

# POSTAL SERVICE CURTAILMENT

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## HEARINGS BEFORE THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

LEGISLATION TO EXEMPT THE POSTAL SERVICE FROM THE  
PROVISIONS RELATING TO A CEILING ON EMPLOYMENT AND  
MANPOWER IN THE REVENUE AND EXPENDITURE CONTROL  
ACT OF 1968

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PART 2

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JULY 23, 1968

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## POSTAL SERVICE CURTAILMENT

MONDAY, JULY 23, 1968

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

The committee met at 10:10 a.m., pursuant to recess, in room 6202, New Senate Office Building, Senator A. S. Mike Monroney (chairman of the committee) presiding.

Present: Senators Monroney, Yarborough, Hartke, Burdick, Hollings, and Boggs.

Also present: John Burzio, staff director; David Minton, general counsel; Frank A. Paschal, minority clerk; and Charles S. Caldwell, professional staff member.

The CHAIRMAN. The Post Office and Civil Service Committee will resume its hearings. It will be a continuation of the hearings on the necessity and desirability of exempting the post office service from the employment ceiling of the 1968 Revenue Act.

Our first witness today is the Honorable Charles Zwick. We are happy to have you here. We know you are about the busiest man in Washington next to the President himself during this period of the year.

We will appreciate having testimony on this very, very important national matter.

### STATEMENT OF HON. CHARLES J. ZWICK, DIRECTOR, BUREAU OF THE BUDGET, ACCOMPANIED BY HON. SAMUEL M. COHN, ASSISTANT DIRECTOR FOR BUDGET REVIEW

Mr. Zwick. Thank you. I do not have a prepared statement.

I think I can put in perspective the Administration's position, and that is quite simply that the Administration has been clear that the provision limiting employment in the tax bill was a most unwise provision.

I would be happy to submit for the records, at the end of my statement, a letter to Senator Williams on March 4, excerpts from my testimony before the Senate Finance Committee on March 14, and the President's signing statement on June 28, when again he referred to this provision as being most unwise.

I think there is no doubt in the public record on the Administration's position. Basically, and without belaboring the point, we think it is an arbitrary employment ceiling which is not consistent with the detailed program review conducted during the appropriations process.

The employment rollback essentially means that even after the \$6 billion cut in expenditures, agency workload will be up 25 percent over 1966. So you are asking agencies to accomplish an increased workload of 25 percent with no change in the employment level.

Now, that just is not good business for the Government. It is not good business for private industry. It is, in our opinion, an unwise and inefficient provision which will lead to either curtailment of service, on the one hand, or inefficient practice of overtime, extra work, et cetera.

We think there is an inconsistency between the employment ceiling and the appropriations processes of Congress, even including the \$6 billion cutback.

Notwithstanding this clear record, however, Congress did enact the tax bill and did enact that provision.

We thought hard about it, and when the President signed the tax bill on June 28, he again noted that it was an unwise provision. At that point we decided it was so important to the country to have the tax bill that we would, in fact, accept these provisions and live with them. That is indeed what we are doing, and have been doing since July 1 of this year.

So we find ourselves in a peculiar position today. We made our case and lost. We signed the tax bill and we are living with the provisions. We do not feel we are in a position to ask for exceptions or recommend exceptions.

Certainly we have no objection to any exceptions that are made by the Congress. We signed the tax bill less than 1 month ago, and therefore we should not be here recommending changes in it.

We have no objection to any exemptions that the Congress decides to make. That is my statement.

(The following information was submitted by Mr. Zwick:)

THE SECRETARY OF THE TREASURY.

Washington, March 4, 1968.

HON. JOHN J. WILLIAMS,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR WILLIAMS: This letter is in reply to your request for the views of the Treasury Department on your bills, S. 2902 "A Bill to improve the balance of payments and protect the domestic economy of the United States", and S. 2903 "A Bill to amend the Internal Revenue Code of 1954 to limit the maximum rate of percentage depletion to a rate of 20 percent."

Sections 3, 4, 5 and 10 of S. 2902 are within the direct purview of the Director of the Budget, dealing as they do with the number of civilian employees, the inflation of public works projects, budget expenditures generally, and foreign travel by Government officers and employees. I am therefore attaching a copy of a statement by Director Zwick commenting on these sections. As that statement indicates, the Administration strongly opposes the provisions of these sections.

The remaining provisions in these bills relate to matters within my area of responsibility, and I am commenting upon them in a statement attached to this letter. In addition to that statement, I would like to make a few overall observations on S. 2902.

The sections of S. 2902 within my area of responsibility cover matters which are the subject of proposals of the Administration presently before the Congress. The principal thrust of those sections is in the same direction as those proposals, and I therefore welcome your support of our objectives. Moreover, for the most part the provisions of your bill dealing with these matters are substantively quite close to our own recommendations, so that in a number of instances the difference becomes one of detail. Thus, your recommendation in

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Section 2 of the bill for a continuation of existing automobile and communications excise taxes is quite close to our proposal in this area and to what has been already adopted by the House. Your recommendation in Section 8 of the bill relating to reductions in existing Customs exemptions is likewise close to the proposals I presented to the Committee on Ways and Means on February 5, and which have been the subject of recent hearings before that Committee. Your recommendation in Section 11 of the bill to repeal the gold reserve requirements for Federal Reserve Notes parallels legislation now before the Senate which we strongly support. The recommendation in Section 6 of the bill for a temporary surcharge on individuals and corporations adopts the same form for a temporary tax increase that we have been steadily and strongly urging.

Your recommendations in these sections thus deal directly with the basic objectives of our fiscal program—the reduction of the budgetary deficits that would otherwise prevail in fiscal 1968 and 1969 to more manageable and acceptable levels, and a reduction in our balance of payments deficit. In these substantive areas I welcome and appreciate your support.

As respects Section 6 of your bill, where you recommend a temporary 8 percent surcharge on corporations and a 6 percent surcharge on individuals, I would of course strongly urge that we achieve the temporary surcharge at the 10 percent level recommended in the Budget. A surcharge at that level will add over \$½ billion in fiscal 1968 and over \$3 billion in fiscal 1969 to the revenues that would be obtained under the rates you suggest. I feel that this additional revenue is needed to achieve the reductions in the budget deficits that are desired.

The paramount need is that of achieving legislative enactment of the requisite revenue-producing measures. We should also secure that enactment as promptly as possible, so that delay does not cause us to see revenues keep draining away that a prompt enactment would have put into the coffers of the Government. I must leave to the Congress the question of Congressional procedure involved in obtaining the desired legislation. Presumably that procedure is a matter to be worked out between the leaders of both Houses and the leaders of their Tax Committees.

Although we have major reservations with respect to the sections of your bill dealt with in Director Zwick's statement, again let me express my appreciation for your encouraging support of our tax and balance of payments objectives.

Sincerely yours,

HENRY H. FOWLER.

[Attachments]

#### BUREAU OF THE BUDGET COMMENTS ON S. 2902

S. 2902, "Balance of Payments and Domestic Economy Act of 1968," contains a combination of tax measures and expenditure provisions "to improve the balance of payments and protect the domestic economy of the United States." Some sections of the bill are similar to proposals made or actions already underway by the Administration with the same objectives in mind. Other sections, however, represent unwise, inefficient, or impractical methods of accomplishing the desired purposes. In total they are a prescription for inefficient government.

The Bureau of the Budget is primarily concerned with Sections 3, 4, 5, and 10 of the bill; analyses of each of these sections are presented below. Sections 3, 4, and 5 are, in our view, particularly troublesome. These sections, taken together are designed to accomplish an expenditure reduction of \$8 billion in fiscal year 1969. Section 3 calls for a freeze on civilian officers and employees in the executive branch at the September 20, 1966 level. Section 4 requires a moratorium on public works. Section 5 imposes an expenditure limit of \$178 billion in fiscal year 1969.

These sections are undesirable, from the point of view of both, policy and administration. To summarize briefly, they would—

require an arbitrary, meat-axe approach to Government programs and services instead of careful and deliberate program-by-program review;

fall inequitably upon the activities which are relatively controllable, requiring, in many cases, crippling reductions;

cause considerable uncertainty since, if, as the year progressed, expenditures for uncontrollable programs were to increase over the estimates, the limited controllable portion of the budget would have to be cut more and more deeply to keep within the statutory ceiling on total expenditures; and

transfer from the Congress to the Executive virtually all decision-making as to which programs to fund and staff, regardless of congressional action through the appropriations process.

Orderly, efficient Government requires explicit decisions—program by program—after consideration of needs and priorities by both the Executive and the Congress. Moreover, to be effective in these rapidly changing times, Government must have a degree of flexibility. A statutory expenditure limit, combined with a retroactive freeze on civilian employment and an across-the-board moratorium on public works, runs counter to both of these requirements.

#### ANALYSIS OF SECTIONS 3, 4, 5, AND 10

##### *Section 3. Reduction in Executive Branch Employment*

*Summary.*—During any period in which employment in the executive branch exceeds the level of employment of September 20, 1966, no more than 25% of total vacancies occurring may be filled.

The Director of the Bureau of the Budget is required to determine which vacancies may be filled, reserve from expenditure the savings in salaries and wages and other categories of expense resulting from this action, and make quarterly reports to the Congress of his activities.

The section would not apply to employees in the Department of Defense, the postal field service, the Federal Bureau of Investigation, offices filled by appointment by the President with the advice and consent of the Senate, or to positions filled by transfer from the same or another agency. However, all such employees and offices would be counted in the aggregate number of employees employed September 20, 1966 and the number employed at any particular time.

The section would take effect April 1, 1968.

*Comments.*—Total Federal civilian employment in the executive branch at the end of September 1966 was 2,762,000. The Post Office and the Defense Department accounted for 1,834,000 and all other agencies 928,000. The 1969 budget estimates of employment were based on careful review and determination of the minimum numbers of employees essential to support the proposed program levels. The estimates indicate an increase of 315,000 in June 1969 above the September 1966 level. Post Office and Defense will account for 207,000 of this increase and all other agencies will account for the balance of 108,000.

Since the provisions of section 3 about not filling 3 out of 4 vacancies do not apply to the Post Office and the Defense Department, but their numbers are included in the totals, employment in the rest of the Government agencies would have to be reduced *below* the level of September 20, 1966 to the extent that the Defense Department, the Post Office and the Federal Bureau of Investigation *exceed* their September 20, 1966 level. Therefore, the other Government agencies would have to reduce employment not only by the 108,000 by which they are estimated to increase, but also by the 207,000 that the Post Office and Defense Department are estimated to increase.

A reduction of some 315,000 employees in those agencies is in excess of 30% from the estimated June 1969 level and more than 200,000 below the September 1966 employment level which section 3 is designed to maintain! This would completely disrupt the functions of Government.

Section 3 appears to give discretion to the Director of the Bureau of the Budget as to which vacancies should be filled, but in reality the Director would have little or no discretion. Neither the President, the Congress, nor the public would want air safety jeopardized, for example. The choice would then be to limit air travel or to increase employment in the Federal Aviation Administration. The effect of section 3 would be that for each person added by the Federal Aviation Administration, four vacancies elsewhere would have to go unfilled. If employment were to be merely held level at FAA, all vacancies in FAA would be filled, and for each vacancy that occurred and was filled at FAA three vacancies must be left unfilled elsewhere.

Similarly, programs such as social security or Medicare must handle all of those who are eligible. Accordingly, maintaining or increasing employment in the Social Security Administration to cope with rising workloads would mean that four times the number of increases and three times the number of vacancies filled at the Social Security Administration would have to be left unfilled elsewhere in the Government.

Long before the Director could satisfy requirements of the Federal Aviation Administration, social security, and other important activities, such as law en-

forcement, veterans' hospital care, and civilian agency support for Vietnam operations, the number of vacancies that legally could be filled would undoubtedly be exhausted. The result would be that a large number of agencies would be forced to drastically curtail or eliminate services to the public.

Section 3 completely disregards the fact that demands for Government services are increasing and that there must be additional employees to handle the resulting increased workloads.

For example, it is estimated that the number of establishments requiring Federal meat inspectors will increase by 78% in 1969. The only alternative to permitting uninspected and perhaps unwholesome meat to pass to the consumer is to increase the number of inspectors. Similarly, additional employees are necessary for projected increased services in 1969 such as—

Loans to small business—up 21% ;

New Federal manpower programs aimed at both the urban and rural disadvantaged—a 20% increase in program level ;

Maintenance of air travel safety while air traffic significantly increases—landings and takeoffs at airports with FAA towers will increase 15% ;

Processing of mortgage insurance applications to the Federal Housing Administration by prospective homeowners—expected to increase by 100,000 ;

Disposition of 4% more patent applications in the Commerce Department ; Handling of complaint applications concerning monopolistic and unfair trade practices—up 7% ;

Disposition of electric rate filings to the Federal Power Commission—up 4.4% ;

Adjudication of air carrier rate and fare cases—up 16% ;

Disposition of applications for motor carrier operating authority—up 80% ;

Mediation of unfair labor practice cases—up 7.5% ; and

Handling of 112 million tax returns by the Internal Revenue Service—up almost 3 million.

In the face of these workload increases, it is apparent that appropriate action with regard to Federal employment is not to impose arbitrary and disruptive decreases, but to limit increases to what is essential. This was the policy pursued by the President in his 1969 budget.

The selection of the month of September for the base period in section 3 would cripple the regular and special summer activities of the Government. These include programs to accommodate visitors to the national forests and parks, construction activities in agencies such as the Corps of Engineers and Tennessee Valley Authority, the President's summer program for disadvantaged youth, etc. Most temporary summer employees have left the rolls by September.

Section 3 requires the Director of the Bureau of the Budget to decide which vacancies should be filled. The number of vacancies occurring each year, apart from Defense and Post Office, is about 250,000. For the Director to carry out this function on any but a generalized basis would require a considerable increase in staff.

Employees of the executive branch of the Federal Government are hired to carry out the laws enacted by the Congress and at levels of activity determined by the Congress. The effect of section 3 would be to require the Director of the Bureau of the Budget to decide which of those laws should be ignored or only partially carried out. It would be more appropriate for the Congress itself to make those specific determinations through normal legislative processes.

#### *Section 4. Moratorium on Public Works Projects*

*Summary.*—This section has four principal provisions :

From the date of enactment and during the time in which a tax surcharge is in effect, no Federal agency shall—

initiate the planning or construction of any public works project (excluding highway projects) ; or

make any grant to any State or local government agency for initiating planning or construction of any such projects.

Planning or construction of new projects may proceed only when the Director of the Office of Emergency Planning, after investigation, determines that a delay in planning or constructing such projects would cause irreparable damage to the "public health or welfare."

The Director of OEP is required to investigate all public works projects (except highway projects) being planned or constructed on the date of enactment to determine which projects can be temporarily halted without causing irreparable damage to the public health or welfare.



No Federal agency shall continue the planning or construction of Federal projects or make any grant for continuing planning or construction of State and local projects if the Director of OEP determines that such projects can be temporarily halted.

*Comments.*—The proposed moratorium on public works projects would be costly and difficult to administer. It would require uneconomic actions to stop many worthwhile projects already underway if large reductions in expenditures were to be achieved.

The intent of S. 2902 in restricting new public works construction starts may be only slightly more limiting than the President's recommendations in the 1969 budget. The budget proposes very few new direct Federal projects other than those essential to the national defense and health and welfare of the public, and holds going work to a minimum level.

The principal difference from the President's recommendations is the intent to halt going projects. In this respect, the bill goes far beyond actions taken in the Korean crisis, when contracts were generally allowed to be completed on less essential projects before placing the projects on a standby basis. The present bill would require cancellation of existing contracts.

More specifically, section 4 would create the following difficulties:

First, the proposal to stop projects under construction would be economically wasteful and costly to the Federal Government and to State and local governments. It would require additional costs to place projects on a standby basis and would subject the Federal agencies to damage claims for cancellation of construction contracts. The economic waste would apply also to Federal grant programs whenever additional grants would be necessary to complete a project already underway.

Second, the proposal to stop planning on projects (even though construction is not yet underway) would severely damage Federal and State and local construction programs with very little saving in Federal expenditures. Halting of planning work would result in the loss of highly skilled agency staff who could not easily be replaced when the Federal construction program was resumed. In addition, deferral of planning could impair later effectiveness and timing of resumption of Federal public works construction if this were deemed desirable to facilitate post-war adjustments.

Third, determination of which projects could be undertaken within the phrase "essential to the public health or welfare" would be controversial and time-consuming. Without clear definitions, the bill would be difficult to administer fairly and efficiently.

Fourth, investigation of the projects being planned or under construction before a determination to stop a project would require a time-consuming investigation period. The application of the moratorium to all going projects could well take several years, by which time some of these projects would already be completed. If an investigation of going projects were to be required, it is questionable whether OEP is the proper agency to review the agencies' proposals and make the final determination as to what is "essential to the public health and welfare."

Fifth, there is no clear reason why the Federal highway construction program should be excluded from the moratorium, since in many cases highways could as well be delayed as public buildings, educational facilities, water resources projects, and other projects beneficial to the domestic economy. Moreover, the provisions of section 4 appear to limit the exclusion to direct Federal highway projects and do not mention the exclusion with reference to grants to States or local governments. Most of the highway program is, of course, financed through grants from the Highway Trust Fund.

Finally, section 4 has a number of other technical difficulties which would complicate its administration and in some cases raise serious questions as to equity in its application to Federal programs. For example, there is no definition of the word "project," although this term can be applied with considerably different effects in different construction programs. It also affects the determination of what is "new work" or "work underway". No mention is made of Federal loans to State or local governments, although projects similar to, or complementary to, projects financed by grants are also financed by Federal loans. Private or quasi-public institutions (e.g., educational and health) receive construction assistance through Federal grant programs, but the bill limits the moratorium to grants to State and local government agencies.

### Section 5. Expenditure Limitation

*Summary.*—This section of the bill would limit expenditures in fiscal year 1969 (using the new budget concept) to \$178 billion. This limit would not apply to expenditures in excess of \$25 billion for our military effort in Southeast Asia. If the President determines greater expenditures to be necessary for that purpose in 1969.

The limit on expenditures is to be accomplished by reserving amounts of obligational authority heretofore or hereafter made available.

*Comments.*—The Bureau of the Budget opposes attempting to hold budget expenditures to a legally set limit. Such an attempt presents many serious difficulties, both for the executive branch and the Congress.

First, the Congress provides appropriations which grant the Administration power to enter into contracts or obligate money. Expenditures are simply the process of paying off those contracts and honoring those obligations. Expenditures alone cannot be controlled; the initial contracts or obligations must be controlled. And expenditure ceiling does not face this fact—it is like locking the barn door after the horse has gone.

Second, an expenditure limitation makes no allowance for uncontrollable changes in expenditures. The President would, of course, have to make an initial round of program reductions. However, later in the fiscal year, expenditures could increase—and the Administration would be powerless to stop this—in such locked-in programs as interest on the public debt, CCC price supports, veterans' pensions, and Medicaid, for example. These increases would immediately require even further cuts in other programs which could be controlled—aid to education, airway safety, and health research, for example. As a matter of fact, if substantial uncontrollable expenditure increases took place late enough in the fiscal year, some vital programs might be crippled or might well have to shut down completely to offset the increases and stay within the legal ceiling.

