of persons	3,651	3,960	309	8.5	4,335	375	9.5	
Transportation of things	822	925	103	12.5	1,031	106	11.5	
Total Accrued Costs	711,061	775,132	64,071	9.0	831,474	56,342	7.3	

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.

COST SEGMENT 2
SUPERVISORS AND TECHNICIANS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	36,481	36,081	- 400	- 1.1	35,980	- 101	- 0.3
2. Workyears	48,305	47,773	- 530	- 1.1	47,641	- 134	- 0.3
EXPENSES (\$000):							
Salaries and benefits	1,244,028	1,358,571	114,543	9.2	1,456,680	98,109	7.2
Travel and transportation of persons	14,432	15,825	1,393	9.7	17,343	1,518	9.6
Transportation of things	423	481	58	13.7	537	56	11.6
Total Accrued Costs	1,258,883	1,374,877	115,994	9.2	1,474,560	99,683	7.3

Description

Costs of this segment include the activities of supervisors, technical support personnel 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 positions.

Included are positions for the following:

personnel and counseling, medical, procurement, vehicle scheduling, dispatch and operations, administrative services and schemes.

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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	292,430	287,560	-4,870	- 1.7	276,194	-11,366	-4.0
2. Workyears	301,187	296,161	-5,026	- 1.7	284,455	-11,706	-4.0
EXPENSES (\$000):							
Salaries and benefits							
Travel and transportation of persons	6,627,037	7,184,959	557,922	8.4	7,472,974	288,015	4.0
Transportation of household effects	771	840	69	8.9	913	73	8.7
	19	21	2	10.5	23	2	9.5
Total Accrued Costs	6,627,827	7,185,820	557,993	8.4	7,473,910	288,090	4.0

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.

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

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

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.

2/10/81

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

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COST SEGMENT 4
CLERKS, CAG-K OFFICES
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions	11,130	10,692	-438	-3.9	10,571	-121	-1.1	
2. Workyears	2,589	2,487	-102	-3.9	2,459	-28	-1.1	
EXPENSES (\$000):								
Salaries and benefits	57,013	59,926	2,913	5.1	63,901	3,975	6.6	
Travel and transportation of persons	6	6	..	..	7	1	16.7	
Total Accrued Costs ..	57,019	59,932	2,913	5.1	63,908	3,976	6.6	

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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change Pct.
			Amount	Pct.	Estimate	Amount	
RESOURCES:							
1. Positions	187,794	187,891	97	0.1	189,737	1,846	1.0
2. Workyears	196,599	196,701	103	0.1	198,633	1,932	1.0
EXPENSES (\$000):							
Salaries and benefits	4,242,340	4,663,937	421,597	9.9	5,089,654	425,717	9.1
Travel and transportation of persons	48	53	5	10.4	58	5	9.4
Transportation of things ...	40	46	6	15.0	51	5	10.9
Total Accrued Costs	4,242,428	4,664,036	421,608	9.9	5,089,763	425,727	9.1

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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions	5,936	5,939	3	0.1	5,935	- 4	-0.1	
2. Workyears	6,356	6,359	3	...	6,355	- 4	-0.1	
EXPENSES (\$000):								
Salaries and benefits	143,627	157,972	14,345	10.0	170,837	12,865	8.1	
Travel and transportation of persons	16	18	2	12.5	19	1	5.6	
Total Accrued Costs	143,643	157,990	14,347	10.0	170,856	12,866	8.1	

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.

12/31/80

COST SEGMENT 8 - VEHICLE DRIVERS

IV-21

COST SEGMENT 9
SPECIAL DELIVERY MESSENGERS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions	2,502	2,210	- 292	-11.7	1,995	- 215	-9.7	
2. Workyears	3,081	2,721	- 360	-11.7	2,457	- 264	-9.7	
EXPENSES (\$000):								
Salaries and benefits								
Travel and transportation	67,512	65,541	-1,971	- 2.9	64,100	-1,441	-2.2	
of persons	1	1	...	...	1	...	...
Equipment maintenance								
allowance	125	139	14	11.2	150	11	7.9	
Total Accrued Costs	67,638	65,681	-1,957	- 2.9	64,251	-1,430	-2.2	

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.

12/22/80

COST SEGMENT 9 - SPECIAL DELIVERY MESSENGERS

IV-22

COST SEGMENT 10
RURAL CARRIERS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	53,069	53,250	181	0.3	54,049	799	1.5
2. Workyears	41,355	41,496	141	0.3	42,119	623	1.5
EXPENSES (\$000)							
Salaries and benefits	918,712	987,938	69,226	7.5	1,064,578	76,640	7.8
Travel of persons	3	3	...	...	4	1	33.3
Transportation of things	16	18	2	12.5	21	3	16.7
Equipment maintenance allowance	193,176	243,544	50,368	26.1	293,087	49,543	20.3
Total Accrued Costs	1,111,907	1,231,503	119,596	10.8	1,357,690	126,187	10.2

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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	29,409	29,275	- 134	- 0.5	29,348	73	0.2
2. Workyears	29,986	29,849	- 137	- 0.5	29,924	75	0.3
EXPENSES (\$000):							
Salaries and benefits	650,408	714,037	63,629	9.8	776,472	62,435	8.7
Travel and transportation of persons	2,632	2,904	272	10.3	3,193	289	10.0
Transportation of house- hold effects	4	4	..	..	5	1	25.0
Contract job cleaners	21,202	23,174	1,972	9.3	25,491	2,317	10.0
Subtotal	674,246	740,119	65,873	9.8	805,161	65,042	8.8
Reimbursements	- 843	- 921	- 78	- 9.3	- 1,013	- 92	-10.0
Total Accrued Costs	673,403	739,198	65,795	9.8	804,148	64,950	8.8

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.

Costs cover compensation and benefits, personnel related travel, transportation

Reimbursements are for services performed for other Government agencies.

COST SEGMENT 12
MOTOR VEHICLE SERVICE
FY 1980 - 1982

ITEM	1980	1981	Change		1982	Change	
	Actual	Estimate	Amount	Pct.	Estimate	Amount	Pct.
RESOURCES:							
1. Positions	4,837	4,512	- 325	-6.7	4,482	-30	-0.7
2. Workyears	5,053	4,713	- 340	-6.7	4,682	-31	-0.7
EXPENSES (\$000):							
Salaries and benefits	116,479	119,383	2,904	2.5	127,934	8,551	7.2
Travel and trans. of persons	451	498	47	10.4	547	49	9.8
Trans. of household effects	1	1			1		
Vehicle hire	28,323	35,630	7,307	25.8	42,471	6,841	19.2
Vehicle repair and maintenance	14,207	15,386	1,179	8.3	16,617	1,231	8.0
Elec. power for motor vehicles	35	41	6	17.1	47	6	14.6
Operating supplies and materials	77,990	87,504	9,514	12.2	99,142	11,638	13.3
Vehicle supplies and materials	56,741	63,663	6,922	12.2	72,130	8,467	13.3
Total Accrued Costs	294,227	322,106	27,879	9.5	358,889	36,783	11.4

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.