Third, an expenditure limitation would require a whole new and cumbersome set of controls. The entire Federal accounting system is set up to control at the point where contracts or commitments are made. Expenditures are simply an *estimate* of how rapidly checks will be written as work progresses, planes are delivered, States draw their grant authorizations, and so forth. But with a *legal* limit on expenditures, all the agencies would have to set up a whole new and wasteful management system to control those expenditures.

Along with these very practical problems associated with a statutory expenditure limit, there are fundamental considerations involving the separation of powers and congressional processes.

An absolute ceiling on expenditures, as provided in section 5, would, in effect, transfer most of Congress' powers of the purse to the President by giving him *carte blanche* authority to reserve funds made available by the Congress. The President, not the Congress, would thereby have almost complete authority to decide whether new or old programs should be funded, and at what levels.

An absolute ceiling on expenditures, as provided in section 5, would also completely undercut the congressional appropriations process. The Appropriations Committees make a careful examination of individual programs. Agency witnesses are questioned closely and at length on each budget request. The specific appropriations are considered by the House and Senate as a whole, and normally by conference committees as well, before final action is taken. Section 5 would undo the results of this process before most appropriations for fiscal 1969 are even enacted, and would substitute a sweeping meat-axe approach—enacting obligating authority, on the one hand, while disregarding it on the other.

There can be no question that a reduction of \$8 billion from the estimated level of expenditures in fiscal 1969 *would* mean sweeping reductions in programs. To achieve a reduction of that magnitude would require cutting program levels by roughly double that amount—around \$16 billion. Where could reductions of that amount realistically or desirably be made?

As noted earlier, there are some programs which are relatively uncontrollable, under which payments are virtually fixed by statutory formula in the short term. These include social security, Medicare, and other social insurance trust funds; veterans' pensions; interest on the Federal debt; and public assistance grants. The Government is both legally and morally obliged to make the payments required for these types of programs, unless the authorizing legislation is changed. And these payments are often difficult to estimate, since they involve factors largely outside of Government actions.

Our defense needs outside of Southeast Asia were examined with great care in formulating the 1969 budget. It would not be possible to effect large cuts in national defense at this point in time without damage to our national security.

This leaves \$30.5 billion of relatively controllable civilian programs, including outlays from prior year contracts and obligations, to bear the full brunt of the reduction—which could require crippling and destructive cuts in—

- elementary and secondary education;
- research on cancer, heart disease, mental illness, and other health problems;
- loans for rural electrification, telephones, and housing;
- veterans' medical care;
- activities to combat crime;
- Internal Revenue Service audits of tax returns;
- grants for maternal and child health and welfare;
- school lunch, special milk, and food stamp programs;
- operation of airways by the Federal Aviation Administration;
- programs for Model Cities and urban transportation; and
- air and water pollution control.

This list could be extended, but the issue is clear. If we want reductions in these programs of the magnitudes involved in section 5, the Congress should say so in terms of the specific activities to be reduced.

The President's 1969 budget calls for tight controls on all programs—with selective expansions in some areas almost entirely offset by reductions in other controllable programs. The expenditure program in the budget is based on a strict review of national needs and objectives. Coupled with the President's tax program, it represents a responsible way of meeting our economic, fiscal, and program requirements.

#### *Section 10. Limitation on Foreign Travel by Government Employees*

*Summary.*—Section 10 provides that no civilian officer or employee of any of the three branches of Government may travel in a foreign country unless the travel is certified as essential by a proper certifying officer.

The term "proper certifying officer" is defined as—

- (1) The President, for the heads of departments and agencies in the executive branch, the President pro tempore of the Senate, the Speaker of the House, the Chief Justice of the United States, the Justices and Judges of the Courts of the United States, and officers and employees in the Judicial branch;
- (2) Department and agency heads, for their officers and employees;
- (3) The President pro tempore of the Senate, for Members, officers, and employees of the Senate; and
- (4) The Speaker of the House, for Members, officers, and employees of the House.

The section does not apply to travel in a foreign country by employees whose principal place of duty is in that foreign country.

The section would remain in effect until termination of the interest equalization tax.

*Comments.*—The provisions of section 10 are unnecessary for reducing foreign travel in view of the measures already undertaken in the executive branch. In a memorandum of January 18, 1968, the President directed the heads of departments and agencies to reduce official travel overseas to the minimum consistent with the orderly conduct of the Government's business abroad. On February 14, the Bureau of the Budget issued further instructions in Bulletin No. 68-8. Each agency head was asked to take as his objective a reduction of 25% in all overseas travel to and from places outside the United States except travel inherent in permanently assigning personnel overseas.

Each agency is required to report to the President a plan covering all of its overseas travel through fiscal year 1969 including a statement describing the actions taken by the agency head to reduce overseas travel, the amount that travel is expected to be reduced by such actions, and recommendations as to any additional measures that might be taken.

In addition, agencies will make quarterly reports comparing actual overseas travel costs with the plan previously submitted.

The designations of "proper certifying officer" in section 10 present certain difficulties. It would be improper, if not unconstitutional, for the President to determine whether or not foreign travel could be performed by the President pro tempore of the Senate, the Speaker of the House or all of the Justices, Judges, and officers and employees in the Judicial branch.

Moreover, the administrative burden required for some agency heads to certify personally the essentiality of foreign travel of all employees of their agencies could seriously interfere with their primary duties.

EXCERPTS FROM HEARINGS BEFORE THE COMMITTEE ON FINANCE, UNITED STATES SENATE, NINETIETH CONGRESS, SECOND SESSION ON TAX ADJUSTMENT ACT OF 1968

Senator WILLIAMS. I appreciate your calling that to my attention. I will make it a personal duty to contact the chairman of the Ways and Means Committee as well as our chairman. We will try to get the two committees together, and I will tell those committees that this is a method whereby we can put a ceiling on appropriations. I am going to convey to them your recommendation that we do so and your willingness to abide by whatever decision we come out with. Maybe we can come out with better than a \$8 billion reduction. Who knows? We may even save a lot more money than that. So, I want to convey to them your encouragement that we do take that action. I certainly will support it.

But in the meantime, I do not think we can sit idly by and pass the buck to tomorrow. We are going to have to answer it today. The run on the gold is today. But I have your position, and I appreciate it. I would like to ask on just two of the sections.

What is wrong with writing into law the Executive order of the President's putting a ceiling on the number of Government employees that are on the payroll as of July 1966? Now, President Johnson, when he issued that Executive order, and this only carries out the provisions thereof, indicated to the whole world that he could live with that number of employees. We are now told that to roll it back would reduce the services by 30 percent.

You are not trying to tell this committee you added 30 percent to the payroll; are you? You did add that 180,000 to the two and a quarter million. I do not understand why you could not support that. Do I understand that you would object to that section of the bill?

Mr. Zwick. Yes, sir, Senator Williams.

Senator WILLIAMS. All right. Now, the second question—the next section proposes to put a moratorium on all public works and new construction projects until the Vietnam war is over or until the budget is brought under control, with the exception that the Office of Emergency Planning would have the authority to certify that X project was essential to the national security or to our economy.

Now, this is comparable to the Executive order which was placed into effect by President Truman within 6 months of the outbreak of the Korean war. It was placed in effect immediately at the outbreak of World War II, but for some reason the President has not seen fit to implement that during the Vietnam war. What is wrong with writing that section into law?

Mr. Zwick. Sir, let me first quickly get the numbers on the personnel ceiling correctly. As your section treats personnel ceiling, all other agencies would have to absorb the increases in DOD and Post Office, which will be up 207,000.

So, if you add the 207,000 to the 108,000 that the other agencies would be up, you would be talking about roughly a 30-percent reduction in personnel in other agencies when at the same time their budgets are up around 35 percent.

Some of this is simply because workloads are rising. For example, small business loans will be up 21 percent next year. Air traffic control, landings and takeoffs at airports with AA towers, will be up 15 percent. I just do not see how you can run an orderly Government in which you expect bigger workloads to be handled by agencies, and bigger budgets, to be operated with 30 percent fewer people. That is not the way a prudent businessman would run his business and I do not think this is the way we ought to.

Senator WILLIAMS. No prudent businessman would be spending when he has a deficit 30 years, but now when we speak of excess personnel, after all, maybe we can put some of those to work who are around in isolated areas such as I found recently, where two men for nearly 2 years had not had a single duty to perform and nobody found it out. There must have been a lot of idle people around.

Are you trying to tell me that it would be impossible to conduct this Government with a reduction of 2 to 3 percent in the personnel?

Mr. Zwick. As that section is written, you would have to reduce the personnel of the other agencies roughly 30 percent.

Senator WILLIAMS. As that section is written you would have to reduce the personnel that is correct, and that is the reason that I said we must have it mandatory. You know and I know that the so-called 2-percent reduction which was put in at the end of the last Congress was a farce. The departments could get around that 2 percent by postponing the purchase of a typewriter and use

it for employees. You know it was so interpreted and that it has not been effective; that is the reason I am speaking.

If we are going to do this let us not kid the American people. Let us really reduce. Do you have any alternative plan that you can come up with?

Mr. Zwick. Senator Williams, there was no plan last fall to reduce personnel 2 percent. There was a formula which was applied in order to provide an obligation reduction by agency. This formula was based on 2 percent of payroll and 10 percent of all other objects for relatively controllable Federal programs. That gave an agency total from which the agency had to reserve that amount of funds. There was no statement ever made by the administration, and certainly it is not in the law, that you would have a 2-percent reduction in personnel.

Senator WILLIAMS. That is correct, except it is not in the law and the agencies were very careful, but it went through the Congress with a lot of Members of Congress thinking they had enacted a law which would achieve a 2-percent reduction. Anyway, I appreciate your position even though I disagree with it.

#### REVENUE AND EXPENDITURE CONTROL ACT OF 1968

##### *Statement by the President Upon Signing the Bill Into Law, June 28, 1968*

Four and a half years ago—just a few months after becoming President—I signed the biggest tax cut in the Nation's history. Then, the economy was dragging. Five and a half percent of the labor force was out of work. We were under-achievers—falling almost \$30 billion short of our productive capacity.

We had to put our foot on the accelerator then. The income tax reduction and the later excise tax cuts brought new vigor and health to America's economy. They helped us to roll up an unparalleled and impressive record: 88 months of sustained prosperity.

This has meant higher paychecks to the worker and higher profits to the businessman. The unemployment rate has dropped all the way down to 3.5 percent, the lowest in 15 years. Never before have so many of our citizens shared in so much of the Nation's prosperity.

The same principles of good fiscal management summon us here today for a tax increase. The special costs of supporting our fighting men in Vietnam and the costs of launching and supporting comprehensive education, health, city, job, and conservation programs in our society have added many billions to our budget. The Nation's economy is moving too fast because of an unacceptable budgetary deficit. We must now apply the fiscal brakes.

With the measure I sign today, we will cut \$20 billion from the deficit in fiscal year 1969. This marks the largest shift of the budget toward restraint in the past two decades.

Now we can attack decisively—at the roots—the threats to our prosperity: accelerating inflation, soaring interest rates, deteriorating world trade performance.

Now we can mobilize the defense of our dollar at home and abroad and fulfill our obligations to world monetary stability.

Now we are assured that we can continue to rely on free markets, unfettered by damaging government controls.

This temporary surcharge will return to the Treasury about half the tax cuts I signed into law in 1964 and 1965. For the average taxpayer it will mean an additional penny on the dollar of income in the coming year. It honors the democratic principle that taxes should be based on ability to pay.

Here is how the surcharge will affect the American family:

For a family of 4 with a yearly income of up to \$5,000 it will not increase taxes at all.

For a \$10,000 income family, it will amount to slightly over \$2 a week. This leaves them nearly \$3 a week ahead of the tax rates prevailing when I became President.

For an affluent family with \$30,000 a year, it will amount to 2 cents on the dollar.

For every American family—rich or poor—the tax bill is the very best insurance policy we can buy to protect our prosperity.

A modest and equitable temporary income tax is far better than the cruel and haphazard tax of rising prices and spiraling interest rates, which would continue to squeeze millions of Americans—salaried workers, homebuyers, the

elderly couple living on a pension, and all the others who are defenseless against inflation—just as it has unnecessarily squeezed them over the past 2 years.

The tax bill gives us—not a guarantee—but an opportunity for further economic progress. We must fully grasp that opportunity. This will take a concerted effort on many fronts—

by the Government in continuing to meet its obligations for sound fiscal and monetary management and improvement in our balance of payments;

by business and labor in exercising the utmost restraint in price and wage decision; and

by American industry in working energetically to strengthen our world trade position.

This bill deals with expenditures as well as taxes. It requires the President to reduce Federal expenditures by \$6 billion from the January budget for the fiscal 1969.

The January budget was lean and tight. It blended fiscal responsibility with our very urgent national purposes—to pursue the work we must do for the cities, for the farmers, for the poor, and for the common defense. But the Congress—as a condition of its approval for the tax bill—has imposed a deep reduction in that budget.

I have accepted this decision of the Congress because the tax bill is so imperative to the economic health of the Nation.

It is my belief that in the course of the normal appropriations process Congress will reduce the budget by considerably less than \$6 billion. In that event, under the law I sign today, Congress will shift to the President the responsibility for making reductions in programs which the Congress itself is unwilling to do.

This departure from the traditional appropriations process is most unwise. I believe the Congress also acted unwisely in the requirement that Federal employment be rolled back to the level of 2 years ago. This conflicts with the needs of a growing Nation for increased and efficient public services.

In carrying out these Congressional mandates, I will do my best to fulfill our most urgent priorities and to continue the essential operations of Government. We must not falter in our efforts to root out injustice and unrest from the land.

With the enactment of the tax bill, our democracy passed a critical test. Raising taxes is never a pleasant task, least of all in a national election year. But a finally acting Congress has fulfilled an important responsibility.

I believe that the decision should have come sooner and should never have been in doubt. This is not the last time that we will have to act in applying flexible and rational fiscal policies to keep our economy flourishing. We must study the lessons of the past 2 years and ask these questions:

How can we avoid in the future the costly inaction and the threat of fiscal stalemate we have just experienced?

How can we develop procedures to assure the timely adjustment of fiscal policy and the closest cooperation between the executive and legislative branches in this area?

But as we review that experience let us also remember that action did come and that the processes of American Government rose to meet the challenge of fiscal responsibility.

The CHAIRMAN. You recognize, of course, as the business manager, in fact, of this vast and sprawling Government that renders increasingly additional services, medical care, hospitalization to veterans, in delivering 84 billion pieces of mail, over which we have no control as to the numbers we are required to deliver, the necessity of maintaining safety in airfreight which is the principal means of transportation of people, that there are certain indispensable services that cannot be curtailed or cannot be subjected to a rough rule of thumb of rehiring only three out of every four who terminate their employment; do you not?

Mr. ZWICK. Yes, sir.

In fact, in the letter I referred to earlier to Senator Williams, I pointed out 11 such items of workload increase, including loans to small businesses—up 21 percent in 1969, manpower programs—a 20

percent increase, the air traffic activities—up 15 to 20 percent, processing of mortgage insurance applications—up 100,000 applications. As you are aware, the President recommended and it now appears certain that Congress is about to enact the most ambitious housing program in the history of the country.

This is a 10-year program to add 26 million new houses over the 10-year period.

The first year increment, the 1969 increment envisions a tripling of the federally assisted housing units during fiscal 1969.

I think it is quite clear that you can't triple the workload of an agency and ask it to reduce its personnel at the same time.

Disposition of patent applications are up 4 percent a year. The list goes on and on.

A large number of activities within the Federal establishment are related to the population and economic growth of this country, and year-in and year-out these will grow.

The CHAIRMAN. The only actual large Department that was given carte blanche exemption from this was the Department of Defense?

Mr. ZWICK. No, sir. As the bill was passed, there are no exceptions at all. In the Senate amendment there were exceptions. But the act itself provides no exemptions.

Let me modify that to say that military personnel are not affected.

The CHAIRMAN. What about the Bureau of Public Health?

Mr. ZWICK. A good question, sir.

The CHAIRMAN. They are uniformed.

Mr. ZWICK. They are not civilian employees. Other than that, all the exceptions were eliminated in the conference.

The CHAIRMAN. Veterans hospitals are not exempt?

Mr. ZWICK. No, sir.

The CHAIRMAN. One of the biggest turnovers, as I understand it, is within the housekeeping, maintenance, cleanliness of the hospital buildings and the nursing care and subnursing care that has to go into these hospitals.

Mr. ZWICK. Yes, sir.

Let me make one point on Veterans hospitals. You are, or may be, aware that during the House debate on the so-called Burke amendment to reduce the expenditure cut from \$6 to \$4 billion, there was an extended debate of the impact of this bill on the veterans hospitals, and as a result of that debate, the report by the conference managers stated as follows:

The Director may reassign vacancies from one Department or agency to another Department or agency when such reassignment is, in the opinion of the Director, necessary and appropriate for the more efficient operation of Government.

That provision of reassignment is in the bill, and it says:

For the more efficient operation of Government.

Now, the managers of the conference interpreted this in the following way:

To this end, the conferees believe the more efficient operation of the Government means the Director of the Bureau of the Budget generally should reassign vacancies to any agency which has reached its June 30, 1966, level.

The language, which I read, and on which I sent a letter to Chairman Mills, says that we expect that when an agency hits its June 1966

level, the three out of four vacancy-filling provisions will no longer apply.

That was out of concern about what would happen to the Veterans hospitals. So the Veterans hospitals do have to go back to their June 1966 level.

The CHAIRMAN. It wouldn't siphon off the employees below that figure on the resignations or terminations?

Mr. ZWICK. That is right, not immediately, sir.

After a while, though, as more and more agencies hit their June 1966 level, I would find myself in an impossible position, and so in my letter back to the chairman, I said:

The intent and objectives of the conferees with respect to agencies such as the Veterans Administration after they reach their June 30, 1966 level of employees are clear. In the exercise of this authority, I will do my best to see that the provision is operated to the extent possible in accordance with the intent of the law as expressed by the conferees.

When a large number of agencies reach their June 30, 1966 level, however, it may not be feasible to make all the required reductions in the agencies not having obtained that level.

Mr. ZWICK. In other words, as more agencies hit the June 30, 1966 level, then you have to put an even greater burden on the remaining agencies, and you eventually reach a point where this thing becomes bizarre. I had to come back and say that initially I would operate this way, but I am going to reach a point where I can no longer operate that way. At that point I am directed by the law to be concerned with the more efficient operation of the Government.

Summarizing it very simply, we would expect the veterans hospitals to go down to their June 1966 level and stay there for some period of time.

If the law continues very long after that, I am going to reach a point where I will have to reassess my position and we may indeed have to take them below their June 1966 level.

The CHAIRMAN. This has nothing to do with the overall appropriations, but merely personnel?

Mr. ZWICK. That is correct.

The CHAIRMAN. Would it, in your judgment, be feasible in order to help to reach the \$6 billion figure to suspend unstarted public works, where ground has not been broken, to suspend the construction work on post office buildings or Federal buildings or other construction which are still on paper, but not affecting the work now going on?

Mr. ZWICK. Senator, our general policy over the last two budgets has been to minimize the number of new construction starts. The 1969 budget, for example, proposed 10 new starts for the Corps of Engineers, either to start construction or undertake land acquisition. It also proposed a stretchout as far as feasible on the work patterns on projects underway. We have avoided actually shutting down projects.

However, we did look at, in putting together the 1969 budget, the possibility of stopping all projects that are not 50 percent complete. If the work is not 50 percent complete, shut it down and start it up at a later date.

When we started looking at the real hardships and inefficiencies this policy gives you, half-completed flood control projects, power expected in the Northwest not being available on the time scale planned for,



we began to back away from that rule, and we have been operating a policy of very restricted—only a few—new starts and then stretching out ongoing work as much as it is feasible.

The CHAIRMAN. This stopping a project 50 percent completed means you would have to readvertise and take new bids, you would have the expense of the contractor leaving the job unfinished, and also restarting expenses, which would multiply 10 or 20 percent the ultimate cost, would they not?

Mr. ZWICK. Yes, sir; at least that much, and then in the case of the flood control projects, there was a question in a large number of cases, what condition you would find the project in when you came back because of erosion and flooding. And, in the Northwest, as I say, there are firm commitments for power in 1972 and 1973.

The CHAIRMAN. This would apply to veterans hospitals as well. A half-finished building would be nonproductive, and cost escalates about 5 percent a year.

Mr. ZWICK. Yes, sir.

The CHAIRMAN. Unless you deny benefits for 5 or 10 years by your failure to go forward and complete that.

Mr. ZWICK. Yes, sir.

The CHAIRMAN. This would be a poor economy. I am thinking of a huge project in Oklahoma which is to be finished in 1970, and to deny the necessary funds to do 2 years of work remaining would deny a return on the entire \$1.4 billion investment you had in the project. So this would be something that no business firm would think of tolerating.

Mr. ZWICK. That is absolutely correct.

The rule of stopping things that are not 50 percent complete and so forth sounds fairly easy, and sensible at first, but if you start looking at individual projects, the rule begins to become more questionable.

I don't want to push this too hard, because if we get pushed hard enough on this expenditure business, we may someday be forced to use that rule, but I submit to you it is going to be an expensive way to run the Government's business.

The CHAIRMAN. I hope before that time comes, we can work out a commonsense budget, operating budget, and investment budget.

I am bewildered at the antagonisms of certain newspapers and others that I might mention who are completely in accord and take the lead with a brass band to float—we will say—a \$110 million bond issue for public works in a city as the patriotic duty to take care of an expanding population and expanding need.

Yet, the same thing which occurs in the Federal Government is deficit spending.

Our budget facility, and we discussed this in Appropriations, you remember, and I hope we can go further into it sometime personally, makes no differentiation for the average taxpayer, between what we invest in on a 50-year yield in public works. Many of these are the same type of public works that cities patriotically vote bonds to finance over a 50-year period.

But with us, they think it is personnel and overhead and operating expenses and make no distinction on the vast increase of our assets as a nation in the usable public works which have been carefully checked out and engineered to produce a payout from benefits, legally and

carefully and accurately justified to earn their own way during that 50-year period, plus interest.

For that reason, I do hope, wearing another hat now as the chairman of the subcommittee on the Bureau of the Budget's appropriations, that we can have—at least for information of the public—a breakout as to what our investments are as a part of the budget identified in clearly explanatory categories, and thus not be charged with reckless, wild-eyed spending, because we must prepare the Nation for the growth rate that we have, the expansion of our industries, the expansion of our needs that are so vital to the existence of a country that prides itself on world leadership.

I know it is not going to be easy, but I do hope you put some of your best men on it, or, if more men are needed, to ask our subcommittee for additional manpower outside the Williams amendment to effectuate this commonsense way of distinguishing overhead from investment.

Mr. Zwick. Senator, as you indicated, we have talked about this before, and I understand our two staffs are, in fact, doing some staff work on this.

As I indicated last time, I think the budget document has to serve many purposes. One purpose is to estimate how much money the Treasury is going to have to borrow from the public. For that purpose, you are not interested in the distinction between investment and operating expenses.

Another purpose is to estimate the impact of the Federal budget on the national income accounts that the economists look at. For the purposes you described, you certainly are right. The only solution is to have several arrays of data, and you look at that array of data relevant to the issue you are concerned with.

We are working on that.

The CHAIRMAN. Maybe we should do like the cities do, just issue investment bonds for public improvement, identify them as such, and float them on the market as such, and maybe we would in this way eventually—I don't mean to go backward and recap that which is already held under the present investment system, but identify the deficit financing as a 50 year or 25 year, or whatever it is, and even issue a separate type of bond to that end to make it crystal clear to the public, which in every community, from the smallest to the biggest, sees nothing wrong with a school bond issue, nothing wrong with water works development, anti-pollution, the extension of highways, boulevards, and things of that kind, but aghast and feel that fiscal matters are not handled with proper care.

I do feel it is quite square in the bookkeeping system.

Mr. Zwick. I won't disagree with you. There have been proposals to create banks to do something along this very line.

In fact, a precedent, I believe, is being taken this year in the spinning off of the Fannie Mae, the Federal National Mortgage Association, from the Housing and Urban Development Department into a private organization to provide mortgage financing.

Now, if you want to argue that all these mortgages are also part of the budget, we could make the budget much bigger. It is just a matter of where you cut this budget definition off.

The CHAIRMAN. If we had to issue bonds to pay for the entire construction of housing and apartments built by Fannie Mae, we would

be up to hundreds of millions of dollars that, actually, our liability would come out at about one-half of 1 percent of that amount, based on the record and experience.

Mr. ZWICK. That is absolutely correct.

The CHAIRMAN. Getting back to the Post Office, and this is the jurisdiction we have at the moment in this committee, the Postmaster General testified yesterday, most forcefully, I think, that to roll back the mail volume, or the workload, to 1966, as against 1969, that this amount of increase since 1966 to 1969 would be equivalent to the entire mail volume of the Republic of France, or the extension in service, the numbers of boxes and residences and businesses served, the gain alone would be equal to all the mailboxes served by our neighbor to the north, Canada.

In this particular case, I don't believe there is another agency of Government where the product of the Government service is so completely and totally tied to manpower that we would not be able—no matter what was invented—to get the letters that are increasing at about 4 billion this next year—up to about 84 billion pieces of mail—we could not deliver it.

On the other hand, we are not empire-building in the Post Office. We have no control over the mail. We are not doing anything to stimulate the mail. In fact, we raised nearly a billion dollars for you on increased mail rates, which we had hoped would diminish some the increase in the mail service, particularly in the nonprofitable items contained in there, which were severely raised, the so-called direct mail, and even a higher rate on the charitable and nonprofit groups that enjoy special rates.

You would agree, would you not, that in the Post Office particularly that this is an item that is just indispensable to our national life, and that we are powerless to do anything to reduce the manpower required to carry the mail that the users of this service generate.

Mr. Zwick. I read the Postmaster General's statement of yesterday. While I have not looked at the details of the suggested changes in the operations of the Post Office and cannot comment on how he is going to specifically reduce his manpower, I certainly concur with the general statement of the problem that he has made.

There is no way to provide the service we are now providing in 1969 with this provision. So we either have to curtail service or provide an exemption.

The CHAIRMAN. But the fact that the post offices may be closed 2 days a week doesn't necessarily take away the ballpoint pens or the typewriters that the people use to produce this mail, so we are powerless to control the demands on the agency, and we are powerless to hold it in suspended animation, because a blocking of the mail in the post office itself can become a problem of such magnitude that we would have all over the country, in the larger offices particularly, that we faced in Chicago a couple of years ago, where a jam up there loused up the mail service from New York to San Francisco.

We do have an indispensable need that the mail must move, or we will be covered up by the other mail and we will not be able to see daylight, not in the normal time, but we would have more manpower, would we not, with congestion in the post office with the piling up of unworked mail.

Mr. Zwick. There is no doubt about the workload being basically independent of any Government policy. We could raise rates, I presume, to a point where we suppressed people's desires to write. But assuming we do not want to engage in that sort of punitive activity, clearly the mail is going to continue, and either we are going to provide a much lower quality service, or we are going to give the Post Office more people.

The CHAIRMAN. Even if we passed a law forbidding people to write on Saturdays and Sundays and mail letters, and padlock the letter boxes, on the 5 days it was open, we would probably have the same volume of mail.

So we are caught in a squeeze between the consumer demand and the capability of the Post Office to operate with that which is required by law, unless this committee acts and the Congress acts to ameliorate the problem that hangs over us.

Senator Boggs?

Senator Boggs. Thank you, Mr. Chairman.

Mr. Zwick, we have a real problem here. I certainly can say that.

I may not fully understand the situation, but I know when the matter passed the Senate, it did have one or two exemptions in there, including the Postal Field Service, and the FBI, I think.

Mr. Zwick. And the CIA and the TVA.

Senator Boggs. Does this apply to the FBI?

Mr. Zwick. The only exemptions for the executive branch under Public Law 90-364 are appointments of the President with the consent of the Senate. The FBI, the CIA, the Secret Service, and all civilian employees are affected by the provisions of this law.

Senator Boggs. What I never really understood—I read the papers and inquired some. At the conference, I got the impression that this was put in there to provide more flexibility.

There could be judgment used by the Budget Bureau or whoever was supervising the whole thing as to the priorities and there was discretion left, rather than a certain exemption here and a certain exemption there.

Now, am I wrong in that? I thought that was what the administration was insisting on.

Mr. Zwick. I have been reading the news clippings and the stories about my position on this.

Let me first say that I had the impression while sitting in the conference that I didn't have any effect on the debate on any issue, for or against \$6 billion or any other issue, so I am somewhat surprised.

I approach this somewhat conservatively, because as a normal practice the executive does not reveal what happened in a conference. Since I am somewhat concerned about this, just me say this:

We started with a Senate-passed bill, which had an employment restriction added to it on the floor of the Senate.

Now, since there was no report associated with that employment restriction, all we had was the language of the bill to go by, and that was somewhat unclear.

There were two interpretations that I have heard. Both of these interpretations made it almost an impossible bill to live with, so it had to be changed.

The big distinction between that bill and what we are talking about today is that while the Post Office and Defense and CIA and TVA

and a few other small ones were excluded from the employment provisions, the remaining agencies had to absorb the increases of the exempt agencies. Thus, the remaining agencies had to supply the vacancies required to reduce overall Government employment to the 1966 level.

Senator Boggs. Yes.

Mr. Zwick. In the first place, the bill was clear that to get back to the 1966 employment level, you included in that total the employment in the Post Office and Defense and the other exempt agencies.

You were exempting almost 70 percent of the Government, in exempting Post Office and Defense and asking the remaining 30 percent to absorb the increases of those two agencies, and both have been increasing year after year after year.

This meant, if it was to be accomplished in fiscal year 1969, you would be asking these other agencies, which had, after the \$6 billion cutback, about a 25-percent increase in workload, to absorb a 30-percent reduction in personnel.

I don't think you can operate these agencies efficiently that way. I am sure you couldn't operate these agencies efficiently with a 30-percent reduction.

In other words, you are asking 30 percent of the Government, basically, to absorb the increases in 70 percent of the Government. It is very difficult.

A second part of the bill was unclear, and no matter how you interpreted it you were in trouble. It implied that the vacancies that were filled in the Post Office and Defense would have to be made up by increased reductions in the other agencies.

If you interpreted the law that way, it was clear that the Post Office and Defense Departments were creating and filling more vacancies than the other agencies were creating and giving up. Therefore, that provision of the law would have required a complete embargo on employment in other agencies until they got down to the 1966 level for the Government as a whole, or a 30-percent reduction.

That was an extreme thing.

It said as of July 1, other Government agencies can't hire anybody, because they can't even take care of the increases in the Post Office and Defense Departments.

The other interpretation of this part of the bill was that it didn't mean that. It just meant that in the aggregate they had to come down to the 1966 level. However, it was quite clear in the conference that the intent of the conferees was to get the Government employment as a whole to come down month by month.

Since Post Office would have grown at the rate of 30,000 a year and the Defense Establishment was growing (partly through a civilianization policy which we had been following), total employment would not have been coming down.

The other agencies would have been reducing employment by two out of four, and if we carried this to its logical extreme, we would go out of existence and still have total employment up, not down to the 1966 level.

So either one of these interpretations made the Senate version unworkable. This was immediately recognized in the conference, and Senator Williams has a fairly extended statement on this point in yesterday's Congressional Record.

My position was that the whole provision ought to be dropped. Since that position did not carry, I said, then if you want to insist that month after month after month total personnel should come down, you should not make any exemptions.

After that position was taken, then language was developed saying that the Director of the Bureau of the Budget has flexibility to allocate vacancies.

I think it is important to recognize that there is a limited amount of flexibility. We are talking about 30,000 positions in the Post Office Department. I don't know how many we would be talking about in the Defense Establishment.

So far, since July 1, we have 18 agencies asking for relief for another 14,000 positions, so that the magnitude of the problem relative to the flexibility I have is just out of proportion.

Senator Boggs. Let me interrupt right there.

What is the time limitation on you to accomplish this?

Mr. Zwick. To accomplish —

Senator Boggs. To accomplish getting back to the 1966 level.

Mr. Zwick. The assumption was that it would be done by the attrition process. If you make an estimate of what the turnover rate would be in Government, and if you assume no exemptions, we are guessing a little over 2 years.

It may take longer, depending on turnover rates. In about 2 years, you would slowly attrite the Government down to the June 1966 level.

I would make one other point. It is a complicated issue. I mentioned earlier that when the Burke amendment got on the House floor, the question of veterans' hospitals came up. On that occasion, Congressman Mills said that it was clearly not the intention of the managers of the conference to take the Veterans' Administration below the June 1966 level.

Then the conference report did come out and in the statement of the managers on page 45, it has this language:

To this end, the conferees believe that the more efficient operation of the Government means that the Director of the Budget generally should reassign vacancies to any agency which has reached its June 30, 1966, level.

Now, when they made that compromise, it is quite clear they wiped out most of the remaining flexibility I have.

As we get Veterans' Administration down, which we would assume will happen by the end of this year, and perhaps the Department of Agriculture soon after that, I will have to start providing vacancies from other agencies for them to stay at their June 1966 level. This notion that I have widespread flexibility to reallocate between agencies, I think, is overdrawn, and the conference report in a very strong way restricts the amount of flexibility I have.

So that is the history. We started out with a provision on the floor of the Senate which we tried to interpret, and it really didn't work. I think everybody agreed that it had to be modified.

I argued strongly that it ought to be eliminated. That was the best modification I could think of. That was rejected.

I insisted, "If you are going to do this, do it agency-by-agency, and no exemptions."

That was agreed to. Then they added this language that the Director of the Bureau of the Budget has the power to reallocate vacancies within this overall limitation.

This had a limited amount of flexibility inherent in it in the first instance. Then when this interpretation was added in the conference report that I would exclude agencies as they reached their June 30, 1966, level, they wiped out a large part of my remaining flexibility.

So there is a history where I said I would rather have no exemptions than the version the Senate passed, and I repeat that this morning.

What you are now speaking about is a different bill that would eliminate the Post Office totals from the base so the other agencies are not penalized if you remove the Post Office.

So it is a quite different situation.

Senator Boggs. What you are saying is that in your judgment under this law you don't have the discretion to exclude the Post Office Department?

Mr. Zwick. I am saying I must be dictated by the "more efficient operation of Government" clause. That is the prime—

Senator Boggs. Overall?

Mr. Zwick. Overall. As I interpret that, I do not think I would exclude any agency *carte blanche*.

I cannot distinguish between the last employee in the Post Office and the added personnel that the Justice Department needs for the new crime control, safe street bill, that you just passed. I have a request for 2,000 employees in the Justice Department and the FBI to staff up for this important legislation.

I cannot distinguish between the last employee of the Post Office and the Social Security Administration, which has had its workload almost doubled since 1965. It is quite clear that while we have heard about post offices now, it won't be too long until we start hearing about medicare claims and other activities of the Social Security Administration slowing down.

I suggest there will be an equal hue-and-cry from the public about decreased air traffic control service. I cannot distinguish between the last person in the Post Office and the FAA, which has an increased workload of 15 to 20 percent a year for controllers.

As I see my directive, it is to insure the more efficient operation of Government within the overall Government-wide employment constraint. I doubt that I would ever provide any agency complete relief under that directive.

Senator Boggs. If it would take about 2 years to get to this ultimate goal of the 1966 level, as you say, the total impact of it is not going to be felt by any agency in the next 2 or 3 months?

Mr. Zwick. That is correct. The question of the severity of the impact really depends on the character of the agency.

If it is a labor-intensive agency and it has a fairly high turnover rate, it makes the problem become more severe.

The Social Security Administration in HEW is a good example of a labor-intensive agency processing claims and checks and applications. The Office of Education, on the other hand, is a grantmaking agency. There, the expenditure control would be a severe limitation, because they were making grants. But the Social Security Administration is a labor-intensive operation, as is the Post Office, and here the employment restrictions start to work very quickly.

So it depends on the character of the agency.

There are other agencies that will be able to go for a significant period of time before it would hurt.

Senator Boggs. Mr. Chairman, if you don't mind. Like the Postmaster General said, many Members apparently think that the personnel problem is a money matter.

As you well know, money is not involved in this decision. This is strictly a matter of people. We have the money.

Now, since this is not just Post Office Department, although that is what we are personally concerned with at the moment, because the total impact of this thing has come down on the Post Office service right now, just as if the job had been done to cut back to 1966, according to the reaction we get.

Mr. Zwick. Not as I understand the Postmaster's testimony of yesterday.

Senator Boggs. Yes, but I mean the general public.

Mr. Zwick. The public reaction; yes.

Senator Boggs. But if it isn't money, and the burden of the personnel cutback has had its full impact just in a few weeks, and since this involves all the other agencies, it really is a personnel problem that has to be looked at under a philosophy, as you have expressed it, to the total personnel problem of the Government rather than just the Post Office Department, Mr. Chairman, or the FBI or pick out any other agencies, the Veterans Administration.

Mr. Zwick. Yes, sir.

Senator Boggs. And can we get at it piecemeal?

If we make an exemption for the Post Office Department, what have we solved by it?

Mr. Zwick. You have provided the public with better mail service, but you haven't solved the housing program problems, or covered the Safe Streets Act. So while you have solved a part of the problem the majority of the problem still remains.

Senator Boggs. How do you get at that? That is the question in my mind, Mr. Chairman.

Does the Budget Director have an overall plan, no matter what the consequences may be, of how to do this during the 2-year period for all agencies, or are we going at this thing with the FAA people today, the Post Office tomorrow, and the FBI next week, and so on?

I don't think we can get a clear picture and solve the problem with which we are confronted this way.

Mr. Zwick. Senator, let me make two comments. The first was my opening statement.

We opposed this provision from the beginning as being unwise. We thought it was a mistake, and still do. However, we wanted the tax bill, and the President signed the tax bill less than a month ago.

At that time, we committed ourselves to live with it. We feel it inappropriate to be back in a month trying to undo it. The administration is in no position to come back within a month and ask the whole provision be withdrawn.

We put out a Budget Bureau Circular 68-15, which outlines how the agencies must live with this provision, and basically, my philosophy is as follows:

The way you get relief under this provision is to have vacancies assigned to you from other agencies. You write the Director of the Bureau of the Budget and outline what relief you think you need.



What I want to do is to see how big a problem I have here, and that once we can scale this problem—and we will do this, I would hope, within the next month—then we will give relief to certain functions.

I doubt if we would ever give relief to an agency as a whole. Certain relief to certain functions means that we will have to get a number of vacancies from the remaining agencies by adjusting their vacancy-filling rate.

In other words, we will have to say that they do not replace three out of four, but six out of 10, five out of 10, and so forth. Eventually the more exemptions we make, the greater the burden we place on remaining agencies. What we are trying to do now is to get a feel for the sorts of problems we have.