COST SEGMENT 13
MISCELLANEOUS COSTS
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	772	772	...	...	772	...	...
2. Workyears	735	735	...	...	735	...	...
EXPENSES (\$000):							
Salaries and benefits	17,176	18,719	1,543	9.0	20,126	1,407	7.5
Travel and transportation of persons	13,047	14,738	1,691	13.0	16,445	1,707	11.6
Transportation of things	6,765	7,719	954	14.1	8,619	900	11.7
Rental allowance, CAG L offices	1,593	1,730	137	8.6	1,891	161	9.3
Contract stations	18,689	20,296	1,607	8.6	22,184	1,888	9.3
Other services	22	22	...	...	22	...	...
Supplies and materials	5,422	6,083	661	12.2	6,893	810	13.3
Subtotal	62,714	69,307	6,593	10.5	76,180	6,873	9.9
Reimbursements	- 141	- 152	- 11	- 7.8	- 163	- 11	- 7.2
Total Accrued Costs	62,573	69,155	6,582	10.5	76,017	6,862	9.9

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) Carfare, tolls and ferrriage, including city carrier 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.

1/22/81

COST SEGMENT 13 - MISCELLANEOUS COSTS

IV-26

CATEGORY II
TRANSPORTATION
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions .....	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...
EXPENSES (\$000):							
1. Domestic Airmail	398,734	570,835	172,101	43.2	691,065	120,230	21.1
2. Foreign Airmail	83,551	87,357	3,806	4.6	108,235	20,878	23.9
3. Railroad Services	138,844	166,580	27,736	20.0	189,023	22,443	13.5
4. Domestic Water Services ..	9,913	11,368	1,455	14.7	12,807	1,439	12.7
5. Foreign Water Services ..	16,457	17,553	1,096	6.7	20,642	3,089	17.6
6. Intercity Highway Services	202,753	232,311	29,558	14.6	262,321	30,010	12.9
7. Intracity Highway Services	313,853	360,018	46,165	14.7	406,524	46,506	12.9
8. Terminal-Transit Charges	110,348	292,267	181,919	...	310,573	18,306	6.3
Total Accrued Costs ..	1,274,453	1,738,289	463,836	36.4	2,001,190	262,901	15.1

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 is moved 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.

1/23/81

CATEGORY II - TRANSPORTATION - RESOURCE SUMMARY

IV-27

CATEGORY III
BUILDING OCCUPANCY
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions .....	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Rents	264,804	284,652	19,848	7.5	309,231	24,569	8.6
Fuels	37,866	45,378	7,512	19.8	53,417	8,039	17.7
Utilities	146,596	170,084	23,488	16.0	194,088	24,004	14.1
Communications	40,830	46,436	5,606	13.7	52,434	5,998	12.9
Building Projects expensed	24,452	27,834	3,382	13.8	31,437	3,603	12.9
Moving Expense	302	346	44	14.6	387	41	11.8
Reimbursements	-28,484	-27,350	1,134	4.0	-28,047	-697	-2.5
Total Accrued Costs	486,366	547,380	61,014	12.5	612,937	65,557	12.0

Description

Building occupancy costs cover renting and leasing of postal facilities, reimbursement for owned facilities leased to others, the cost of fuel, utilities, and communications, building improvement expenses, and moving expenses.

The increase of \$65.6 million or 12.0 percent is primarily the result of price changes projected for fuel-related items.

The largest increase, \$24.6 million or 8.6 percent, is projected for rents and is primarily related with a projected \$19.6 million increase for rental payments to private lessors. The second largest increase, \$24.0 million or 14.1 percent, is projected for utilities and accounts for 37 percent of the total change and is primarily related to a projected \$23.3 million or 14.3 percent increase in the cost of electric power.

CATEGORY IV
SUPPLIES AND SERVICES
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	354	347	- 7	- 2.0	347	...	...
2. Workyears	367	360	- 7	- 1.9	360	...	...
EXPENSES (\$000):							
Salaries, benefits and other related costs	8,350	8,990	640	7.7	9,707	717	8.0
Supplies and Services:							
ADP	22,648	29,167	6,519	28.8	32,872	3,705	12.7
Equipment	15,952	23,865	7,913	49.6	26,895	3,030	12.7
Custodial	13,114	14,687	1,573	12.0	16,552	1,865	12.7
Buildings	103,332	115,725	12,393	12.0	130,422	14,697	12.7
Printing and reproduction	22,898	26,529	3,631	15.9	29,790	3,261	12.3
Accountable paper	52,046	59,901	7,855	15.1	67,508	7,607	12.7
Postal supplies and services ..	54,358	102,636	48,278	88.8	106,311	3,675	3.6
Total Supplies and Services ..	284,348	372,510	88,162	31.0	410,350	37,840	10.2
Reimbursements and other	- 755	- 847	- 92	- 12.2	- 955	- 108	- 12.8
Total Accrued Costs	291,943	380,653	88,710	30.4	419,102	38,449	10.1

Description

This cost segment includes personnel costs for field activities that are associated with the computerized label printing division, the two supply centers, and the Stamped Envelope Printing Agency.

It also includes costs for data processing and other maintenance service contracts, and the purchase of materials and supplies for operations.

CATEGORY V
RESEARCH AND DEVELOPMENT
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions .....	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Salaries and benefits	7,905	10,912	3,007	38.0	12,003	1,091	10.0
Travel & transportation of persons	542	465	-77	-14.2	512	47	10.1
ADP support	65	71	6	9.2	78	7	9.9
Supplies and services	341	384	43	12.6	423	39	10.2
Projects expensed	23,825	45,297	21,472	90.1	36,599	-8,698	-19.2
Training	68	65	-3	-4.4	71	6	9.2
Printing	35	43	8	22.9	47	4	9.3
Indirect costs	298	337	39	13.1	371	34	10.1
Sub-total	33,079	57,574	24,495	74.1	50,104	-7,470	-13.0
Less costs included in other cost segments	-9,254	-12,277	-3,023	32.7	-13,505	-1,228	10.0
Total Accrued Costs ..	23,825	45,297	21,472	90.1	36,599	-8,698	-19.2

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.

1/23/81

CATEGORY V - RESEARCH AND DEVELOPMENT - RESOURCE SUMMARY

IV-30

CATEGORY VI
ADMINISTRATION AND
REGIONAL OPERATIONS
COST SEGMENT SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Pct.	
RESOURCES:								
1. Positions	13,071	13,072	1	..	12,976	- 96	-0.7	
2. Workyears	12,980	12,981	1	..	12,886	- 95	-0.7	
EXPENSES (\$000):								
1. Headquarters								
Administration	146,434	165,154	18,720	12.8	181,291	16,137	9.8	
2. Regional Administration	96,536	102,085	5,549	5.7	107,204	5,119	5.0	
3. Law Enforcement	157,098	174,388	17,290	11.0	189,033	14,645	8.4	
4. Administration of								
Postal Rates	2,525	2,955	430	17.0	3,193	238	8.1	
5. General Administrative ..	1,675,491	1,567,721	-107,770	-6.4	1,991,778	424,057	27.0	
Total Accrued Costs ..	2,078,084	2,012,303	- 65,781	-3.2	2,472,499	460,196	22.9	

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 servicewise 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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
EXPENSES (\$000):							
Total Compensation and Benefits	1,892,560	1,833,397	- 59,163	- 3.1	2,301,903	468,506	25.6
Benefits of former personnel	118	129	11	9.3	142	13	10.1
Travel and transportation of persons	24,762	26,920	2,158	8.7	28,469	1,549	5.8
Transportation of household effects	1,100	1,261	161	14.6	1,411	150	11.9
Other services	12,711	13,827	1,116	8.8	17,129	3,302	23.9
Supplies and materials	115	129	14	12.2	146	17	13.2
Rent, communications and utilities	11	12	1	9.1	13	1	8.3
Insurance claims and indemnities	37	40	3	8.1	44	4	10.0
Sale of property	- 115	- 126	- 11	-9.6	- 139	-13	-10.3
Interest expense	146,785	136,714	-10,071	-6.9	123,381	-13,333	-9.8
Total Accrued Costs	2,078,084	2,012,303	-65,781	-3.2	2,472,499	460,196	22.9

1/5/81

CATEGORY VI-ADMINISTRATION AND REGIONAL OPERATIONS

IV-32

CATEGORY VI
A&O - 1
HEADQUARTERS ADMINISTRATION
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Estimate	Pct.
RESOURCES:								
1. Positions	4,663	4,788	125	2.7	4,852	64	1.3	
2. Workyears	4,673	4,798	125	2.7	4,843	45	0.9	
EXPENSES (\$000):								
Salaries and benefits	131,604	148,341	16,737	12.7	161,194	12,853	8.7	
Benefits of former personnel ..	110	120	10	9.1	132	12	10.0	
Travel and transportation of persons	7,636	8,996	1,360	17.8	9,571	575	6.4	
Transportation of house- hold effects	407	466	59	14.5	521	55	11.8	
Other contractual services	6,677	7,231	554	8.3	9,873	2,642	36.5	
Total Accrued Costs	146,434	165,154	18,720	12.8	181,291	16,137	9.8	

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.

CATEGORY VI
A&RO - 2
REGIONAL ADMINISTRATION
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	3,096	2,899	- 197	-6.4	2,739	- 160	-5.5
2. Workyears	2,879	2,703	- 176	-6.1	2,563	- 140	-5.2
EXPENSES (\$000):							
Salaries and benefits	87,438	93,020	5,582	6.4	98,036	5,016	5.4
Travel and transportation of persons	8,834	8,762	-72	-0.8	8,829	67	0.8
Transportation of house- hold effects	264	303	39	14.8	339	36	11.9
Total Accrued Costs	96,536	102,085	5,549	5.7	107,204	5,119	5.0

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, respectively.

2/2/81

REGIONAL ADMINISTRATION -- RESOURCE SUMMARY

IV-34

CATEGORY VI
A&RO - 3
LAW ENFORCEMENT
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	5,242	5,307	65	1.2	5,307	...	...
2. Workyears	5,355	5,402	47	0.9	5,402	...	...
EXPENSES (\$000):							
Benefits of former personnel	8	9	1	12.5	10	1	11.1
Salaries and benefits ...	147,725	164,017	16,292	11.0	177,620	13,603	8.3
Travel and transportation of persons	8,259	9,126	867	10.5	10,029	903	9.9
Transportation of household effects	429	492	63	14.7	551	59	12.0
Communications	11	12	1	9.1	13	1	8.3
Other services	544	595	51	9.4	655	60	10.1
Supplies and materials ..	122	137	15	12.3	155	18	13.1
Total Accrued Costs ...	157,098	174,388	17,290	11.0	189,033	14,645	8.4

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.

2/2/81

LAW ENFORCEMENT - RESOURCE SUMMARY

IV-35

CATEGORY VI
A&O - 4
ADMINISTRATION OF POSTAL RATES
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980	1981	Change		1982	Change	
	Actual		Estimate	Amount		Pct.	Estimate	Amount	Pct.
RESOURCES:							
1. Positions	70	78	8	11.4	78	...	...
2. Workyears	73	78	5	6.8	78	...	...
EXPENSES (\$000):							
Salaries and benefits	2,492	2,919	427	17.1	3,153	234	8.0
Travel and transportation							
of persons	33	36	3	9.1	40	4	11.1
Total Accrued Costs ...	2,525	2,955	430	17.0	3,193	238	8.1

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, 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.

2/9/81

ADMINISTRATION OF POSTAL RATES - RESOURCE SUMMARY

IV-36

CATEGORY VI
A&RO - 5
GENERAL ADMINISTRATIVE
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions .....	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...
EXPENSES (\$000):							
Total salaries and benefits .	1,523,301	1,425,100	-98,201	-6.4	1,861,900	436,800	30.7
Other services	5,490	6,001	511	9.3	6,601	600	10.0
Supplies and materials	-7	-8	-1	-14.3	-9	-1	-12.5
Interest expense	146,785	136,714	-10,071	-6.9	123,381	-13,333	-9.8
Employee losses	37	40	3	8.1	44	4	10.0
Sale of property	-115	-126	-11	-9.6	-139	-13	-10.3
Total Accrued Costs	1,675,491	1,567,721	-107,770	-6.4	1,991,778	424,057	27.0

Description

General administrative costs are associated with the following items: repricing of annual leave due to salary increases, contribution to

the Civil Service Retirement Fund deficit, contributions for Workers' Compensation, supplies and services, insurance claims and indemnities, and interest expense.