I went into this aware of the safe-streets problem, because this was a high-priority program, and we anticipated adding several thousand people to the Justice Department, the FBI, and others, to staff this.

I was aware of the housing and urban development problem with the new 10-year housing program. I might run through the first requests we have had for relief that have just come in. They add up to something like 14,000 positions, but there are all sorts of problems from the small ones to very serious ones.

The Federal Communications Commission, 33 people, increased workload.

Commission on Obscenity and Pornography—

The CHAIRMAN. Do you have an extra copy of that?

Mr. ZWICK. Yes, I will submit it for the record.

Senator HARTKE. I didn't know we cut back that far.

Mr. ZWICK. You go through a number of fairly small ones, and you get to the Atomic Energy Commission, a request to provide relief for the regulatory programs and civilian power reactors, a question of power safety.

The Department of Commerce needs people because we are starting to recruit people for the 1970 census. Are we going to have a 1970 census, or are we not?

Equal Employment Opportunity Commission. Its June 1966 level was 180 people. It is now around 360. We had proposed in the budget that it go up to 1,000. Here is a high-priority program. Are we going to take them back to their June 1966 level?

Small Business Administration—increased workload. Tax Court of the United States—in this case, as you may have read in the papers, they have vacancies for two new judges, and they won't be able to hire any law clerks at this point to go with them.

The Department of Defense has as an annual practice of laying off 8,000 full-time teachers for the summer in their overseas teaching establishment for dependent children. Question: How do they get those 8,000 teachers back on the payroll next September?

So—when 8,000 pop up over here and 300 over here and 2,000 over here, I felt the only way I could operate with this provision was to do nothing for the time being, let these all bubble up, get a feel for the magnitude of the problem first. It will be a very, very hard nosed assessment of these requests for relief, I assure you. Most of these are not going to be accepted.

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Then I will have to change the rate for the remaining agencies to 7 out of 10, or 6 out of 10, or whatever number will create enough vacancies so I can reassign them to these high-priority programs.

That is a very brief description of how we have been living with this provision since July 1.

(Mr. Zwiek subsequently submitted the following information:)

FIRST AGENCY REQUESTS FOR REASSIGNMENT OF POSITIONS (REQUESTS RECEIVED AS OF JULY 22, 1968)

Agency	Date of letter	Positions requests	Remarks
Administrative Conference of the United States.	July 11, 1968	9 full-time.....	Creation of a new agency.
Federal Communications Commission.	July 18, 1968	33 full-time .....	Increasing workload and responsibilities.
Commission on Obscenity and Pornography.	July 16, 1968	15 full-time, 1 part-time.....	Creation of a new agency.
Atomic Energy Commission.....	July 3, 1968	161 full-time.....	Regulatory program growing due to increase in civilian power reactors.
Department of Justice.....	July 15, 1968	2,000 full-time (100-percent vacancies in July and 100 positions for Law Enforcement Assistance Administration)	Increasing thrust at crime through Omnibus Crime Control Act.
Department of Commerce.....	July 19, 1968	Temporary employment needs August, 649; September, 5,391; October, 485; November, 753; December, 846. January to June have an excess of temporaries.	Need for 1967 Economic Census, 19th Decennial Census, and Maritime Administration: for Vietnam support.
Federal Trade Commission.....	July 17, 1968	16 full-time (now).....	Commitments to law school graduates. Will request additional reassignments during fiscal year 1969 for expanded consumer protection.
Housing and Urban Development....	July 8, 1968 <sup>1</sup>	2,000 3,000 full-time .....	Want exemption of programs enacted by the 90th Congress. (Example: Housing and Urban Development Act of 1968.)
Soldiers' Home.....	July 9, 1968	Total exemption.....	Want total exemption from employment restriction—already exempted from the monetary limitations.
Federal Power Commission.....	July 11, 1968	38 full-time.....	They are presently 38 under their June 30, 1966, employment level and need these positions for 3 growing areas
Federal Home Loan Bank Board....	July 10, 1968	No number identified.....	Substantial increases in statutory responsibilities.
National Labor Relations Board....	July 16, 1968	175 full-time.....	Have increasing workload and graduate commitments.
Equal Employment Opportunity Commission.	July 5, 1968	Full-time    Part-time July            24            30 August        26            45 September    28            10	Relatively new agency with increasing workload and backlog.
Public Land Law Review Commission.	July 1, 1968		Wants complete exemption from sec. 201 of Public Law 90-364.
Small Business Administration.....	June 28, 1968	731 full-time over fiscal year 1966 ceiling.	Increasing workload.
Tax Court of the United States....	June 26, 1968	9 full-time (now), 8 full-time (when two judges are appointed).	Need staff to support 2 new judges appointed. Also to fill outstanding commitments.
Department of Defense.....	July 3, 1968	8,000 full-time (teachers).....	Teachers not on rolls as of June 30, but reported during rest of year as full-time permanents. Therefore, vacancies would be eliminated on July 1. Are also requesting relief for their civilian/military substitution program. Have not decided on number.
Peace Corps.....	July 17, 1968	370 over June 30, 1966, level and a 90-percent replacement rate for limited appointment positions.	Change from contract to direct hire and change from PHS physicians to direct hire. Need relief from 75-percent replacement rate due to limited appointment positions.

<sup>1</sup> To the President.

<sup>2</sup> From Mills.

The CHAIRMAN. I apologize for interrupting, but what has this necessarily to do with the \$6 billion goal?

Senator BOGGS. That is what I was after.

The CHAIRMAN. The name of the game is economy. The name of the game is to try to get our fiscal affairs in shape by proving our willingness to add new taxes.

We do hope to effectuate economies, but how you do that has to be perhaps in birth control or new projects and new agencies and things of that kind rather than trying to take a meat ax instead of a surgeon's scalpel, and by pure accident, no matter how badly needed, the workload is here.

If the chief engineer of the Department resigned, say, if four of the top men resigned, it is all right to hire back three stenographers.

You have apples and transmissions mixed up.

It has no relationship to sanity and business management.

Mr. ZWICK. I don't find it hard to disagree with that characterization of the provision, but let me make two points.

One, there is some flexibility in that I can reassign vacancies. That is much more limited than is generally recognized.

Your basic point, though, is absolutely right. The tax law had four provisions for reducing total Government activity.

One was a requirement for a \$10 million reduction in budget authority, the second was a requirement that we recommend \$8 billion of recessions in the 1970 budget, and the third was a \$6 billion expenditure reduction and the fourth was the employment ceiling.

These provisions are not in balance with one another, and that is what bothers us.

The normal appropriation process looks at budget authority, expenditures, and employment in a package. The 10-8-6 provisions are, in fact, inconsistent, and I think the record is becoming quite clear on this.

Congressman Mahon proposed the 10-8-4 provision, as you remember. I think the record of the House so far is going to prove that Congressman Mahon did have a sense of balance between expenditures and budget authority, because the House has recommended cuts up to \$10 billion in budget authority and it is coming close to the \$4 billion cut in expenditures.

In this case, a \$10 billion reduction in budget authority, and a \$6 billion expenditure reduction, are not consistent with one another.

On top of that, there is an employment ceiling which has no relationship to the others.

Senator BOGGS. That is the point I was trying to get at, Mr. Chairman, when I recited what the Postmaster General said, that it wasn't a money problem.

They have the money. It is a personnel problem. I was trying to make the point, the same point the Chairman made. That is what we were trying to get at in that legislation, as I recall, and that is why I can't quite get it in my mind.

But your policy is, as you have stated, at this time, that you don't want to do anything about it, just let the thing bubble up until you see what the situation is?

Mr. Zwick. Senator, the only point I make is that within the next several weeks we are going to have to make a decision. I am not saying

let it go for months. I presume if I haven't heard within a month, an agency can get along with fewer people, that it is sleeping, or it doesn't have a problem. After we know what the problems are, we will start giving some relief.

My further problem is that I don't have that much flexibility, given the statement of the managers in the conference report.

Senator Boggs. But things like the Post Office Department, and certainly I am one who feels that this is a strictly Federal service. Nobody else can do it.

The Federal Government has the whole field, and it is a public service. It is a service that the country can't do without, it has to be good and efficient, and it has to serve everybody, and people, if they move in a new subdivision, they certainly expect their mail to be delivered there.

They are taxpayers, and we can't cut them off because they have moved in a new subdivision.

And the FAA and the FBI and the veterans hospitals and there are others that are strictly a Federal service that nobody else is doing and can't do.

So could I interpret your statement that after this thing bubbles up and you get a feel of it, there might be some relief in the next 3 or 4 weeks you could give to the Post Office Department?

Mr. Zwick. Sir, I would anticipate that when I get all the data in and I look at the problems of the Justice Department for safe streets and at the housing problems and the Secret Service problems and so forth, that we will not be giving the Post Office Department any relief, certainly in the foreseeable future.

Again, the directive on me is "the more efficient operation of the Government." As I say, I doubt if I can give any agency complete relief. I doubt if that will meet the test of more efficient operation of the Government under these provisions, and I would further doubt that in the next few months at least—we will look at it again in 3 months—that we are going to give any relief to the Post Office Department under the provisions of this law.

Senator Boggs. Could I ask one more question, Mr. Chairman? I have taken quite a bit of time, and I appreciate it.

Could I interpret from your testimony that at this stage you don't want to make any particular recommendation at all to the Congress?

Mr. Zwick. Our position is that we certainly have no objection to your exempting anything as long as you exempt it so that the other agencies don't have to absorb the impact.

Senator Boggs. That is the point I make. You feel that this committee by itself just can't take care of the Post Office Department or the FAA.

It has to be looked at as a whole picture if we are going to do the job for efficient Government under the guidelines?

Mr. Zwick. Senator, I would not put it that way. You have to walk back through the history. We think this provision is bad and shouldn't be in the law.

We had our day in court, we lost; the President signed the tax bill. We said we would live with it.

We think it is inappropriate to be up here recommending exemptions within 1 month after having signed that tax bill.

If the Congress can distinguish between the Post Office and all other activities and want to exempt it, we certainly have no objection. I am not up here arguing that you should treat the Post Office separately.

Senator BOGGS. Thank you.

The CHAIRMAN. Getting back to my point on the \$6 billion in new revenue that we raised with the excise tax—

Mr. ZWICK. Senator, it is closer to \$12 billion—I am sorry, the excise tax. Did you mean the income tax?

The CHAIRMAN. The surtax.

Mr. ZWICK. It is closer to \$10 to \$12 billion.

The CHAIRMAN. This effectuates, does it not, the goal of the managers of our financing?

Mr. ZWICK. That is correct.

The CHAIRMAN. The amount required to stabilize the position on the issuance of Government securities. Is that correct?

Mr. ZWICK. That is correct.

The CHAIRMAN. The personnel reduction was an add-on, an after thought, as an additional way to economize, so that the \$10 to \$12 billion would have been magnified by what amount?

Mr. ZWICK. I don't have an easy number to give you.

The CHAIRMAN. Just guess. That would be up to the Congress when we passed it. We guessed there would be more economy.

Mr. ZWICK. The argument, again, in the conference was that we could not pass this bill in the Senate without the employment limitation.

The CHAIRMAN. But we are faced with it being in the bill, although the demands for the money market for greater fiscal responsibility were satisfied by the surtax.

Mr. ZWICK. That is right.

The CHAIRMAN. So the other being there, it is a question of the individual agencies, such as the Post Office. The point I would like to inquire on is, of the \$7 billion it costs—roughly—to run the Post Office, all the expenses are covered by the users of the mail, deducting the special charity rates and the below-cost handling on public service, excepting about \$135 million.

Would we not in any kind of business management, since we earn the money in the Postal Service that we render, by the payment by the people of the United States for their stamps, and the allowance that Congress provided for service of a public service nature, we would not mind cuts on the impact of total Government revenue, but to penalize us because we have a recordbreaking volume of mail that the consumers wish to put in the boxes, it seems to me to be the reverse of good business management.

There is no way we can handle more mail with less cost, or beyond that, even with less personnel, because this one man has to pick up the mail, another man has to throw the mail into his cases, and another man has to drive a truck or walk the route to distribute it to the ever-expanding numbers of people who are mail users.

For that reason, I think all of the agencies, perhaps with Defense alone exempted, or the law enforcement agencies exempted, this comes under the special category.

We have raised our rates to effectuate this. We didn't wait for the Congress to vote new taxes. We said the users ought to pay more, and I think this cool \$1 billion that came about the hard way in trying to effectuate a near balance in the Post Office operations is a tribute to this committee, that we were conscious of this, and we get no credit for that in this cut.

If the rates had remained the same, we would have had to have the growth of the personnel, and also the growth of the mail volume, because the numbers of letters evidently might have been even greater had the rate remained low.

Certainly, I would have no objection to taking our proportion of the cut on the tax money that we use, which is \$135 million, but I will be darned if I want to be penalized on the \$7 billion of revenue—roughly about \$6.8 billion—that the people pay for this mail itself.

Mr. ZWICK. Yes, sir.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Thank you.

In other words, what the chairman is saying is, that in substance the Post Office Department is going to pay the bill for the Vietnam War.

I opposed the tax bill. I thought it was a fairytale when it was put in. As I understand, you have three basic propositions you have to live with.

One is the employment level?

Mr. ZWICK. That is correct.

Senator HARTKE. What you are saying is that you intend to make no recommendations concerning the Post Office Department as you see it at the present time, now or in the foreseeable future. Is that fair?

Mr. ZWICK. That is right.

Senator HARTKE. So as far as they are concerned, whatever is necessary in their judgment to live with, you say, "Well be it. That is just your bad luck, and whoever is involved has to suffer." Is that fair?

Mr. ZWICK. Yes, sir.

Senator HARTKE. No. 2, you had the budget cut, and so far as you are concerned, I understand you intend to make no recommendations which are going to in any way alleviate any of the pressure on the postal service; is that true?

Mr. ZWICK. Yes; but as the Postmaster General said yesterday, the cut within the Post Office will probably be of an order that is not a problem. The reduction in personnel will more than take care of the cut that they will have to live with in terms of expenditure.

Senator HARTKE. You are talking about the expenditures. There is an expenditure cutback and a budget cutback. I want to take them separately. I am not arguing with you.

There are three basic factors, the employment level, the budget cut, and the expenditure cut.

Mr. ZWICK. That is right.

Senator HARTKE. All I want to do is really to find out whether you are going to do anything in any one of the fields. You are not going to make any recommendations that are going to alleviate any of the pressure on the Post Office Department.

Mr. Zwick. The Post Office Department reductions in budget authority and expenditures will be related to an overall determination which we will make once Congress has finished its appropriations process.

As we now foresee these reductions—and we have obviously some estimates—this will not be a major problem for the Post Office, because the employment ceiling is so stringent, they will have a much smaller labor force and, therefore, they will have a smaller wage bill, and therefore—

Senator HARTKE. But the problem should not be left in that type of vacuum, because if they receive some relief in regard to employment, then the expenditure cut and the budget cut do become effective means of control; is that true?

Mr. Zwick. That could be true.

Senator HARTKE. It is not quite fair to say that the budget limitation and the expenditure limitation are not factors. They are only not factors as long as the employment limitation is a factor.

Mr. Zwick. That is correct. But if the employment provision were eliminated, we would anticipate that the burden of the Post Office to contribute to the \$6 billion cutback would be such that they would have to improve efficiency and so forth, but it would not be a major factor, because the people are paying for these services, as Senator Monroney has already said.

So we do not anticipate that if you did away with the employment ceiling that tomorrow we would have an expenditure problem on our hands.

Senator HARTKE. Is there a document within the Federal Government at the present time which would be a guideline?

I understand what you say, but I do not understand how that determination is made and who makes it.

Are you going to make it?

Mr. Zwick. In the end, obviously the President is going to make it, Senator HARTKE. On your recommendation?

Mr. Zwick. Yes, sir; based on objective information we have—the problem is that we find it difficult to make the cuts until we see what Congress has done.

The law is explicit that Congress acts first. If it does less than the requirement, we will have to do something.

Looking at what the House has done, and if the Senate doesn't restore much of what the House has cut, the Congress will make the \$10 billion cut in budget authority, so we will have to do nothing. The House Appropriations Committee has cut so far \$11.5 billion in budget authority. We will have to do nothing on budget authority then.

The expenditure limitation is another matter. My guess would be, and it is purely a guess, that when all is said and done, if Congress cuts \$3 billion they will be doing very well.

I think others would argue that Congress will cut more. We will have to find the remaining \$2 or \$3 billion, whatever it is.

The only objective information we have on your point, Senator, is to look at our appeal process so far to the Senate, and you will see that we have in fact invoked very strict priorities.

Senator HARTKE. I am trying to find out who has that list of priorities.

Mr. Zwick. The President has stated in general terms that we will try to protect the Great Society social programs, and if you look at the objective information of our appeal process to the Senate, you will find that we did in fact appeal the manpower programs, we did appeal the cuts in elementary and secondary education, rat control program, and the OEO cuts, but we were very stringent and very tight on other cuts.

So if you look at the pattern of our appeals to the Senate, it is quite clear that there is a consistent pattern with the setting of priorities to-----

Senator HARRKE. What I am trying to find out, is this: Is the Post Office in this list of priorities?

Mr. Zwick. They would not expect to have a large cut, primarily because most of their services are paid through revenues, so it does get a high priority in that sense.

Senator HARRKE. Is there such a document? Can I go someplace and get one?

Mr. Zwick. All I can do is offer you (a) the President's directive to the agency heads on how they should live with this, and (b) Budget Bureau Circular 68-16, which lays out how we expect to live with the \$6 billion cut, and what the agencies would have to do, and how they will resubmit plans.

(Mr. Zwick subsequently supplied the following information:)

THE WHITE HOUSE,  
Washington, D.C., June 28, 1968.

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

I have today signed Public Law 90-361. Its provisions will require significant readjustments, and I shall expect you to achieve these promptly and in a manner consistent with the Nation's interests.

We must reduce spending and lending by at least \$6 billion below my original estimates for fiscal 1969. It will also be necessary to restrict hiring until Federal civilian employment is reduced to the June 1966 level.

I regard this situation as a challenge to management ingenuity. Make every dollar available to you go a little further; make sure every person in your agency is being used in the most effective way possible. This must not be a mechanical, across-the-board exercise. That's the easy way.

I will expect each of you to concern yourself personally with management decisions and will best allocate your diminished resources in money and manpower. All decisions should be made in the light of agency-wide priorities.

The necessary procedures on hiring restrictions and budget reductions are being sent to you by the Budget Director. However, the precise dollar limitations for each agency must await completion by Congress of the 1969 appropriations. In the interim, I shall expect you to proceed with caution in obligating funds so that you can be sure that your agency will be able to make the necessary adjustments under the new law in an orderly manner.

LYNDON B. JOHNSON.

BULLETINS FROM THE EXECUTIVE OFFICE OF THE PRESIDENT, BUREAU OF THE BUDGET, WASHINGTON, D.C.

(For immediate release, Monday, July 1, 1968)

OD-209, Information Office, 257 Executive Office Bldg., 305-4854.

Charles J. Zwick, Director of the Bureau of the Budget, today issued detailed guidelines for department and agency heads to follow in cutting back expenditures and personnel required by the newly signed Revenue and Expenditure Control Act of 1968.



The Bureau's instructions on the \$8 billion expenditure reduction called for by the new law dealt with technical preparations. The heads of the departments and agencies were directed to restrict contracts and other commitments so that they will be able to make the necessary spending reductions under the new law. The Budget Director said that these actions were to begin at once.