2/9/81

GENERAL ADMINISTRATIVE - RESOURCE SUMMARY

IV-37

CATEGORY VII
SERVICEWIDE EXPENSES
RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions	141	140	- 1	- 0.7	142	2	1.4
2. Workyears	145	144	- 1	- 0.7	146	2	1.4
EXPENSES (\$000):							
Salaries and benefits	4,246	4,555	309	7.3	4,897	342	7.5
Travel and transportation of persons	283	313	30	10.6	344	31	9.9
Trans. of household effects	1	1	..	..	2	1	100.0
Instructional services	1,225	2,059	834	68.1	2,155	96	4.7
Supplies and materials	160	180	20	12.5	203	23	12.8
Subtotal General Management Systems	5,915	7,108	1,193	20.2	7,601	493	6.9
Unemployment Compensation	13,318	25,000	11,682	87.7	27,000	2,000	8.0
Other Services	23,800	22,178	-1,622	-6.8	24,974	2,796	12.6
Embossed Envelopes	7,449	9,025	1,576	21.2	8,100	-925	-10.2
Reimbursements, insurance claims and indemnities	-123,374	19,678	143,052	..	20,575	897	4.6
Total Accrued Costs	-72,892	82,989	155,881	..	88,250	5,261	6.3

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 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982		Change	
			Amount	Pct.	Estimate	Amount	Amount	Pct.
RESOURCES:								
1. Positions .....	...	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...	...
EXPENSES (\$000):								
Depreciation	232,366	245,551	13,185	5.7	255,653	10,102	4.1	
Expendable equipment and charge-offs	2,233	-14,685	-16,918	...	-14,620	65	0.4	
Amortization of debt discount and expense	55	55	...	...	55	...	...
Total Accrued Costs	234,654	230,921	- 3,733	-1.6	241,088	10,167	4.4	

Description

This category provides for the expenses related to depreciation on buildings and equipment, and other write-offs. Write-offs include costs of expendable equip-

ment, discounts, amortization of bond commission, uncollectible receivables, and lost or damaged property.

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY
FY 1980 - 1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change	
			Amount	Pct.		Amount	Pct.
RESOURCES:							
1. Positions .....	...	...	...	...	...	...	...
2. Workyears .....	...	...	...	...	...	...	...
COMMITMENTS (\$000):							
1. Facilities	373,553	344,403	-29,150	-7.8	468,979	124,576	36.2
2. Mail Processing Equipment	79,174	324,082	244,908	...	147,096	-176,986	-54.6
3. Vehicles	28,382	5,489	-22,893	-80.7	200,098	194,609	...
4. Customer Services Equipment	14,893	19,131	4,238	28.5	28,439	9,308	48.7
5. Postal Support Equipment	35,605	51,217	15,612	43.8	59,191	7,974	15.6
TOTAL COMMITMENTS	531,607	744,322	212,715	40.0	903,803	159,481	21.4
Less Prior Years Adjustments	-12,621	...	12,621	...	...	...	...
DIRECT COMMITMENTS	518,986	744,322	225,336	43.4	903,803	159,481	21.4
EXPENDITURES	378,064	507,756	129,692	34.3	742,262	234,506	46.2
ACCRUED COSTS .....	...	...	...	...	...	...	...

Description

Facilities

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

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1980-1982

Mail Processing Equipment

The funds planned in this program are for purchase of 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 render 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, data maintenance equipment, and automatic data processing equipment.

CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1980-1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change		
			Amount	Pct.		Amount	Pct.	
<u>Facilities:</u>								
Construction	257,861	214,613	-43,248	-16.8	340,674	126,061	58.7	
Building Purchase	37,213	29,600	-7,613	-20.5	28,710	-890	-3.0	
Building Improvements	78,479	100,190	21,711	27.7	99,595	-595	-0.6	
Subtotal	373,553	344,403	-29,150	-7.8	468,979	124,576	36.2	
<u>Mail Processing Equipment:</u>								
Fixed Mechanization	14,457	17,660	3,203	22.2	14,808	-2,852	-16.1	
Non-fixed Mechanization ..	43,706	297,939	254,233	...	125,637	-172,302	-57.8	
Equipment	21,011	8,483	-12,528	-59.6	6,651	-1,832	-21.6	
Subtotal	79,174	324,082	244,908	309.3	147,096	-176,986	-54.6	
<u>Vehicles:</u>								
Carrier Motorization	19,787	...	-19,787	...	169,843	169,843	...	
Bulk Transfer	4,268	...	-4,268	...	14,036	14,036	...	
Law Enforcement	1,227	...	-1,227	...	1,031	1,031	...	
Other Vehicles	1,988	5,191	3,203	...	2,538	-2,653	-51.1	
Vehicle Auxiliary Equip...	70	298	228	...	1,268	970	...	
Freight-Motor Vehicles ..	1,042	...	-1,042	...	11,382	11,382	...	
Subtotal	28,382	5,489	-22,893	-80.7	200,098	194,609	...	

2/2/81

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

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CATEGORY IX
CAPITAL INVESTMENT - RESOURCE SUMMARY (Cont'd)
FY 1980-1982

ITEM	1980 Actual	1981 Estimate	Change		1982 Estimate	Change		
			Amount	Pct.		Amount	Pct.	
<u>Customer Services Equipment:</u>								
Lobby Equipment	26	154	128	...	136	-18	-11.7	
Window Service Equipment	3,248	6,989	3,741	...	3,662	-3,327	-47.6	
Self-Service Equipment	11,619	11,988	369	3.2	24,641	12,653	105.5	
Subtotal	14,893	19,131	4,238	28.5	28,439	9,308	48.7	
<u>Postal Support Equipment:</u>								
Administrative & General								
Support	13,952	15,221	1,269	9.1	25,676	10,455	68.7	
Maintenance Equipment	9,625	8,148	-1,477	-15.3	6,238	-1,910	-23.4	
Automatic Data Processing.	11,358	27,523	16,165	...	26,877	-646	-2.3	
Freight (Other than								
Vehicles)	847	325	-522	-61.6	400	75	23.1	
Earned Discount	-177	...	177	...	...	...	...
Subtotal	35,605	51,217	15,612	43.8	59,191	7,974	15.6	
Total Capital Investment ..	531,607	744,322	212,715	40.0	903,803	159,481	21.4	

PART V
SPECIAL EXHIBITS

U. S. Postal Service
Mail Volume and Revenues
Fiscal Years 1980-1982
(in thousands)

Classification	FY 1980 - Actual		FY 1981 - Estimate		FY 1982 - Estimate	
	Pieces or Transactions	Revenue	Pieces or Transactions	Revenue	Pieces or Transactions	Revenue
Operating Revenues						
First class	60,276,119	4,061,145,508	4,24	11,578,681	14.13	62,162,777
aerogram	26,659	13,741,987,774	34.11	328,306	65.17	187,650
priority (heavy) pieces	8,445,625	611,583	9.09	737,214	20.53	247,730
Second class	1,774,649	245,707,159.81	10.10	253,954	17.20	9,368,380
controlled circulation publications	30,380,886	2,412,326	8.85	2,835,145	17.53	32,233,690
Third class	633,395	804,644	7.66	889,703	10.57	648,270
Fourth class	2,992,110	682,164	7.42	756,767	11.23	3,130,180
Penalty & official mail	21,889	62,603	47.19	57,588	-8.01	581,745
Free-for-the-blind mail	963,780	596,350	8.49	748,111	35.11	1,375,588
International (originating)	106,311,062	6,491,637,295	6.55	18,915,993	13.52	110,903,990
Total Volume & Revenue from Mail						
Special Services and Other:						
remittance	119,725	159,948	4.59	189,383	18.40	89,374
money orders	252,432	431,431	2.48	416,847	-15.58	220,473
special services . . . . .	...	...	...	...	...	...
other revenue net . . . . .	...	...	...	...	...	...
Total Special Services and Other Revenues		765,465	4.17	782,899	2.28	...
Total Operating Revenues		17,142,760	6.44	19,696,492	14.91	...
Receipts from Appropriations:						
appropriations . . . . .	...	1,676,810	-6.07	1,675,637	-0.07	...
Less: P.O.D. Liabilities . . . . .	...	-66,655	...	-68,109	-2.18	...
Net Appropriations . . . . .	...	1,610,155	-6.36	1,607,528	-0.16	...
Subtotal . . . . .	...	18,752,915	5.20	21,306,020	13.61	...
Investment Income . . . . .	...	500,065	43.40	366,900	-26.63	...
Total Income . . . . .	...	19,252,980	5.93	21,672,920	12.57	...
						23,915,630
						10.35

2/5/81

MAIL VOLUME AND REVENUES

V-1

TOTAL OBLIGATIONS BY OBJECT
 FY 1980 - 1982
 (in thousands of dollars)

ITEM	1980 Actual	1981 Estimate	1982 Estimate
Direct Obligations:			
Personnel compensation:			
Permanent positions	10,968,084	11,685,683	12,379,891
Positions other than permanent	1,733,593	1,855,021	1,938,334
Other personnel compensation	1,390,713	1,502,119	1,574,388
Special personnel services payments			
Total personnel compensation	14,092,390	15,042,823	15,892,613
Personnel benefits	2,210,749	2,474,867	3,095,708
Benefits for former personnel	13,436	25,129	27,142
Travel and transportation of persons	60,158	66,140	71,745
Transportation of things	1,506,817	2,028,058	2,360,061
Standard level user charge	27,567	29,328	31,726
Rent, communications and utilities	451,840	513,642	576,186
Printing and reproduction	32,441	37,842	40,407
Other services	63,159	312,190	330,808
Supplies and materials	286,367	325,457	367,412
Equipment	125,578	151,301	407,185
Lands and structures	250,906	356,431	323,637
Insurance claims and indemnities	51,833	32,284	31,534
Interest on notes and bonds	146,785	136,714	123,381
Interest on civil service unfunded liability	457,149	496,000	528,000
Total direct costs funded	19,777,175	22,028,206	24,207,545
Change in selected resources	235,415	236,566	161,541
Total direct obligations	20,012,590	22,264,772	24,369,086
Reimbursements	120,983	157,282	178,059
TOTAL OBLIGATIONS	20,133,573	22,422,054	24,547,145

U. S. POSTAL SERVICE
SUMMARY OF POSITIONS
FY 1980 - 1982

	Personnel Category or Cost Component	1980		1981		Change		1982		Change	
		Actual	Estimate	Estimate	Estimate	Amount	%	Estimate	Amount	%	
I	Postal Field Operations:										
	1. Postmasters	28,967	28,860	-107	-0.37	28,750	-110	-0.38			
	2. Supervisors & Technicians	36,481	36,081	-400	-1.10	35,980	-101	-0.28			
	3. Clerks & Mailhandlers, CAG A-J	292,430	287,560	-4,870	-1.67	276,194	-11,366	-3.95			
	4. Clerks, CAG K	11,130	10,692	-438	-3.94	10,571	-121	-1.13			
	6&7 City Delivery Carriers	187,794	187,891	97	0.05	189,737	1,846	0.98			
	8. Vehicle Drivers	5,936	5,939	3	0.05	5,935	-4	-0.07			
	9. Special Delivery Messengers	2,502	2,210	-292	-11.67	1,995	-215	-9.73			
	10. Rural Carriers	53,069	53,250	181	0.34	54,049	799	1.50			
	11. Custodial (Maintenance) Service	29,409	29,275	-134	-0.46	29,348	73	0.25			
	12. Motor Vehicle Service	4,837	4,512	-325	-6.72	4,772	-30	-0.66			
	13. Miscellaneous Operating Expense	772	772	...	...	...	...	...
	Total Field Operations	653,327	647,042	-6,285	-0.96	637,813	-9,229	-1.43			
II	Transportation .....	...	...	...	...	...	...	...
III	Building Occupancy .....	...	...	...	...	...	...	...
IV	Supplies and Services	354	347	-7	-1.98	347	...	...	
V	Research and Development .....	...	...	...	...	...	...	...
VI	Administration & Regional Operations	13,071	13,072	1	0.01	12,976	-96	-0.73			
VII	Service-wide Costs	141	140	-1	-0.71	142	2	1.43			
VIII	Depreciation and Other Costs .....	...	...	...	...	...	...	...
IX	Capital Investment .....	...	...	...	...	...	...	...
	Subtotal	666,893	660,601	-6,292	-0.94	651,278	-9,323	-1.41			
	Less: Postal Rate Commission employees included in VI	-70	-75	-5	-7.14	-75	...	...	
	Total Positions	666,823	660,526	-6,297	-0.94	651,203	-9,323	-1.41			

2/10/81

SUMMARY OF POSITIONS

V-4

U. S. POSTAL SERVICE
SUMMARY OF WORKYEARS
FY 1980 - 1982

Personnel Category or Cost Component	1980 Actual	1981 Estimate	Change		1982		Change %
			Amount	%	Estimate	Amount	
I							
Postal Field Operations:							
1. Postmasters	30,446	30,334	-112	-0.37	30,218	-116	-0.38
2. Supervisors & Technicians	48,305	47,775	-530	-1.10	47,641	-134	-0.28
3. Clerks & Mailhandlers, CAG A-J	301,187	296,161	-5,026	-1.67	284,455	-11,706	-3.95
4. Clerks, CAG K	2,589	2,487	-102	-3.94	2,459	-28	-1.13
6&7 City Delivery Carriers	196,599	196,701	102	0.05	198,633	1,932	0.98
8. Vehicle Drivers	6,356	6,359	3	0.05	6,355	-4	-0.06
9. Special Delivery Messengers	3,081	2,721	-360	-11.68	2,457	-284	-9.70
10. Rural Carriers	41,355	41,496	141	0.34	42,119	623	1.50
11. Custodial (Maintenance) Service	29,986	29,849	-137	-0.46	29,924	75	0.25
12. Motor Vehicle Service	5,053	4,713	-340	-6.73	4,682	-31	-0.66
13. Miscellaneous Operating Expense	735	735	...	...	735	...	...
Total Field Operations	665,692	659,331	-6,361	-0.96	649,678	-9,653	-1.46
II Transportation .....	...	...	...	...	...	...	...
III Building Occupancy .....	...	...	...	...	...	...	...
IV Supplies and Services .....	...	...	...	...	...	...	...
V Research and Development	367	360	-7	-1.91	360	...	...
VI Administration & Regional Operations .....	...	...	...	...	...	...	...
VII Servicewide Costs	12,980	12,981	1	0.01	12,886	-95	-0.73
VIII Depreciation and Other Costs	145	144	-1	-0.69	146	2	1.39
IX Capital Investment .....	...	...	...	...	...	...	...
Subtotal	679,184	672,816	-6,368	-0.94	663,070	-9,746	-1.45
Less: Postal Rate Commission employees included in VI	-73	-78	-5	-6.85	-78	...	...
Total Workyears	679,111	672,738	-6,373	-0.94	662,992	-9,746	-1.45