Under the new law, the Congress has the first opportunity to reduce the budget through its traditional appropriation process. Should the Congress fail to reduce the January budget by the full \$8 billion in expenditures, the law requires the President to make up the difference.

In anticipation that the Congress will reduce the budget by considerably less than \$8 billion, the Budget Bureau guidelines direct each agency head to prepare a detailed plan for the fiscal year beginning July 1. This plan will be reviewed by the Budget Bureau and the President and precise dollar limits will be established by the President for each agency as soon as Congress finishes its actions on the 1969 appropriation bills.

Zwick said that after the precise limits are established, the so-called apportionment system—which has been used for many years to see agencies do not overspend their appropriations—will be used as the basic control technique for obtaining the required expenditure cuts.

Zwick stated it was also the responsibility of each agency head to insure that appointments of full-time employees to permanent civilian positions are limited to 75 percent of the separations due to resignation, retirement, removal, or death. The law requires that restrictions on hiring remain in effect until overall Government employment is back to the June 1966 level, but permits the Budget Director to reassign vacancies from one agency to another to maintain the efficient operation of the Government.

Zwick said that if an agency head appeals to the Budget Bureau for relief on employment restrictions, he will be expected to demonstrate that he has already done everything possible with intra-agency shifts of personnel to maintain full effectiveness in top priority projects. He stressed that for every extra employee authorized in one agency above the restricted hiring, another agency must suffer the loss of one position, so that the overall totals of employment in the Federal service remain unaffected.

To conform with the new law, Zwick said agency heads must specifically identify the savings resulting from the employment restrictions and this money must be reported and placed in reserve.

The Budget Director cautioned against contracting work out to private firms to circumvent the new employment restrictions.

No. 68-15

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., June 28, 1968.

To: The heads of executive departments and establishments.  
Subject: Limitations on the number of civilian employees.

1. Purpose: Section 201 of Public Law 90-364, approved June 28, 1968, prescribes limitations on the number of civilian officers and employees in the executive branch. These limitations become effective July 1, 1968. The Director of the Bureau of the Budget is required to perform certain functions in the execution of that section, and is authorized to prescribe regulations to carry out its provisions. This Bulletin prescribes such regulations.

The provisions of P.L. 90-364 dealing with the limitations on budget authority and outlays for fiscal year 1969 are covered in Bulletin No. 68-19 which will be issued shortly.

2. Definitions: Unless otherwise indicated herein, the terms of this Bulletin relating to employment and types of positions have the meaning set forth in Bureau of the Budget Circular No. A-64. (Those meanings are the same as in the Federal Personnel Manual, section 292.) The term "agency" has the meaning set forth in Bureau of the Budget Circular No. A-11; it includes both departments and those establishments which are independent of the departments.

3. Responsibility of agency heads: The head of each agency will:

a. Insure that the number of appointments of full-time employees to permanent positions within his agency does not exceed 75 percent of the number of separations due to resignation, retirement, removal, or death, or such other

limitations as may be established by the Director of the Bureau of the Budget in accordance with Public Law 90-364. This limitation does not apply to positions filled by appointment by the President with the advice and consent of the Senate, nor to the filling of vacancies resulting from employees transferring to full-time permanent positions elsewhere in the Federal service. (References in this Bulletin to the 75 percent replacement rule also apply to such modified replacement rules as may be prescribed by the Director of the Bureau of the Budget—see paragraph 6 below.)

b. Insure that the number of appointments of full-time employees in temporary positions (exclusive of summer employment of disadvantaged youth, casual employees, and employees serving without compensation) and of part-time employees is limited so that the number of such employees during any month does not exceed the number of such employees in his agency during the corresponding month of calendar year 1967. (The numbers of temporary and part-time employees for each month of 1967, adjusted for summer employment of disadvantaged youth and for reorganizations and transfers of functions, will be furnished to each agency by the Bureau of the Budget.)

c. Provide for the reassignment of vacancies resulting from separations for the specified causes between components of his agency and among various types of positions so as to achieve the most effective and efficient use of those vacancies which he is authorized to fill.

d. Make sure that appointment requests, submitted pursuant to Bureau of the Budget Circular No. A-34, and the provisions of Bulletin No. 68-16, "Limitations on budget authority and outlays for fiscal year 1969," provide for reserving the savings resulting from the operations of section 201 of Public Law 90-364.

4. Termination of limitations on full-time permanent appointments: The limitations established in accordance with this Bulletin and Public Law 90-364 on the appointment of full-time employees to permanent positions will be in effect until the number of employees for the *executive branch as a whole* is less than the number employed on June 30, 1966. At such time, the Director of the Bureau of the Budget will notify the agencies and issue such modifications of these regulations as may be required.

5. Determination of vacancies to be filled: Within the limits permitted by the law and this Bulletin, the head of each agency may determine (or provide methods of determining) the vacancies to be filled. In applying the 75 percent rule for filling vacancies in full-time permanent positions, the computation will be carried to the whole number, with fractions dropped. The agency head should provide for the reassignment, as he determines to be necessary and desirable, of vacancies resulting from the specified causes. He may fill the number of vacancies allowable under the 75 percent rule (including new positions established to carry on new and increased workloads) without regard to the specific positions vacated. For example, four vacancies resulting from the resignations of statisticians and typists in Chicago and Los Angeles could be used to hire three nurses for a hospital in New York under the jurisdiction of the same agency.

6. Reassignments of vacancies by the Bureau of the Budget: The Director of the Bureau of Budget may reassign vacancies between agencies if, in his opinion, such action is necessary or appropriate because of the creation of a new agency, because of a change in functions, or for the more efficient operation of the Government.

a. The director may authorize a higher replacement rate for vacancies in full-time permanent positions for some agencies (for example, those for which the maximum allowable employment would otherwise be below their June 30, 1966, employment) and prescribe a lower replacement rate for other agencies (for example, those above their June 30, 1966, employment) in such manner as to adhere to the overall limitation for the executive branch. (The full-time employment in permanent positions as of June 30, 1966, adjusted for Presidential appointees and for reorganizations and transfers of functions, will be furnished to each agency by the Bureau of the Budget.)

b. Periodically, the Director of the Bureau of the Budget will notify agencies of reassignments of vacancies (1) in full-time permanent positions (whether resulting from the operation of paragraph 6a, or otherwise), and (2) in part-time and temporary employment. Agencies receiving such reassigned vacancies are authorized to make appointments thereto for the full number of vacancies so reassigned, in addition to appointments otherwise allowable.

7. Requirements for reassignment of vacancies: Requests for reassignments under paragraph 6, above, will be made not more often than quarterly by letter

from the agency head. Such letters will demonstrate the need for reassignments and set forth the additional number of reassignments estimated to be required for each of the ensuing three months (full-time permanent positions separately).

Except for those agencies which are below their June 30, 1966, employment levels, the following guidelines will be used:

a. *Agencies with more than 50 full-time employees in permanent positions.*—There must be a clear demonstration that the additional employees are required to meet needs such as those involving the safety of human life, the immediate health of individuals, or the protection of property. There must also be a clear showing that the agency head has taken all steps within his power to meet the needs, including the reassignment of vacancies within his agency to the organization unit and types of positions in which the requirements occur.

b. *Agencies with 50 or less full-time employees in permanent positions.*—There must be a clear demonstration that the additional vacancies are required either for the reasons stated in paragraph 7a above, or that they are essential to executing the basic mission of the agency. There must also be a clear showing that the agency head has taken all the steps within his power to meet the needs, including the reassignment of vacancies within his agency to the types of positions in which the requirements occur.

8. *Exceptions:* Public Law 90-364 excepts the following groups from the employment ceilings:

a. Employees (not exceeding 70,000 during any month) appointed under the President's program to provide summer employment for economically or educationally disadvantaged persons between the ages of 16 and 22 (i.e., 16 through 21). The executive agencies will be advised by the Civil Service Commission of the procedures for controlling employment under this program.

b. Casual employees. (As referred to in Public Law 90-364, these are considered as "intermittent employees" as defined in Bureau of the Budget Circular No. A-64.)

c. Employees serving without compensation.

9. *Special monthly reports on employment:* Special monthly reports on civilian employment of executive agencies are required for administration of this law, and for preparing the prescribed quarterly reports to the Congress. These monthly reports will be prepared in accordance with the instructions in Attachment A.

10. *Reports on savings and reserves:* The law requires that the savings resulting from the operation of these employment limitations be identified and reserved from use. Such savings will comprise the direct personnel compensation that would otherwise be paid employees (including overtime, premium pay, etc.) and the related expenses (including such personnel benefits as the employer's share of retirement premiums, Government contributions for employee life insurance premiums, and other payments which are based on the number of employees or the amounts of their salaries) less any overtime costs made necessary by the employment limitations required by P.L. 90-364.

Apportionment and reapportionment requests should be initiated by the agency, as appropriate, to place in reserve savings resulting from employment limitations. These savings will be part of the reserves for savings established under Public Law 90-64 in accordance with the provisions of Bulletin No. 68-16. Total reserves established for any account pursuant to P.L. 90-364 must be at least as large as the savings under section 201. If at the end of any quarter, such savings exceed the reserves previously established, a reapportionment form must be submitted to increase the amount reserved. Cumulative net savings resulting from section 201 should be identified in a footnote on Standard Forms 133 and 143.

In addition, and in order that the reports prescribed by section 201 of Public Law 90-364 can be made to Congress, each executive agency will prepare and submit to the Bureau of the Budget special reports on savings resulting from employment limitations. These reports will be prepared in accordance with the instructions in Attachment B.

11. *Previous employment ceilings:* In view of the provisions of section 201 of Public Law 90-364 and this Bulletin, the employment ceilings established by the Bureau of the Budget for the end of the fiscal year 1969 are hereby rescinded.

The employment ceilings established for the end of the fiscal year 1968 remain in effect.

12. *Special precautions:* Contracting with firms and institutions for personal services will *not* be used to circumvent the employment restrictions imposed by section 201 of Public Law 90-364 and this Bulletin.

In carrying out the provisions of section 201 of Public Law 90-364, the re-employment rights of any person under section 9 of the Military Selective Service Act of 1967 or any other provision of law conferring reemployment rights upon persons who have performed active duty in the Armed Forces will not be superseded or modified.

CHARLES J. ZWICK, *Director.*

(Attachment A)

#### INSTRUCTIONS FOR PREPARING SPECIAL REPORT ON EMPLOYMENT

Each executive agency will prepare a report monthly in the form illustrated in Exhibit A. It will be prepared concurrently and in conjunction with the Standard Form 113A report furnished to the Civil Service Commission. Employment data in these two reports must agree. Two copies of the Special Report on Employment will be sent to the Bureau of the Budget and one copy to the Civil Service Commission at the same time as the regular Standard Form 113A report is due to be sent to the Commission (i.e., the 15th of the following month).

#### *Section A—Full-time employment in permanent positions (excluding Presidential appointees)*

This section (lines 1-6) covers full-time employment in permanent positions as defined in Bureau of the Budget Circular No. A-64 and for line 9 of the Civil Service Commission Standard Form 113A report, *excluding Presidential appointees requiring confirmation by the Senate.*

For the initial report for July 1968, entries are required only in column (b) of this section. Thereafter, entries will be made, as indicated, in both columns (a) and (b).

*Line 1.*—Enter in column (b) the actual employment at the start of the control period. The June 30, 1968, employment reported to the Civil Service Commission on line 9 of Standard Form 113A, excluding Presidential appointments requiring confirmation by the Senate, will be used for this entry. This base figure will remain the same on all subsequent reports.

*Line 2.*—Enter in column (a) the actual employment as of the end of the month immediately preceding the month for which the report is prepared.

*Line 3.*—Make entries for lines 3a, 3b, and 3c, (explained below) in columns (a) and (b); these will cover separations due to retirement, resignation, removal or death. These will be minus entries and will exclude transfers to full-time permanent positions in other Federal agencies.

*Line 3a.*—Enter the separations occurring during the period when the agency is subject to the 75% replacement limitation.

*Line 3b.*—Enter the separations occurring during the period in which a replacement rate lower or higher than the 75% rate is prescribed by the Bureau of the Budget under the provisions of paragraph 6a of this Bulletin. Enter the prescribed rate in the stub.

*Line 3c.*—Enter the separations for the period subsequent to that applicable for line 3b during which a further modification of the replacement rate has been prescribed by the Bureau of the Budget. Enter the revised prescribed rate in the stub.

*Line 4.*—Enter in columns (a) and (b) separations due to employees transferring to full-time permanent positions in other Federal agencies. These will be minus entries. Such separated employees may be replaced on a "1 for 1" basis.

*Line 5.*—Enter in columns (a) and (b) accessions to the agency.

*Line 6.*—Enter in each column the sum of the entries for lines 1 through 5. The sum for each column should be the same. This end-of-month employment should not exceed the maximum allowable employment reported on line 9.

**Section B—Maximum allowable employment in full-time permanent positions (excluding Presidential appointees)**

Entries are required only in column (b).

**Line 7a.**—Make entry pertaining to the replacement of separations occurring during the period the 75% replacement rule is in effect. The entry will be determined by deducting from the July 1 employment reported on line 1, 25% of the separations during the period reported on line 3a, column b.

**Line 7b.**—Enter in the stub the percentage of the separations reported on line 3b which are *not* replaceable (100% minus the replacement rate reported in the stub of line 3b). For example, if the replacement rate is changed to 70% for some agencies under the provisions of paragraph 6a of this Bulletin, the entry on this line would be 30% (100%-70%). For agencies below their June 30, 1966, employment levels, and which are authorized to make full replacements (i.e., on a "1 for 1" basis), the entry would be 0% (100%-100%). Enter in column b the product of the percent in the stub of line 7b times the number of separations reported on line 3b, column b. This amount will be a minus (-) entry.

**Line 7c.**—Enter in the stub the percentage of the separations reported on line 3c which are *not* replaceable (100% minus the replacement rate reported in the stub of line 3c). Enter in column b the product of the percent in the stub of line 7c times the number of separations reported on line 3c, column b. This amount will be a minus (-) entry.

**Line 8.**—Enter the net number (+ or -) of vacancies in full-time permanent positions reassigned to or from the reporting agency by the Bureau of the Budget.

**Line 9.**—Enter the maximum allowable full-time employment in permanent positions for the agency, the sum of lines 7a, 7b, 7c and 8.

**Section C—Temporary and part-time employment (excluding disadvantaged summer youth)**

This section identifies the numbers of temporary and part-time employees subject to the limitations of Public Law 90- . Entries are required only in column (a) for line 10 and in column (b) for lines 11, 12, and 13.

**Line 10.**—Enter the temporary and part-time employment as of the end of the month, excluding the disadvantaged summer youth reported on line 15, below.

**Line 11.**—Enter the temporary and part-time employment as of the end of the corresponding month of *calendar year 1967*, excluding disadvantaged summer youth and as adjusted for reorganizations and transfers of functions. The numbers reported should be the same as those furnished to each agency by the Bureau of the Budget.

**Line 12.**—Enter the net number (+ or -) of vacancies in temporary or part-time positions reassigned to or from the reporting agency by the Bureau of the Budget.

**Line 13.**—Enter the maximum allowable temporary and part-time employment for the agency, the sum of lines 11 and 12.

**Section D—Other employment**

This section will present other employment reported in line 1 of the Standard Form 113A. Entries are required only in column (a).

**Line 14.**—Enter the number of full-time employees in permanent positions *serving at the end of the month* who were appointed by the President with the confirmation of the Senate.

**Line 15.**—Enter the number of youths serving as of the end of the month who were appointed under the President's program to provide summer employment for economically or educationally disadvantaged persons aged 16 through 21. This number will be the same as the "Total" entry in column (d) of Part IV of CSC Form 1131D.

**Line 16.**—Enter the number of intermittent employees for the month as reported on line 11 of Standard Form 113A. ("Casual employment," referred to in Public Law 90-364, is considered as "intermittent employment" as defined in Circular No. A-64).

**Section E—Total employment**

**Line 17.**—Enter the sum of lines 6+10+14+15+16. This should be the same as the total employment at the end of the month reported to the Civil Service Commission on line 1 of Standard Form 113A.

## SPECIAL REPORT ON EMPLOYMENT--DEPARTMENT OF GOVERNMENT

	August 1968	Cumulative since June 30, 1968
	(a)	(b)
<b>A. Full-time employment in permanent positions (excluding Presidential appointees):</b>		
1. Employment, July 1, 1968.....		10,000
2. Employment, end of previous month.....	9,975	
3. Separations due to retirement, resignation, removal, or death:		
a. Period with 75 percent vacancy-filling rate (-).....	-85	-163
b. Period with --- percent vacancy-filling rate (-).....	(1)	(1)
c. Period with --- percent vacancy-filling rate (-).....	(1)	(1)
4. Employees transferring to other agencies (-).....	-25	-55
5. Accessions during period (+).....	90	173
6. Employment, end of month.....	9,955	9,955
<b>B. Maximum allowable full-time employment in permanent positions (excluding Presidential appointees):</b>		
7. Based upon percent replacement limitations:		
a. Employment, July 1, 1968, minus (25 percent times line 3a).....		9,960
b. --- percent not replaceable times line 3b (-).....		(1)
c. --- percent not replaceable times line 3c (-).....		(1)
8. Reassignments by Bureau of the Budget (+) or (-).....		
9. Maximum allowable employment.....		9,960
<b>C. Temporary and part-time employment (excluding disadvantaged summer youth):</b>		
10. Employment, end of month.....	440	
11. Employment same month, calendar 1967.....		(455)
12. Reassignments by Bureau of the Budget (+) or (-).....		
13. Maximum allowable employment.....		(455)
<b>D. Other employment:</b>		
14. Presidential appointees (full-time permanent).....	12	
15. Disadvantaged summer youth.....	189	
16. Intermittent.....	98	
<b>E. Total employment: 17. End of month (same as on SF 113A).....</b>	<b>10,694</b>	

† Not applicable at this time.

## (Attachment B)

## INSTRUCTIONS FOR PREPARING REPORT ON SAVINGS RESULTING FROM LIMITATIONS ON EMPLOYMENT

Each executive agency will prepare a report quarterly in the form illustrated in Exhibit B. Four copies will be submitted to the Bureau of the Budget at the same time as the corresponding Special Report on Employment (Exhibit A) for the last month of each quarter. The entries for this report will be cumulative for the fiscal year covered.

Lines 1 through 8 deal only with data for employment of the reporting agency (i.e., these lines exclude data for employment in other agencies which may be funded by allocations from the reporting agency).

Specific instructions for the line entries follow:

**Line 1.**—Enter the estimated man-years funded by regular appropriation acts enacted for 1969 or by pending appropriations which have not been enacted at the time the report is prepared (using the agency's best estimate to the final appropriation). Also include estimated man-years funded by allocations from other agencies, and revenues and reimbursements to be received and available during the year. Exclude the man-year value of overtime.

**Line 2.**—Show the man-years likely to occur on the basis of experience with employment to date. Do not project further reductions in man-years likely to occur as a result of additional vacancies arising in the rest of the year. Exclude the man-year value of overtime.

**Line 3.**—Enter line 1 minus line 2.

**Line 4.**—Enter the average savings per man-year for the man-years reported on line 3. This will be calculated on the basis of pay scales (and the related expenses) on which the appropriation acts were based. The calculations should conform to the instructions in paragraph 10 of the Bulletin.