2/10/81

SUMMARY OF WORKYEARS

SELECTED OPERATING STATISTICS

	1971		1980		1981		1982	
	Amount	%	Amount	%	Amount	%	Amount	%
Mail volume (billions of pieces) (GFY)	87.0	2.5	106.3	6.5	108.5	2.0	110.6	2.0
City Delivery: Number of letter routes	132,923	1.9	131,902	3.4	132,711	0.6	133,264	0.4
Possible deliveries (millions).	57.0	...	68.5	2.1	69.9	2.0	70.9	1.4
Rural Delivery: Number of routes	31,517	0.5	36,082	2.7	36,623	1.5	37,172	1.5
Average daily route miles	66.0	1.3	63.9	-1.4	63.9	...	63.9	...
Post Offices: CAG A-G	5,162	3.7	5,943	0.7	5,984	0.7	6,024	0.7
CAG H-J	7,396	0.9	7,714	0.1	7,724	0.1	7,733	0.1
CAG K	12,551	-0.7	11,763	-1.3	11,606	-1.3	11,448	-1.4
CAG L	6,838	-3.0	4,906	-0.3	4,900	-0.1	4,894	-0.1
Total	31,947	-0.2	30,326	-0.4	30,214	-0.4	30,099	-0.4
Contract Stations	3,335	-8.9	3,346	-2.0	3,481	4.0	3,505	0.7
Total Active Vehicle Fleet (number)	83,095	9.3	121,533	-0.3	114,478	-5.8	115,370	0.8
Interior Space Occupied (thousands of sq.ft.) ..	158,997	1.8	184,371	0.5	184,788	0.2	185,247	0.2

% reflects change over prior year

1/28/81

SELECTED OPERATING STATISTICS

V-6

Financing of Obligations Incurred
(in thousands of dollars)

Item	FY 1980 Actual			FY 1981 Estimate			FY 1982 Estimate					
	Total	Operating Capital	Other	Total	Operating Capital	Other	Total	Operating Capital	Other			
Gross Obligations - current year.	20,133,505	19,547,872	518,978	66,655	22,422,054	21,609,623	744,322	68,109	24,547,145	23,574,102	903,803	69,240
Prior year adjustments	68	60	8	...	...	...	...	...	...	...	...	...
Total obligations incurred	20,133,573	19,547,932	518,986	66,655	22,422,054	21,609,623	744,322	68,109	24,547,145	23,574,102	903,803	69,240
Sources of financing:												
Revenues, reimbursements and other income	17,796,466	17,336,206	460,260	66,655	20,248,856	19,574,627	674,229	...	22,677,668	21,840,336	837,332	...
Appropriations	1,676,810	1,610,155	...	...	1,675,637	1,607,528	...	68,109	1,513,151	1,443,911	...	69,240
Drawdown from U. S. Treasury-	68	60	8	...	...	...	...	...	...	...	...	...
Prior year items	-67,000	...	-67,000	...	- 232,000	- 165,000	-67,000	...	- 67,000	...	...	-67,000
Payment of debt	727,229	601,511	125,718	...	729,561	592,468	137,093	...	423,326	289,855	133,471	...
Borrowing authority obligated-unfinanced	20,133,573	19,547,932	518,986	66,655	22,422,054	21,609,623	744,322	68,109	24,547,145	23,574,102	903,803	69,240
Totals	20,133,573	19,547,932	518,986	66,655	22,422,054	21,609,623	744,322	68,109	24,547,145	23,574,102	903,803	69,240

Borrowing authority established by P.L. 91-373, June 30, 1971	Unobligated Balance at Beginning of Year		Activity During Year		Unobligated Balance at End of Year	
	Obligated	Retired (-)	Issued, Borrowing Authority	Debt Retired (-)	Unfinanced Borrowing Authority	of Year
Fiscal Year 1972	10,000,000		262,570	250,000	12,570	9,737,430
Fiscal Year 1973	9,737,430		718,539		718,539	8,335,291
Fiscal Year 1974	8,335,291		683,606	500,000	183,606	7,851,685
Fiscal Year 1975	7,851,685		1,546,896	1,000,000	546,896	6,788,389
Fiscal Year 1976	6,788,389		1,457,671	1,248,000	209,671	5,330,718
Fiscal Year 1977	5,330,718		477,464	500,000	22,536	4,808,182
Fiscal Year 1978	4,808,182		513,932	-1,067,000	1,386,702	4,254,114
Fiscal Year 1979	4,254,114		343,001	527,000	180,592	4,972,548
Fiscal Year 1980	5,315,549		660,229	- 67,000	727,229	4,655,399
	5,315,549		5,344,680	1,770,000	3,574,680	

1/26/81

FINANCING OF OBLIGATIONS INCURRED

V-7

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

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
<u>Details of Gross Receipts</u>				
Balance at beginning of year:				
Accounts receivable and advances	123,597	203,009	127,992	153,492
Deferred credits	-552,480	-590,640	-654,343	-820,843
Total beginning balances	-428,883	-387,631	-526,351	-667,351
Current year revenues, operating receipts and appropriations	18,382,302	19,473,343	21,924,493	24,190,819
Subtotal	17,953,419	19,085,712	21,398,142	23,523,468
Less: Balances at end of year:				
Accounts receivable and advances	-203,009	-127,992	-153,492	-151,192
Deferred credits	590,640	654,343	820,843	820,343
Total at end of year	387,631	526,351	667,351	669,151
Gross receipts	18,341,050	19,612,063	22,065,493	24,192,619
<u>Net Outlay</u>				
Gross expenditures	17,465,480	19,182,110	22,202,484	23,728,662
Gross receipts	18,341,050	19,612,063	22,068,493	24,192,619
Net outlay (-) from operations	875,570	429,953	-136,991	463,957
Adjustment to reconcile with Treasury Department	15,178	1,374	...	...
Net outlay (-)	890,748	431,327	-136,991	463,957
Net borrowing, repayment (-)	-527,000	-67,000	-232,000	-67,000