**Line 5.**—Enter line 3 times line 4.

*Line 6.*—Enter estimates of the extra overtime costs made necessary because the number of employees is less than would have been the case without the employment limitations. The figure used should be subject to substantiation. Do not project extra overtime likely to occur as a result of additional vacancies arising in the rest of the year.

*Line 7.*—Enter line 5 minus line 6.

*Line 8.*—Enter the estimated net savings (included in line 7) which is in employment financed through allocations from other agencies. This will be a minus (—) entry. This net dollar savings will be reported to the allocating agency in order that such savings may be included in line 9 of the corresponding report of that agency.

*Line 9.*—Enter the net savings in allocations to other agencies expected to result from employment reductions in other agencies as a consequence of the employment limitations of P.L. 90-364. The entry will be the total of the net savings reported to the "parent" (funding) agency by agencies receiving allocations (see line 8 instructions).

*Line 11.*—Enter only the reserves officially established in the apportionment process pursuant to Bureau of the Budget Circular No. A 34 or under the provisions of Bulletin No. 68-16, dealing with the limitations on budget authority and outlays for fiscal year 1969.

*Line 12.*—Enter savings for which reapportionments to establish additional reserves are in process.

REPORT ON SAVINGS RESULTING FROM LIMITATIONS ON EMPLOYMENT, DEPARTMENT OF GOVERNMENT, AS OF SEPT. 1968

[Dollars in thousands]

1. Man-years funded by available funds.....	10,900
2. Man-years as now estimated.....	10,395
3. Savings in man-years (line 1 minus line 2).....	505
4. Average saving per man-year (not in thousands).....	\$8,075
5. Estimated savings in annual costs for employment of the agency (line 3 times line 4).....	4,078
6. Offsetting overtime added costs.....	715
7. Estimated net savings in annual costs for employment of the agency (line 5 minus line 6).....	3,363
8. Estimated net savings (included in line 7) on employment financed by allocations received (—).....	—250
9. Additional savings from employment reductions by other agencies on allocations to them.....	185
10. Total estimated net savings in costs to agency funds for fiscal year (total of lines 7, 8, and 9).....	3,298
11. Savings which are in reserve.....	2,950
12. Additional reserves to be established.....	348

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., June 28, 1968.

No. 68-16

To: The heads of executive departments and establishments.

Subject: Limitations on budget authority and outlays for fiscal year 1969.

1. Purpose: This Bulletin provides for the preparation and submission of agency plans for reducing budget authority and outlays for fiscal year 1969 to comply with the limitations imposed by Public Law 90-364 of June 28, 1968.

The provisions of Public Law 90-364 which deal specifically with the limitation on the number of civilian officers and employees and the rescission of \$8,000,000,000 of unobligated balances are not covered in this Bulletin. Separate instructions will be provided on those provisions of the law.

2. Limitations: Public Law 90-364 requires that the President—

a. Limit budget authority for fiscal year 1969 to \$101,723,000,000, which is \$10,000,000,000 less than the amount proposed in the 1969 budget.

b. Limit outlays for fiscal year 1969 to \$180,062,000,000, which is \$6,000,000,000 less than the amount proposed in the 1969 budget.

3. Exceptions: The dollar limitations cited in paragraph 2 may be exceeded only insofar as budget authority and outlays for the fiscal year 1969 exceed the amounts estimated in the 1969 Budget for any of the following:

a. *Special support of Vietnam operations.* (Activities covered by the budget authority estimate of \$25,405 million that can be derived from the tables on pages 81 and 92 of the 1969 Budget and the outlays estimate of \$26,264 million as shown in the table on page 83 of the 1969 Budget.)

b. *Interest.* (Payments under this heading as shown in table 3 on page 53 and table 13 on page 183 of the 1969 Budget.)

c. *Veterans benefits and services.* (Activities covered by the table on page 161 and table 13 on pages 182-183 and 188 of the 1969 Budget.)

d. *Payments from trust funds established by the Social Security Act, as amended.* (Activities covered by the first four line entries in table C-4 on page 488 of the 1969 Budget.)

4. Planning figures: Planning figures, which will establish targets for agency plans, will be provided to all agencies by the Bureau of the Budget. These planning figures will cover amendments and supplemental appropriations as well as regular appropriations. For consistency with the 1969 budget estimates, amounts for the civilian and military pay increases effective in July 1968 will not be included in the planning figures for each agency, but will be added later.

5. Action by agency: The head of each agency will:

a. Prepare a plan for budget reductions, by appropriation and fund account, for 1969 budget authority, outlays and obligations to conform to the 1969 planning figures provided by the Bureau of the Budget. This plan will also identify the increased costs for civilian and military pay increases under Executive Orders 11413 and 11414, effective in July 1968, for which a special allowance for the Government as a whole was included in the budget. The plan will be designed in such a way that, insofar as possible, reductions in budget authority and outlays will flow from reductions in obligations, which will be controlled through the apportionment process.

b. Submit to the Bureau of the Budget:

(1) The "Plan for 1969 Budget Reductions" (see Exhibit A) prepared in accordance with instructions in Attachment A.

(2) A narrative statement summarizing the implications for specific programs of the action proposed to be taken under the agency plan.

Four copies of the required information will be submitted to the Bureau of the Budget not later than 10 days after the planning figures are furnished by the Bureau of the Budget. If it becomes necessary to prepare the plan before final Congressional action on the agency's appropriation act, the agency's best estimate of the final appropriation will be used. After final passage of the appropriation act, the agency will submit revised information to the Bureau of the Budget.

c. Anticipate the need to absorb a share of the overall reductions required by the limitations in paragraph 2 above, and restrict obligations and outlays appropriately, until the agency plan is approved.

d. Request apportionments or reapportionments as necessary to conform to the agency plan as approved in accordance with paragraph 6 below.

e. Supplement the present administrative control regulations (which govern the apportionment process) with additional control instructions, as necessary, to prevent the agency from exceeding the 1969 limitations on outlays.

6. Limitations on budget authority and outlays: The Bureau of the Budget will review the agency's plan for conformity with the goals and priorities of the President and provide him with recommendations for action. The President's decisions with respect to 1969 limitations on budget authority and outlays will be transmitted to the agency head by the Bureau of the Budget. The agency head will be responsible for insuring that the limitations established by the President are not exceeded. Where necessary, a revised agency plan reflecting the final 1969 limitations will be submitted to the Bureau of the Budget.



7. Apportionment and reapportionments: Apportionment and reapportionment requests will be submitted in accordance with the instructions in Circular No. A-34. Apportionment and reapportionment forms will also be required, when specifically requested by the Bureau of the Budget, for selected trust funds and other funds which are now exempt from apportionment under Circular No. A-34.

The sum of the reserves for all accounts having 1969 budget authority will equal or exceed the amount shown on line E, minus line F, in the column for budget authority on the approved agency plan (Exhibit A). Reserves established to accomplish the reductions required by Public Law 90-364 will be identified, either in the body of the form or in a footnote.

In preparing apportionment and reapportionment requests, the costs of civilian and military pay increases effective in July 1968 must be absorbed insofar as possible, thus reducing the amount of the supplementals required. However, reserves for each account must be at least equal to the savings resulting from the provisions of Public Law 90-364 relating to the limitation on the number of employees. In a single account, therefore, the apportionment form may reflect both a reserve for savings resulting from the personnel limitation and an anticipated supplemental to meet increased pay costs.

8. Budget presentation: In the schedules in the Appendix to the 1970 budget, the budget authority entry will be net of reserves which, under the terms of the law, are to be automatically rescinded as of June 30, 1969. These amounts will be identified in the review of the 1970 budget.

Instructions for preparing 1970 budget schedules to reflect this reserve action will be issued at a later date.

10. Special guidelines: Agencies should be aware of the following when planning for the execution of the imposed limitations:

a. subsequent increases in 1969 budget authority over the amounts in the budget for indefinite authorizations will require the agency head to make an equivalent offsetting reduction elsewhere to remain within the limitation.

b. Legislation not reflected in the budget which provides "backdoor" financing will require the agency to make equivalent offsetting reductions to meet the budget authority limitation. Also, any additional outlays generated thereby in 1969 will force an equivalent offsetting reduction in outlays.

c. Program additions or expansion (including those which, under existing law, are not subject to direct administrative control) and new legislation leading to greater 1969 budget authority or outlays than reflected in the 1969 budget will require the agency to make equivalent offsetting reductions elsewhere.

d. Any increases over the budget estimates due to lack of Congressional approval of proposed legislation which would have reduced budget authority or outlays will also require the agency to make equivalent offsetting reductions.

e. Reductions in outlays of special foreign currency program appropriations will not decrease total Government outlays, and will not count in reductions to meet agency limitations.

CHARLES J. ZWICK,  
Director.

(Attachment A)

INSTRUCTIONS FOR PREPARING PLAN FOR 1969 BUDGET REDUCTIONS PURSUANT TO  
PUBLIC LAW 90-364

*Summary section*

*Line A1.*—Enter the total amounts shown for the agency in the 1969 budget for budget authority and outlays in table 14, which starts on page 196 of the Budget. In the column for obligations, show total amounts on the same basis as in the budget schedules (Line 71, Total obligations (affecting expenditures)). Include in all three columns those items which were proposed in the budget for transmittal at a later date.

*Line A2.*—Paragraph 3 of the Bulletin specifies activities which may cause the limitations to be exceeded. Enter as negative items, in all three columns, gross amounts included in the budget for these activities (i.e., excluding the effect of any receipts deducted which might be related to these activities).

*Line A3.*—Show, as plus items, the amounts of receipts offsetting budget authority, outlays and obligations *as estimated in the 1969 budget document* (adjustments for interfund and intragovernmental transactions and applicable receipts from the public, and loan repayments deposited in general fund).

*Line A4.*—Sum of the three above lines.

*Line B.*—Enter 1969 planning figures for budget authority and outlays as provided by the Bureau of the Budget. In the obligations column enter the agency's planned reduced level of obligations to meet the 1969 limitations.

*Line C.*—Line A5 minus line B.

*Line D.*—Enter the net increases over the budget passed by Congress, as a plus, and net decreases as a minus.

*Line E.*—Line C minus line D.

*Line F.*—Enter the estimated 1969 effect of the civilian and military pay increases (including related costs for Government retirement contributions, employer FICA taxes, and other payments based on employees' salaries) which start in July 1968. In the column for budgetary authority show only the portion of the cost requiring additional 1969 budget authority. (Exclude direct costs to be financed by reimbursements or balances but include any payments to other agencies for which appropriations would be required.) The column for outlays and obligations will include increases financed from balances (as well as those financed from budget authority), but will be net of those financed by increased reimbursements. Exclude any anticipated wage board increases. Wage board increases will be absorbed by the agencies within the 1969 limitations.

#### Analysis by account

1. List all accounts for which amounts are reported on Lines C, D, or F. For each account, show separate lines for budget authority (BA), outlays, and obligations (Obl.).

2. For each account listed, amounts will be entered as follows:

*Column 1.*—Enter amounts shown in the 1969 budget, including amounts proposed for separate transmittal.

*Column 2.*—Enter the amount of budget authority enacted by Congress, and comparable amounts for outlays and obligations. Indefinite authorizations (whether current or permanent) will be reported in the same amounts as estimated in the budget.

*Column 3.*—Enter the current estimate of budget authority after deducting reserves proposed under P.L. 90-364, but excluding any changes which are offset by changes in estimates of receipts to be deducted from agency totals. (Where an appropriation is equal to receipts which are deducted from the totals, the same amount will appear in columns 1, 2 and 3 for budget authority.)

For outlays and obligations, enter the latest estimates, taking account of any other reserves in addition to those proposed under P.L. 90-364.

*Column 4.*—Enter the result of subtracting column 3 from column 2. In cases where column 3 is a higher figure, the amount in column 4 will be negative, and must be offset by positive savings in other accounts.

*Column 5.*—Enter the amount included on line F of the Summary for the account involved.

### PLAN FOR 1969 BUDGET REDUCTIONS PURSUANT TO PUBLIC LAW 90-364—DEPARTMENT OF GOVERNMENT

#### SUMMARY

(In thousands of dollars)

	1969		
	Budget authority	Outlays	Obligations
<b>A. Budget authority, outlays and obligations:</b>			
1. Totals recommended in 1969 budget (including items proposed for separate transmittal)	8,798,600	8,555,016	8,868,750
2. Exception activities under Public Law 90-364	1,442,085	1,442,085	
3. Offsetting receipts reflected in the 1969 budget			
4. Subtotal	10,240,685	9,997,101	8,868,750
<b>B. Planning figures provided by the Bureau of the Budget and agency action</b>	-9,250,685	-9,037,101	-7,870,750
<b>C. Gross reductions required</b>	990,000	960,000	998,000
<b>D. Impact on reductions required due to congressional action</b>	-15,000	-12,600	-13,000
<b>E. Net reductions required</b>	975,000	947,400	985,000
<b>F. Adjustments for 1969 civilian and military pay increases</b>	-199,800	-200,000	-206,000

ANALYSIS BY ACCOUNT  
[In thousands of dollars]

	1969 budget	Enacted	Current revision	Possible reductions †	Pay costs
	(1)	(2)	(3)	(4)	(5)
<b>Office of the Secretary:</b>					
Salaries and expenses:					
BA.....	3,105	2,950	2,900	50	-15
Outlays.....	3,206	3,075	3,040	35	-14
Obi.....	3,105	2,950	2,900	50	-15
<b>Bureau of Public Works:</b>					
Construction:					
BA.....	54,455	45,000	45,000		
Outlays.....	52,971	51,750	50,500	1,250	
Obi.....	54,986	49,900	48,700	1,200	
Salaries and expenses:					
BA.....	10,300	10,000	9,500	500	-75
Outlays.....	9,300	9,100	8,900	200	-72
Obi.....	10,300	10,000	9,500	500	-75
<b>Bureau of Business Management:</b>					
Commercial revolving fund:					
BA.....	6,300	5,000	5,000		
Outlays.....	-2,723	-3,700	-4,500	800	-50
Obi.....	-11,845	-13,145	-13,145		
<b>Bureau of Public Benefits:</b>					
Public benefits trust fund:					
BA.....	1,216,838	1,216,838	1,216,838		
Outlays.....	1,219,050	1,219,050	1,221,000	-1,950	-105
Obi.....	1,220,100	1,220,100	1,222,600	-1,500	-105

† Col. 2 minus col. 3.

Mr. ZWICK. There is no simple document that says, "We submitted a budget of \$186.1 billion; we now have to live with \$180.1 billion. This is how we get from the higher figure to the lower one." No, sir, this is no such document.

But we have stated in general terms that we intend to not do it in an across-the-board, ax—

Senator HARTKE. That is exactly what I am trying to get at.

Mr. ZWICK. We will set the priorities, and have already done so in the appeal process in one way.

Senator HARTKE. You are doing this on a piecemeal basis. Where do I find out where you are going to end in the appeal process? If I want to follow the recommendations of the administration, which I am not sure I would want to, how do I find out where you are going in a step-by-step basis?

Mr. ZWICK. At this point, we find it difficult to do it any other way. We don't know what Congress is going to do on foreign aid—

Senator HARTKE. Where does foreign aid rate in this list of priorities?

Mr. ZWICK. The President made a strong statement to the Speaker last week, in which he urged —

Mr. HARTKE. The President makes a strong appeal on all these measures and then criticizes the Congress because we don't do the cutting.

Mr. ZWICK. No, sir; I disagree. If you look at our appeals to the Senate, you will find we followed a very, very stringent appeal policy. I guess that 10 percent is the average appeal from the House cuts.

Senator HARTKE. Where has the President asked us to cut a specific program?

Mr. ZWICK. He has not asked you to cut, but he has not, indeed, appealed all cuts.

Senator HARTKE. Where has the President asked us that we should— if it is not cutting, what is it? I don't know.

Mr. Zwick. He sent up a budget in January of \$180.1 billion. That identified his set of priorities. He said, continually, and he still believes that was the right set of priorities.

He has now said in specific instances which involved foreign aid, or other programs, "I think this is a high priority."

The most objective, and I think a very valid, statement of those priorities is in our requests to the Senate. When space was cut, we did not appeal.

Senator HARTKE. Space is not one of them. What is another one?

Mr. Zwick. The Department of Defense appeal, there is going to be a small appeal from that. The Agriculture appeal was also small.

Senator HARTKE. Could you send to us a list of such items so we could tell?

Mr. Zwick. They are in the hearings of the Senate Subcommittees on Appropriations. These are the appeals by the agencies which have to get clearance, obviously, so that is available.

Senator HARTKE. The substance is that the Post Office Department as of now can expect very little relief?

Mr. Zwick. On employment. The budget limit is not a major problem for the Post Office.

Senator HARTKE. Thank you, Mr. Chairman.

The CHAIRMAN. Could I ask a question there?

In other words, if there is going to be any relief from an impossible employment situation, as contained in the conference report on the revenue bill, then the Congress is going to have to make it?

Mr. Zwick. Certainly, in the short run. But if we live with this a year or 2 years, we will need to continually reassess it. For example, I would put high on my list the need to provide the Attorney General some slots for the Safe Streets Act.

We will need to assist the Social Security Administration, whose workload is growing more rapidly than the Post Office, and I think we are going to have to do something about FAA, where you have an increase in the workload of air traffic controllers of 20 percent a year.

I would say in the short run, my set of priorities under this bill—not under my preferred set of priorities—I will be very clear—but under this bill, which we have to live with, my set of priorities would be one where you have to decrease postal service.

The CHAIRMAN. Let me ask this question on operations.

If the Congress, in its wisdom, would pass a bill exempting from the retire provisions of the conference report, this would not affect the attainable goal of the 80 billion reduction. It would throw the burden even, perhaps, on other agencies to a greater degree.

Mr. Zwick. That is right.

The CHAIRMAN. If we attempted, which I doubt we would do, to exempt all agencies of Government, and we perhaps have that jurisdiction as Post Office and Civil Service Committee from the employment cutbacks, we could still decrease by using a surgeon's scalpel rather than a meat ax, so that Government programs would not be damaged to a devastating extent.

Mr. Zwick. That is correct.

The CHAIRMAN. This would probably be the way the controller of a large corporation would effectuate it. He wouldn't cut out each department by an uncertain factor of a janitor retiring and being unable to hire an engineer necessary to carry on the important functions of the business.

Mr. ZWICK. That is right.

The CHAIRMAN. Mr. Burdick?

Mr. BURDICK. Thank you.

Mr. Zwick, every morning at 10 o'clock I attend another drama, the Judiciary Committee, that you have heard about.

To summarize your statement, in the testimony yesterday that the postal load would increase 11-plus percent—

Mr. ZWICK. Since 1966.

Mr. BURDICK. Yes; and if this law is carried into effect, the postal personnel would be reduced by about 11-plus percent.

Mr. ZWICK. That is right.

Mr. BURDICK. Obviously, you have an increased load and a decreased work staff.

Mr. ZWICK. Yes; in the Government as a whole, the number would be about a 25-percent increase in workload.

Mr. BURDICK. It is your opinion under the law you do not have the discretion or the flexibility to provide that?

Mr. ZWICK. Let me develop quickly a point which I elaborated on earlier. I am not sure whether you were here.

Clearly, within the provision of the law, it says that the Budget Director for the more efficient operation of Government can reallocate vacancies among agencies, so I do have it in general authority.

My point is that lots of agencies have problems and workload increases, so that flexibility is not as great as it might seem at first blush.

Second, after a prolonged debate on the House floor on the Veterans' Administration, the managers of the conference wrote into their conference report that they interpreted that efficient operation of a Government directive to mean that the Budget Director generally should reassign vacancies to any agencies which reaches its June 30, 1966, level.

We are going to start hitting those pretty soon, and that takes a great deal of flexibility away from us.

In a practical, real-world sense, I have much less flexibility than—

Senator BURDICK. You do not have any effective relief for the Post Office at the moment?

Mr. ZWICK. For the foreseeable future; that is correct.

Senator BURDICK. And the only relief to be granted now is from Congress.

Mr. ZWICK. That is correct.

The CHAIRMAN. And you are not advocating it, but you don't oppose it.

Mr. ZWICK. That is correct. We have had our day in court, and we shouldn't be back here in a month recommending changes.

The CHAIRMAN. Senator Hollings?

Senator HOLLINGS. You didn't recommend this, and I didn't vote for it, so we are in pari delicto on that.

Does the administration feel a moral obligation to put forth priorities? You talked about Great Society programs. We came forward and we talked about the oldest department of Government being inefficient, and that we had to put it on a business basis and raise the revenues.

The administration called upon us to raise these revenues almost a billion dollars, and now that we have done it, to sort of go back, when you say the overall directive is one of efficiency and continuing to hang over here about a public service corporation and not doing a job, and things of that kind, and take the Safe Streets Act, an entirely new program, and give it priority over an established service that the Government adopted originally when the Government started doesn't seem—of course, it is a difference of opinion—but it doesn't seem to me it is a proper priority.

Mr. ZWICK. As I say, Senator, we didn't recommend taking away the services, but we may have a disagreement on priorities, because I think the Johnson administration does place the law and order and safe streets issue high on the agenda, and we will staff a new program before we stop curtailing services in other programs.

So there may be a disagreement here on priorities.

Senator HOLLINGS. But you are going to use the postal users revenue increase, that increase to run a different program and at the same time say that the Post Office Department is incompetent and you ought to put it into a public service corporation.

I don't see how you justify it.

Mr. ZWICK. If carried to an extreme, that would happen, but we would hope that provisions don't get carried to this extreme.

All I am saying to you is that I have to look at the total needs of the Government, and there are many of them, and there are other agencies that have workloads increasing more rapidly than the Post Office, which involve public safety and public services of high priority, and I don't think that a general directive to me that says "manage this so you have overall efficiency in government operations" would be consistent with exempting the Post Office.

Senator HOLLINGS. While we do disagree on priorities, we do agree this is a lousy way to legislate. You have to take it, and it is hard to say what goes on in a Senator's mind to put this in and criticize the Congress for weeks afterward.

If they make the Post Office a public service corporation, they ought to make the Congress a public service corporation.

The CHAIRMAN. Congress is exempt, I think, from this cutback.

I am sure the conference wouldn't have overlooked the necessary loopholes.

Senator HARTKE. Mr. Chairman, I would like to say that on this exemption, I would hope we could move as fast as we could, in view of what the Budget Director says, that it doesn't make much difference what happens from here on in.

We could have an executive session before we recess for the minority party having a convention.

The CHAIRMAN. I would hope we could prior to that, and if we are able to complete the hearings today, I hope we can have an executive session.

Senator HARTKE. Tomorrow?

The CHAIRMAN. Possibly today, because I think this is a matter that is disturbing the whole country. It is the oldest department, and it is one that employs more people affected by this personnel reduction than any other, and yet is one which must depend largely on personnel for carrying out the functions.

Mr. Zwick. That is precisely why I have difficulty in doing something. It is not a lack of sympathy for the postal service. The Postmaster General stated yesterday that the American public deserved the quality service we had built into its budget.

If I exempt the post office, with its need for 30,000 more positions. I would have to find 30,000 vacancies from other agencies to satisfy the needs of the Post Office.

Senator Boggs. Mr. Chairman, on that, may I ask Mr. Zwick a question?

On that very point, if you exempt the Post Office Department for the next 6 months, let's say, what would be the effect of that on the overall program? Would that give you time to get a plan and—

Mr. Zwick. The Postmaster General has estimated he would have a reduction of 15,000 in employment during fiscal 1969, rather than, roughly, a 15,000 increase which was projected.

Therefore, if you spread it through the year equally, and they must have seasonal patterns, but ignoring that problem, this is 30,000 for the year or 2,500 per month. And for 6 months we would have to find 15,000 positions in other parts of the Federal Government to take care of it, and that is a heavy tax on the other agencies.

Senator Boggs. That is a point. If you don't look at this whole picture, if you vote to exempt the Post Office Department without limitation, for even 6 months, then you are voting to cut down on those essential services.

Mr. Zwick. No, sir. As I understand this bill, you just subtract the Post Office out of the June 1966 base, and you don't count its vacancies. So the remainder of the Government operates as the tax bill was passed. The Post Office would be outside of the aggregate 1966 level, and its vacancies do not have to be compensated for, so this would not place any burden on any other agency.

The CHAIRMAN. This is the important point.

Mr. Zwick. This would give a special privilege to the Post Office, but it would not impose an additional burden on the other agencies.

The CHAIRMAN. We are walking on the water, you might say, of the fact that we are an income-earning agency, and the services we sell are demanded by the public to the extent that, as I have repeated, all but \$135 million of the entire \$7 billion is either earned from the public or appropriated or authorized as credits for public service performed.

Therefore, we do, I think, stand in a separate position from any other agency that I know of that covers its costs by the services that it sells, or the services that the Government has determined are public service features. So in that degree, I think we could well come in under this, and as the Director of the Bureau of the Budget has said, it would not adversely affect other agencies by the setting aside of the peculiar, particularly money earning abilities of the Post Office Department for services rendered.

Senator Boggs. Thank you.

The CHAIRMAN. Are there any further questions?

Senator Yarborough?

Senator YARBOROUGH. No questions, Mr. Chairman. I understand the questioning has been very thorough. I was late. I understand we have other witnesses on the list, three presidents of organizations, and

I understand the Director of the Bureau of the Budget has covered all these questions thoroughly.

I want to congratulate you on the thorough questioning you have done.

The CHAIRMAN. As the Budget Director leaves, we were looking through the appropriations for possible places where we, too, can contribute, and the building program, unstarted, which totals about \$50 million for the coming year. We may want to consider that in executive session.

Thank you very much, Mr. Zwick, for your information, and for your clear definitions of the scope of the problem.

Mr. Zwick. Thank you.

The CHAIRMAN. Our next witness is one of the genuine statesmen of Washington, one of the specialists in the field of Government personnel, and whose contributions to both the Government and to the wonderful association he represents have been of great magnitude through the years, and are deeply appreciated by this committee.

We are honored today to have Mr. Jerome Keating, president of the National Association of Letter Carriers.

Mr. Keating, we welcome you back to this rostrum, where you so ably have assisted this committee through the year.

**STATEMENT OF JEROME KEATING, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO; ACCOMPANIED BY JAMES H. RADEMACHER, VICE PRESIDENT; GEORGE A. BANG, DIRECTOR OF LIFE INSURANCE; AND DON KERLIN, LEGISLATIVE CONSULTANT**

Mr. KEATING. Thank you very much, Senator.

I am accompanied by Vice President Rademacher; George Bang, the head of our life insurance department; and our legislative consultant, J. Don Kerlin.

We are interested, of course, in the testimony that was given by the previous witness, the Director of the Bureau of the Budget. We think that we have to look a little bit at the results of what the action that has been taken are.

The Post Office Department, of course, is a dynamic institution. It is not stagnant.

Man's memory is indeed very short. In October 1966, we had the worst pileup of mail in the Chicago Post Office ever experienced in the United States. Newspapers reported that the post office was so piled up with mail that they couldn't get the mail in or get it out. A national magazine reported that buildings were so filled with mail, postal employees could not get inside but were forced to start processing from the outside, somewhat like taking the peel off an apple.

Troubleshooters from Washington were rushed to the scene, outside firms were hired at great expense to unplug the jam of mail, tons of mail were sent to other cities to be worked, and, before the mail was moving naturally again, there were jam ups in every city in the country.

According to the Washington Post, the Post Office Department was quoted as saying, "A massive pileup in the Chicago Post Office had



caused delays of as much as 10 days in the delivery of mail." The Terre Haute Star referred to the post office as the Pony Express.

The trouble was a shortage of trained help and inadequate space to properly handle the volume of mail.

Man's memory is indeed short if anyone in official positions feels that a similar condition will not exist if the Postmaster General's orders on curtailment are carried out. If those in official positions feel they are going to receive public acclaim and the praise of the newspapers for saving a few dollars and fouling up the business life of the communities and the personal life of the citizens all over the country, they are badly mistaken.

No one received any credit for the Chicago mess. One of the newspapers commented: "The marvelous incompetence of Washington bureaucrats rarely has been displayed more clearly than in the mess at the Chicago Post Office, the most important mail-processing center in the United States." We can expect the same blame will be placed upon the Congress and the Department if this situation is forced upon the country again.

If you will recall the 1966 fiasco, there was talk at one time about even burning the mail to get rid of it.

The mail volume is heavier now than it was in 1966. The Chicago Post Office is not any larger nor are very many of the other post offices around the country. We still have inadequate space.

In recent years the Appropriations Committee has shown good judgment in allowing proper appropriations for personnel. A great deal of credit for that must go to the members of this committee who sit on the Appropriations Committee, particularly Chairman Monroney.

The proposal to close the post offices on Saturday has been a pet project of the Bureau of the Budget for some time. The people at the Bureau probably understand the budget, but they don't understand much above the movement of mail. With the present plant capacity, to stop the delivery of mail for 2 days in a row would cause a crisis similar to the one that we had in Chicago in 1966.

The Bureau of the Budget ordered the Post Office Department at one time to discontinue Saturday delivery of parcel post. This, too, proved to be far too drastic. The Post Office Department had to request Congress to restore the Saturday service on parcel post. On one occasion when Friday was a holiday, parcel post was not delivered on Friday, it was not delivered on Saturday, and it was not delivered on Sunday. Some cities had the foresight to give service on Friday, but those that did not found themselves severely stuck on deliveries the following week, and it cost far more to make the deliveries than if they had maintained normal service.

Under the new holiday bill just enacted by Congress, mail would be allowed to pile up inside our inadequate postal facilities for 3 days, the weeks that the holiday occurs on Monday, and we moved some holidays back to Monday.

It is inconceivable that the curtailments that have been ordered can be permitted to take place. Former Postmaster General O'Brien had to request 26,000 new regulars, \$30 million in additional appropriations for a cleanup, and 150,000 temporaries to correct the situation that was initially caused by a jam up of mail in one city—Chicago.

III. The \$30 million turned out to be considerably more. If the curtailments that have been ordered by the Department are placed in operation, the jam up of 1968 is going to cost far more than what will be saved in the long run.

We are not saving money. We are sacrificing not only the money of the Federal Government, but we are interfering with the profits and the income of practically all of the business people in America. We will be delaying hundreds of thousands of checks that are sent through the mails on a daily basis, and we will be creating and permitting a chaotic condition in the mail service of the United States and the lives of the citizens of the United States. With the contemplated curtailment of delivery, steps would have to be taken to bar the mailing of foods, drugs, baby chicks, plants, and other such matter, or else provide special handling, which, in the end, would prove more costly than providing the manpower to provide normal service.

We urge this committee to take immediate action so that the curtailments that have been proposed are not placed into operation. The mail-handling personnel is no more than adequate at the present time. Congress has recently increased postage rates by \$900 million, and Congress cannot permit these proposed cuts in service to go through, wrecking our fine postal service.

We hope that you will be able to come up with a solution. We understand the situation in the Government, but, as you have pointed out, Mr. Chairman, the situation in the postal service within the fiscal program of the Government is somewhat different than other agencies.

We contract, so to speak, when we sell stamps, to give service, and if these curtailments go into effect, we won't be able to give service in the Post Office Department.

The CHAIRMAN. Thank you, President Keating, for a comprehensive and succinct statement.

The amount derived from the 1-cent increase in the first-class postage, which is the high-priority mail, brings in \$521 million additional revenue, if my memory serves me correctly.

We told the public, and you told the public, that you would have better mail service, that we would airlift first-class mail everywhere where it could be expedited by airlift. But all our airlifted mail would be infinitesimal in the speed of delivery of the mails, would it not, if the letter carriers were on a 5-day week and the mail delivery was on a 5-day week—I should say—and if the clerks were on a 5-day week, if the mail handlers were serving only 5 days a week?

We would, as you so well say, invite a situation that would make the Chicago jam up, which is a good name for it, look like a Sunday-school picnic compared to what we would be up against nationwide.

Mr. KEATING. According to the Postmaster General's testimony, eventually we would have a 4-day delivery in the residential areas. If you get down to that, you will have the checks that individuals receive—and a lot of people get their paychecks through the mail. The people that are on relief get relief checks through the mail. The pension checks go through the mail. And if you have that mail delayed several days later, there is going to be a great furor in this country. There is no question about it.

And it will be delayed if you go on a 4-day delivery.

As to business mail, 5-day delivery means the Monday mail will be late. Even now, some of the priority mail that is expected to be delivered in the first trip doesn't get delivered on the first trip because of the volume of mail, and because of the time it takes sometimes to bring up the personnel to handle the volume.

So we are not in a good position now, and if we retreat from the position we have now, we are going to be in a chaotic condition. There is no question about it.

The CHAIRMAN. Isn't it a fact that from the time I dropped a letter in my neighborhood box that all of the operations of the post office, the pickup of the mail, would be delayed because of the 5-day service, the trucking it into the central post office would be delayed, the sorting of the mail and casing it for the proper air flights or the proper transportation, would be backed up, that the transportation to the aircraft or to the train or to the truck would be delayed?

The unloading of it would be delayed at its destination, the breaking out of the mail and sorting it as to the carrier route would be delayed, and so you would compound the delay of the extra 2 days or 1 day through every stage of the mail, and this would be the pile of mail higher than Pike's Peak that would be mounting throughout the principal post offices in the land, and much of the mail, a large percentage of it, goes through these principal first-class offices.

So you have a compounding ricochet of the difficulty, and this is one I don't want to be responsible for permitting it to occur, if there is any avoidable way to fail to do that.

What might go in an office of shortening the services by 1 full day and pile up the mail? It might be tight work, but not cause a catastrophe. But we are talking about 700,000 employees and 35,000 post offices, scattered not only from coast to coast, but to Nome, Alaska, and to Guam. And which mail going to Vietnam, that would be affected, too, to arrive at an ill-thought-out plan to arrive at some personnel reduction. You can't do it with a meat ax.

Mr. KEATING. As a matter of fact, every time we handle the mail, there would be a delay. Your efforts to get the mail to cities faster by flying it would be entirely lost, because with the delays of time that it required handling, with the delays in delivery when it got there, and probably the delays in sorting it to get it out, it would take probably longer by plane than it now takes by train. It could take just about the same length of time to go from one coast to the other. And what you attempt to accomplish won't be accomplished if these cuts go into effect. There is no question about it.

The CHAIRMAN. Wouldn't you say that the same letter carriers and clerks would be expected to do 2 days' work for 1 day's pay, because you have a jam up of the mail that is going to continue to come into the post office, and if you measured it by piece, you would expect that by Monday or Tuesday or sometime in that week, your letter carriers would be having to deliver a double load on that, but it would be receiving 1 day's pay?

Mr. KEATING. Another factor, if you stop to consider it, is that a man has a certain capacity for work. I mean he can do so much work in a day. The fact that you cut down delivery, if you are going to save anything, then you will have to eliminate some employment.

The extra man that carries a route so that carriers have 1 day a week off, but then the carrier would be putting 6 days' work in 5 days. You will find that he can't do that. You will find that you would have to spend more money—probably not more manpower, but more money for overtime.

Essentially, the restriction is on jobs, but the purpose in restricting the jobs is to try to save money. And if you have the volume of work and if you have to spend time and a half overtime to handle it, or if you have to put on temporary people—and officials sometimes don't count temporaries—I don't know how they lose them, but they lose them in the count lots of times—it is going to constitute more money. And you are not going to attain the objective sought.

The objective in curtailing the number of people must have been to save money. It certainly isn't to knock people out of jobs when we are talking about poverty and we are talking about creating jobs and putting the people who still aren't working to work.

It doesn't make sense in that case to surplus several thousand men. There will be 30,000 in the post office alone this year.

There are 15,700 that were allowed under the appropriation for the additional workload. They have already been erased. The Department is not filling any vacancies. There are another 15,000 that would be cut out from this curtailment.

As the Postmaster General pointed out yesterday, when people build a new apartment building, the people in that area, if they live out here in Virginia, and they build a big apartment building, the people won't get delivery of mail. The patrons will have to go to the post office to get their mail. I can't imagine the public being happy having to drive through Washington traffic on their way home to pick up their daily mail. I can't imagine anything that will make people as unhappy as driving in 94° weather, driving through Washington traffic, finding a place to park and then going in to get their mail. Perhaps driving 2 miles out of their way.

I don't think their comments would be complimentary to the Bureau of the Budget or the Congress or anybody else when they have to do that.

I had a letter from a man on a rural route. He applied for delivery, and he was told there would be no problem. It was a new house. Then, of course, this curtailment came through, and he finds he can't get delivery. He was out in Iowa, and he moved out there from Chicago.

I had another letter yesterday from a retired vice president of the First American National Bank in Nashville, Tenn., and he is upset. He says that he can't understand this proposed curtailment of the mail service. If anything, it ought to be made better rather than worse. Now, that is a retired vice president of a bank, no connection with the post office. He is a man I happen to know, and that is his attitude toward curtailment.

I think you have a serious situation here, a tough situation, but I do think something has to be done so that the postal service is not cut. I don't think the American people are going to like it. I know the postal employees are greatly worried about it.

You haven't probably had as much mail as you will get as the news spreads, and certainly it will be much greater when the cuts actually start going into operation, when the full impact is felt, or even a partial impact is felt. And that starts next Saturday.

The CHAIRMAN. That is correct. Certainly in our study of this problem, it seems to me that no provision has been made at all for handling the crises that would occur in some places.

This doesn't only hit the banker, who finds the clearance of checks that he would expect to be delivered the following morning may be delivered 3 days later on some of these matters that run into millions of dollars. And there is interest lost in this delay. And for the ever-growing list of people who are on relief, who barely can stretch out a social security check, or a State relief check to meet their daily expenses, they would have a day or two of delay in that, which would be rather catastrophic if they were out of money and had no credit at the grocery store or other things like this.

Mr. MINTON. Let me point out right there, Mr. Chairman, that Friday, November 1, 4 days before the election, the checks will be mailed out, and they will not be delivered until at least Monday, so that all of the social security and civil service retirees in the country who receive and rely upon the checks will have a fresh and vivid memory of the service they get from the post office when they go to the polls.

The CHAIRMAN. Thank you for the bit of information on the timing.

Senator HOLLINGS. Can we survive that? That is the question.

The CHAIRMAN. This is quite important, because a family paying on a mortgage can very easily find themselves in default, if they find themselves without prompt delivery of that check. If it is 2, 3, or 4 days late from the jam up, which you predict could make it so, you are going to have difficulty explaining to the creditors why their credit rating is not one of being prompt, but one of being late.

All of these things are the bloodstream of American life—the mail service.