SELECTED WORKING CAPITAL
(\$'000)

	1979 Actual	1980 Actual	1981 Estimate	1982 Estimate
<u>Accounts Receivable and Advances:</u>				
<u>Accounts Receivable:</u>				
U. S. Government agencies	147,505	123,824	144,824	141,324
Foreign countries	28,916	39,701	42,701	43,701
Other	74,416	5,847	7,347	7,847
Total	<u>250,837</u>	<u>169,372</u>	<u>194,872</u>	<u>192,872</u>
Less: Allowance for doubtful accounts	-12,915	-11,935	-12,435	-12,435
Accounts receivable-net ...	<u>237,922</u>	<u>157,437</u>	<u>182,437</u>	<u>180,437</u>
Advances and prepayments	11,359	11,098	11,598	11,298
Adjustment for reclassifications and advances	<u>-46,272</u>	<u>-40,543</u>	<u>-40,543</u>	<u>-40,543</u>
Total accounts receivable and advances	<u>203,009</u>	<u>127,992</u>	<u>153,492</u>	<u>151,192</u>
<u>Deferred Credits:</u>				
Estimated prepaid postage in hands of the public	-621,000	-675,000	-833,000	-836,000
Prepaid permit mail	-229,000	-239,948	-245,948	-243,448
Box rentals	-40,640	-39,395	-41,895	-40,895
Total	<u>-890,640</u>	<u>-954,343</u>	<u>-1,120,843</u>	<u>-1,120,343</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>-590,640</u>	<u>-654,343</u>	<u>-820,843</u>	<u>-820,343</u>

12/15/80

SELECTED WORKING CAPITAL

V-10

SELECTED WORKING CAPITAL (Cont'd)
(\$000)

	1979 <u>Actual</u>	1980 <u>Actual</u>	1981 <u>Estimate</u>	1982 <u>Estimate</u>
<u>Liabilities</u>				
<u>Current Liabilities:</u>				
Outstanding money orders	183,040	210,853	210,853	210,853
Accrued payroll	100,250	200,913	245,613	292,113
Payroll taxes and Civil Service retirement:				
Federal payroll taxes	229,541	261,051	286,596	431,487
Social security taxes	145,787	173,689	179,779	187,879
Life insurance funds	1,450	1,946	2,246	2,446
Health insurance funds	3,164	4,196	4,306	4,506
State and city payroll taxes	16,780	21,442	22,442	22,942
Total	<u>55,588</u>	<u>65,048</u>	<u>66,548</u>	<u>67,548</u>
Workers' compensation	<u>452,310</u>	<u>527,372</u>	<u>561,917</u>	<u>716,808</u>
Total	<u>157,082</u>	<u>174,146</u>	<u>193,200</u>	<u>208,900</u>
Payable to Gov't agencies:				
Trust funds	27,068	13,190	13,190	13,190
Savings bond deductions	11,773	8,718	8,218	8,018
Interest payable	81,577	74,428	68,717	67,154
Procurement and misc. accruals	67,598	68,555	69,055	69,255
Total	<u>188,016</u>	<u>164,891</u>	<u>159,180</u>	<u>157,617</u>
Other payables and accrued expenses:				
Carriers of mail	143,561	109,919	115,919	125,919
Foreign countries	65,442	80,421	82,421	85,921
Union dues, charitable & financial withholding	46,904	53,203	56,203	58,203
Misc. undistributed collections	1,192	4,327	3,327	2,827
Misc. accruals and approved invoices	306,649	708,144	168,144	148,144
Interest payable - bonds	2,755	2,755	2,755	2,755
Total	<u>566,503</u>	<u>958,769</u>	<u>428,769</u>	<u>423,769</u>

1/23/81

SELECTED WORKING CAPITAL (Cont'd)

V-11

SELECTED WORKING CAPITAL (Cont'd)
(\$000)

	1979 <u>Actual</u>	1980 <u>Actual</u>	1981 <u>Estimate</u>	1982 <u>Estimate</u>
Total current liabilities excluding notes payable, prepaid permit mail, box rents, and postage in the hands of the public	1,647,201	2,236,944	1,799,532	2,010,060
Less:				
Outstanding money orders and trust funds	<u>-256,297</u>	<u>-206,473</u>	<u>-206,473</u>	<u>-206,473</u>
Current liabilities - working capital	<u>1,390,904</u>	<u>2,030,471</u>	<u>1,593,059</u>	<u>1,803,587</u>
Other liabilities:				
Employees' accumulated leave	529,606	589,902	636,902	682,402
Workers' compensation	2,190,000	2,510,000	2,912,291	3,426,191
Other	300,000	25,000	5,000	5,000
Amounts payable for retirement benefits	9,389,859	9,766,557	10,352,682	14,769,696
Total	<u>12,409,465</u>	<u>12,891,459</u>	<u>13,906,875</u>	<u>18,883,289</u>
Less: Unfunded leave	<u>-138,421</u>	<u>-107,421</u>	<u>-76,421</u>	<u>-45,421</u>
Other liabilities - working capital ..	<u>12,271,044</u>	<u>12,784,038</u>	<u>13,830,454</u>	<u>18,837,868</u>

1/23/81

SELECTED WORKING CAPITAL (Cont'd)

V-12



DAN GLICKMAN

Fourth District-Kansas

STATEMENT BY
 REPRESENTATIVE DAN GLICKMAN (D-KS.)
 BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE ON
 TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT
 TUESDAY, MAY 12, 1981

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE. Thank you for setting aside this time for me to testify on an issue which comes up every year when your Subcommittee's bill comes to the floor, funding to cover revenues foregone in conjunction with the use of third-class non-profit postage rates by political party committees. I feel sure that you all recall the fact that I raised this issue on the House floor two years ago as we were working on the Fiscal 1980 appropriations. I offered an amendment to strike funds to cover revenues foregone associated with this particular subsidy. My amendment was amended on the House floor so as to reduce the appropriation for this subsidy and to limit availability of the reduced postal rates to the major parties. That limitation and reduced appropriation was finally enacted as part of the FY80 bill and was included in the FY81 bill which you sent to the floor. Because of my serious concerns about the constitutionality of the limitation which had been attached, last summer I offered an amendment to your bill to prohibit the use of funds for this subsidy altogether. The amendment was defeated on a roll call vote of 96 to 310.

I know it might sound like I am beating a dead horse on this, but a number of developments have reinforced my belief that, ideally, the subsidy should be repealed and, on an interim basis, we should not provide funds to allow its continuation.

First, a U. S. District Judge ruled last summer that restricting use of the special mail rates to the major political parties is unconstitutional in that it violates both the equal protection clause and First Amendment pro-

tections of freedom of speech. It initially appeared that the decision would be appealed by the government; however, the Justice Department subsequently decided not to pursue an effort to reinstate the limitation through the courts. In a letter to the Speaker and Vice President, the Justice Department explained:

". . . to obtain a stay we must also demonstrate a substantial likelihood of success on the merits. We do not believe that the arguments that the Department made in defense of the statute's constitutionality in the district court are sufficiently strong to meet this test."

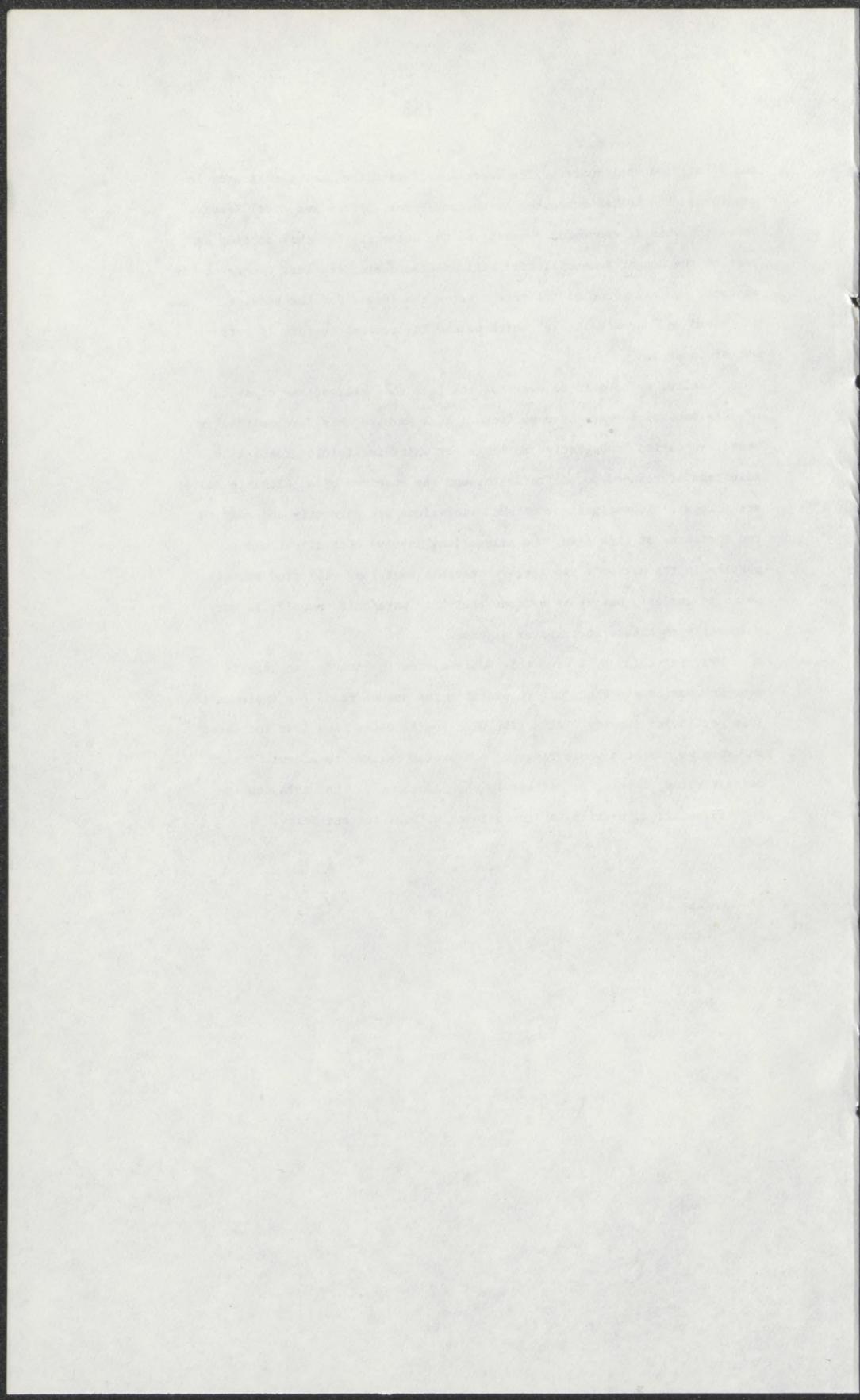
In short, the Justice Department conceded that they did not have the kind of arguments it would take to overturn the lower court decision. The restriction was indeed unconstitutional! Certainly, the Congress does not want to get into the habit of enacting provisions of law which have already been determined to be unconstitutional. Therefore, I strongly urge that such restrictive language not be included in this year's bill.

Second, budgetary considerations are even more critical today than they were a year ago. The President has recommended to us a reduction in the revenue foregone appropriation to the Postal Service of \$500 million. As you are aware, that amounts to cutting this appropriation by nearly two-thirds. That won't be easy, and it certainly can't be achieved by enhanced efficiency alone. There will definitely need to be a cutback in terms either of the amount of the subsidy per letter or of what groups are eligible for the subsidy. In putting together the appropriations measure, I understand that \$4 million was included in the general revenues foregone appropriation to cover the costs associated specifically with the subsidy for political party mailings. A recent GAO investigation found that the subsidy during the election cycle leading up to the general elections last November totalled just under \$7 million. Since the funding was included in a lump sum appropriation rather than a line item, spending for this subsidy could surpass

the \$4 million anticipated. The experience during the last election cycle reinforces the belief expressed by the House Post Office and Civil Service Committee when it recommended repeal of the authority for this subsidy as part of the Budget Reconciliation bill enacted during the last Congress: "In essence, the existence of the rate creates the demand for the service." This is indeed an "uncontrollable" which we should terminate before it gets out of control.

Finally, we need to be aware of the fact that allegations of abuse of this subsidized rate have surfaced. As I am sure this Subcommittee is aware, so-called "cooperative mailings" by which ineligible groups take advantage of reduced postal rates through the auspices of an eligible mailer are illegal. Investigations of such violations are currently underway in two instances at this time; the allegations involve both of our major parties in the nation's two largest states. What they will find at this point is unclear, but it is evident that this particular subsidy is very vulnerable to misuse at taxpayer expense.

Wrapping this up, I urge this Subcommittee to include language in your Subcommittee's FY82 bill to prohibit the use of funds for implementing this particular subsidy. At a time when postal rates have just increased and when we expect a whole range of non-profit mailers to accept higher postage rates, I think we definitely should make sure that this subsidy for our political parties is discontinued without further delay.



UNITED STATES POSTAL SERVICE

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