Mr. KEATING. I carried mail for a good many years, and the people that—a lot of people get the Wall Street Journal, and they are very much interested in it because of the market quotations and so forth. And for that reason the Post Office Department gives it better service than they do almost any other type of mail. In order to get the Wall Street Journal out on time, the Wall Street Journal have built printing plants all over, so they are close to the patrons and so they will get their mail the first thing in the morning.

On the proposed curtailment, people will get three copies a day. It is fresh news. It is prompt news. The people who have investments, dividends, and stocks and bonds, they want to find out what it is doing. They will find out a couple of days later. It may cost them a little money, but they will find out what was doing on Tuesday, though it may be Friday when they find out about it.

I think you have a very serious problem here. As you pointed out, Senator, the people who get relief checks and pension checks—and very often they are right down to the line. When that check comes there, it is needed. In fact, some of it is probably spent already.

I think those things have to be given consideration. I think that there are human aspects and there are human factors in this thing that we have to consider. And just to cut back—I know it wasn't the full action of the Senate and the House—just likely to move back 2 years, you can't move back 2 years.

In a growing population such as we have, you have over a million new homes every year, and we have a gross national product now that

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is over \$850 billion. And to think that we can cut back the center of our business community, the center of our social life, the center of our personal life, cut down the mail and put it back to that extent, it is just impossible.

The CHAIRMAN. We used to have a saying in the school of journalism that there is nothing as old as yesterday's newspaper, nor as uncertain as tomorrow's, but tomorrow's newspaper, the uncertainty is going to arrive 3 days late, and today's newspaper is apt to be equally late. And the millions of copies of newspapers that go through the mail, and the magazines, is a very sensitive point, in addition to first-class mail, and it is given pretty fast delivery now. But the papers will be practically worthless, because you will be able to get some kind of a twisted documentary over the television, maybe, but it is going to be inadequate if you want to read a story about it.

But when—I think it was Time magazine—when they shifted from the rails to the trucks in the abandonment of rail service by the railroads, got all kinds of kicks because Time and Newsweek were arriving on, say, Friday, instead of on the usual Thursday. This is a weekly publication, and the daily publications would be still more sensitive to this delay, and the volume of the stuff as it piles up, it is going to take some pretty strong backs of the football-player type to carry the weight of the mailsacks.

Every day will be almost the day before Christmas on that day that you get the double whammy from the lack of delivery on the previous workday.

Mr. KEATING. You get a triple one if there is a holiday connected with it.

The CHAIRMAN. Senator Boggs?

Senator Boggs. Thank you, Mr. Chairman.

Mr. Keating, as always, you have made a very impressive presentation, and I know I do, and I am sure everyone of us, has great confidence in your testimony always.

Not to be facetious, but when you talk about the Wall Street Journal and the people trying to get it on time, I remember one time I asked the Postmaster, did he have any problems?

He said:

Well, I get complaints if the Wall Street Journal isn't there on time. Sometimes they call me and tell me their coffee is getting cold, and they can't enjoy it until they get the Wall Street Journal.

So I know what you mean when you refer to that.

You have made an impressive statement, and I follow you all the way through, but I would like to ask this question.

I believe that we have got to look at this whole picture. We are talking about the Post Office Department now. If there was an extension, for example, an exemption for 6 months, do you think that would relieve the situation and give this committee and the Congress a chance to look at this whole personnel problem?

Mr. KEATING. I don't think so.

Senator Boggs. Just a general exemption of the Post Office Department?

Mr. KEATING. I think it is necessary, because I assume there is nothing to indicate that the country isn't going to continue going ahead. If it goes ahead, the volume of mail goes up. The Department expects 84 billion pieces of mail next year.

Of course, there are other things in the growth that slow up the delivery of mail—for example, traffic. It takes trucks longer to get through now than it used to.

There are many other factors that with the growth of our population—of course, the spread to the suburban areas, that is going to increase rather than otherwise, and I don't see why—I mean it just doesn't make any sense whatsoever to make this curtailment.

If we could come along with some magic machinery that could replace thousands of people, but they don't invent machines that read very fast or read very well.

We don't have a uniform product in the mails. The benefit from machines is somewhat limited. So there is not going to be a breakthrough, or if there is, I don't know where it will be. We are still going to have to depend on manpower, and we are going to have to have adequate manpower or less mail, one or the other. And I don't think we are going to have less mail.

A jam like that Chicago jam, when you get behind, it is almost impossible to catch up. We have learned that from handling the mail over the years.

Senator Boggs. Do you think there is an urgency of acting within the next few weeks on this exemption for the Post Office Department? Or is it a matter—

Mr. KEATING. I think any curtailments that have been planned ought to be postponed until you take final action. You don't think that they are talking about—this is a clerical problem rather than a carrier problem, but they are talking about closing the windows this coming Saturday, which means that—today is Tuesday—that probably at least by tomorrow and certainly by Thursday, they are going to have to rebid all those jobs and reassign all those people. And if you open them up the following week, you have to go back and do it all over again.

It seems that that just doesn't make sense.

Our mode of living has changed substantially. We live primarily in suburban areas, and the suburban post office is a very busy institution, much more so than it was in the past.

Senator Boggs. That is right.

Mr. KEATING. Now, you go into a suburban post office on a Saturday and you will find a lot of people. There are a lot of people there. We live in suburban areas to a growing extent.

In fact, generally, you could almost use this as a rule of thumb. If the center city has so many hundred thousand population, the suburban area nowadays practically equals it. In a few years from now, it is going to exceed it.

But we have almost a balance between the suburbs and the center city in almost any community nowadays.

Mr. RADEMACHER. Senator Boggs, there is an urgency in planning and morale. There are 20,000 career employees with anywhere from 1 to 30 years service today, who are questioning whether they are going to have a job this Christmas. These are utility carriers. They are employed on the regular carrier's day off. These people today are quite anxious. They are writing to us. They are concerned about their employment, and that is why there is an absolute urgency, because of the morale problem of the senior carriers, in addition to the cuts in service.

Senator Boggs. Thank you.

The CHAIRMAN. Along that same line, it seems we are on the side of record breaking bad judgment to refuse to let the Post Office hire regulars, but leave you unlimited as to temporaries, the very thing that you and the other representatives of the postal unions have been advocating to stabilize the efficiency and improve the service; that is, to get more of our service into the regular civil service grades and fewer in the temporaries and substitutes. And yet this thing—you could hire an unlimited number of substitutes, who are ill-experienced in it, but you can't keep a valued man who has worked his way up through being a substitute or temporary to career service, and you have no slot for him.

You have to follow this downward escalation provided in this bill, which is the reverse of good manpower procedures in any industry. I don't care what industry it is.

Mr. KEATING. Generally speaking, the policy of hiring temporaries is not a good one. Some of your best prospective employees won't take a temporary position. They come in and they say they find out they have no tenure, and they don't know whether they will ever get to be regulars. They will pass up the job.

So you are apt to hire your less competent people as temporaries. There may be exceptions, but that is so, generally speaking. The temporary, generally, has a—he is a little discouraged, because he doesn't have the same rights and privileges. He has no tenure, and they are worried about their positions. They are worried about whether they will ever get to be a career employee or not.

So the policy of hiring temporaries is a very poor one.

The CHAIRMAN. Senator Yarborough?

Senator YARBOROUGH. Mr. Keating, congratulations on a very fine statement.

It occurs to me that the problem here is that Congress has directed that the job complement of the Post Office Department be rolled back to 1966, but didn't direct that the people direct their mailings back to 1966.

Now, you can't cut the job back to the number, or in the amount of energy and effort. It seems to me a rather ridiculous thing when you stop to think about it. If we want to cut military construction, or NASA explorations, we can direct the cessation of employment and the cessation of military contracts. You stop the contracts, and you pay your money out. You are not a revenue producing thing. You are not a revenue producing service.

But in this kind of thing, people are coming in and you are rendering a service. We have already heard testimony that this mail has gone up 8 billion pieces. I have asked for an estimate how much that will bring in. Counsel has phoned the Post Office Department. That will bring in a billion dollars more.

We have to do something. To say, "Take in another billion dollars"—I don't think we can stop the Post Office Department from growing and expanding and in new deliveries out to new houses, without stopping people from building suburbia and stopping them from increasing the size of the families.

The order of the Senate to cut back is to me an utterly ridiculous order.

Mr. KEATING. We have to move the mail back to 1966.



Senator YARBOROUGH. I want to put this in the record, Mr. Chairman. I got a breakdown here of \$4,682,519,000 up to \$5,642,090,000. That is roughly a \$1 billion increase.

We just phoned the Post Office Department and got that revenue difference in 2 years, as that mail went up 8 billion pieces, equivalent to all the mail sent and received in France in a year.

Despite this, they say: "Go back to where you were with your employees in 1966." I think it is one of the most ridiculous things passed by the Congress.

The CHAIRMAN. I would like to put in a letter signed by President Keating, by Mr. Rademacher, Mr. Lewis, and Mr. Coyle. It is a brief letter, but it is a cogent one.

(The letter referred to follows:)

NATIONAL ASSOCIATION OF LETTER CARRIERS,

Washington, D.C., July 19, 1968.

To Members of the U.S. Senate:

If Congress does not pass legislation to exempt the Post Office Department from the sweeping manpower reductions demanded by the recently-approved Income Tax Increase law, the postal service will suffer the most monumental catastrophe in its history.

Consider these facts. Congress last year increased rates by almost one billion dollars. The revenue of the Post Office Department amounts to six billion dollars a year; its expenditures amount to seven billion dollars a year. The bulk of the difference in income and expenditures is made up of Public Service Items.

The cuts ordered will place the postal personnel back at the 1966 complement. This in the face of the largest Gross National Product in the history of the Nation—over \$850 billion. We have a rapidly increasing population; there are between one million and one and one-half million new homes every year. We have a mushrooming growth in the suburban areas. The Post Office Department will be required to handle 84 billion pieces of mail next year. Mail does not evaporate when deliveries are cut. It piles up, requiring more expensive handling and delivery procedures.

The Post Office Department under Public Law 90-364 will be compelled to forego hiring 15,780 needed employees this year. It will also have to cut 15,000 positions from the existing quota. In four years the Post Office Department will be required to surplus 83,238 positions.

Immediate action is necessary. On behalf of 205,000 letter carriers, we ask your support.

NATIONAL ASSOCIATION OF LETTER CARRIERS,

JEROME J. KEATING,

President.

J. H. RADEMACHER,

Vice President.

J. STANLEY LEWIS,

Secretary-Treasurer.

CHARLES N. COYLE,

Assistant Secretary-Treasurer.

The CHAIRMAN. Mr. Rademacher, do you have anything else?

Mr. RADEMACHER. Yes, Mr. Chairman.

The President's Commission on Postal Reorganization has issued some important documents, and included in this is a Roper Research Associates consumer study. I would like to have inserted in the record that report of Roper Research Associates on the subject of mail service, which includes a survey taken that asks the question: "How could the postal service be improved?"

This is at a time now when the Bureau of the Budget is recommending that the service be curtailed on Saturdays and windows closed.

The Roper Associates learned that 38 percent of the people surveyed desire having longer post office hours on weekends. Thirty-eight per-

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not have expressed themselves in favor of having longer post office hours.

Then the more important feature of this research report—and I have copies for the committee—is the people who are surveyed how postal costs could be reduced. And they are suggesting some of the things that the Post Office might do to cut costs. It is amazing that 96 percent of all the people questioned said: "Don't drop Saturday mail service."

That answer is contained in this official document that is part of the Presidential Commission's report, which I respectfully ask be inserted in the record.

The CHAIRMAN: That will be gladly accepted.  
 (The results of Roper Research Associates consumer study follows:)

RESULTS OF ROPER RESEARCH ASSOCIATES' CONSUMER STUDY

(In percent)

	Analyzed by respondents who live in—			Analyzed by respondents who mail—		
	Total sample	Top 10 metro areas	Other than top 10 metro areas	5 or more pieces per week	2 but less than 6 per week	None or 1 piece per week
Have more 24-hour a day self-service postal units— Definitely needed and would be nice	37	43	36	45	39	30
Having your local post office open more hours during the day: Definitely needed and would be nice	39	37	28	32	32	23
Having your local post office open longer on weekends: Definitely needed and would be nice	38	44	36	40	40	35
Having more frequent pick ups from mail collection boxes: Definitely needed and would be nice	29	35	26	33	29	23
Delivery of mail to your door: Definitely needed and would be nice	12	10	13	16	11	12

TABLE VI

Here are some things that the Post Office might do to cut costs and streamline regular service. (Card shown respondent)  
 Which of these things, if any, would you be in favor of?

(In percent)

	Analyzed by respondents who live in—			Analyzed by respondents who mail—		
	Total sample	Top 10 metro areas	Other than top 10 metro areas	5 or more pieces per week	2 but less than 6 per week	None or 1 piece per week
Ending the sale of stamps and having all envelopes pre-stamped	18	17	18	20	18	17
Eliminate c.o.d. service	15	16	15	20	16	11
Cutting out money order service	9	11	8	13	9	6
Cutting out Saturday deliveries	6	7	6	6	6	6
End door delivery and have all mail delivered to curbside box except for apartment buildings	5	4	5	5	5	5
Eliminating special deliveries	4	3	5	4	5	4
Have fewer collection boxes	3	1	4	5	4	3
Make fewer collections from collection boxes	3	2	3	3	2	1
Cutting out parcel post	1	2	1	1	1	1
All of them (volunteered)	1	1	1	1	1	1
None of them (volunteered)	49	51	48	46	50	50
Don't know, or no answer	8	8	9	6	6	11

Note: Percentages add to more than 100 percent because some respondents gave more than one answer.

Source: The report of the President's Commission on Postal Organization.

The CHAIRMAN. I think this is a reliable pollster who has made this survey, and I would agree from the reaction I have had from the people of Oklahoma.

Did any of the others—Mr. Bang, or Mr. Kerlin—have anything they would like to add? Or do you have anything, Mr. Keating?

Mr. KEATING. That is all, Senator, yes.

Senator YARBOROUGH. I would like to make a statement here, Mr. Chairman.

Generally, when something like this is proposed, we hear from a number of people who oppose the proposed reduction in service, or we hear from employee organizations who opposed the cutback in employment.

The protests that I have had from small towns faced with the loss of their post offices exceeded in number all other protests combined. The mail users, the employees in the offices, are not as many as the small towns, who say: "This kills the post office. This ends the town."

I want to get that fact in the record. When so many suffer so much from curtailment of the mail, that the people, the small people of America realize this is death for them, it is not just a curtailment. It is about the end of their towns.

They have protested to me more than any other group in my State.

The CHAIRMAN. Along that same line, they would be at the long end of the line in distributing the mail, so their mail would be delayed more than in the metropolitan areas, because it has to be dispatched first to reach the star routes and other routes that deliver it now from our mail centers.

Senator YARBOROUGH. Yes, and I am having protests from county seat towns, up to 10,000, that their mail is delayed so that in a business way they are hurt more than they were under the old system.

They have problems getting their weekly papers delivered as rapidly as they used to, and the papers come from the cities, and are cutting them up in a competitive way. They can't get the mail out to adjoining towns as fast as they used to, and they are hurt that way, too.

As you said, this would be compounded.

The CHAIRMAN. Senator Burdick?

Senator BURDICK. I have no further questions. I just want to thank you gentlemen for appearing. I think you made a good case.

The CHAIRMAN. Thank you very much, Mr. Keating, Mr. Rademacher, and gentlemen. We appreciate your appearance, as always.

Our next witness is our good friend, Mr. E. C. Hallbeck, president, United Federation of Postal Clerks.

He has appeared before this committee many times, and he also is a representative of aspirations and needs of his own large union of the postal clerks in this country.

We are happy to have you.

#### STATEMENT OF E. C. HALLBECK, PRESIDENT, UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO

Mr. HALLBECK. Mr. Chairman and members of the committee:

I am happy to have this opportunity on behalf of the United Federation of Postal Clerks to express our views with respect to the personnel cutbacks required by the Revenue and Expenditure Control

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Act of 1968. This is a most urgent and important matter, not only to postal employees, but the the Post Office Department, the Congress, and the American people as well.

Yesterday, I had the pleasure of hearing the Postmaster General testify on this subject. I believe his statement to the committee fully and fairly sets forth the problem that now confronts the postal service. I want to join with the members of the committee in praising him for a very frank and factual statement that does him great personal credit.

Unfortunately, this is not the first time that the postal service has been faced with unrealistic manpower ceilings. Many members of the committee well remember the Whitten Rider of other years which restricted the Post Office Department and other agencies in the hiring of career people.

By restricting the hiring of career people, the Department was forced to use thousands upon thousands of temporaries. And, however admirable the intent of that legislation was, the fact is that it did not, and could not, work in the postal service. It merely changed categories of employees—increased rather than decreased the total number, did violent damage to the morale of career people—and in the long run proved more costly so that the Congress eventually found it necessary to exempt the Post Office Department. Now, we are again faced with a similar problem.

The imposition of predetermined employee ceilings is not feasible in an industry that lacks the ability to predetermine its workload, or that is unable to tailor its workload to the ceilings imposed. If one were manufacturing a product, it would be relatively simple to limit the production of that product because of a required employment ceiling.

But where the only product is service and where management has no controls over the demands for that service, the situation is altogether different.

The postal service cannot say they will work only the volume of mail which an employment ceiling makes possible and allow the remainder of the mail to accumulate for a future time. The Postmaster General said yesterday: "We cannot use post offices as warehouses or temporary storage depots simply because there isn't enough room."

It so happens that I had the opportunity to see the kind of damage that results from such actions in the Chicago Post Office in October of 1966. Then the world's largest post office was practically brought to a standstill because there was so much mail in the building that employees could not work.

I might add here, Mr. Chairman, that there was so much mail in the building that you could hardly walk through the aisles, that they were actually a fire hazard. They had mail stacked in the aisles. They had no place else to put it.

From the standpoint of service to the American people, the proposed reductions in manpower, and ultimately in service, are not defensible. In my judgment, the American people need a far better service than they are now receiving. Reducing that service in the face of recent rate increases would, it seems to me, be a giant step in the wrong direction.

Stated simply, there are only two choices: Either (1) the Post Office Department must be exempted from the ceilings, or (2) drastic reductions in service must ultimately result.

Despite advances made in recent years through the use of mechanical and automated equipment, it still takes manpower to move the mail. The Post Office Department cannot hope to handle 84 billion pieces of mail this year with the same manpower used in 1966 to handle 75.6 billion pieces of mail.

To me, it is extremely doubtful that there could be any real economy in terms of dollar savings even though the ceiling limitations should remain in effect, because in order to keep mail moving, in order to have it processed and delivered, a reduction in the number of people is almost automatically going to require that the remaining people work longer hours.

Longer hours at an overtime rate is certain to be more expensive than straight time hours. So it seems extremely doubtful to me that any dollar savings can result. This is true because long hours of overtime repeated daily are not as productive over the long haul as straight time hours.

Over an extended period of time 100 men working 8 hours per day will generally do more and better work than 80 men working 10 hours per day. The total work hours would be the same, but production will be lower and costs higher. As a result of each man working 2 hours overtime daily, the Post Office Department would actually be paying for 880 hours per day for 800 hours of work.

Time is of the essence. Unless this committee and the Congress act promptly, I firmly believe that irreparable damage will have been done to the postal service.

I think Postmaster General Watson made it perfectly clear yesterday that if Congress reasonably indicates that an exemption will be granted to the Post Office Department in the near future, he would take that as a sufficient warrant to delay at least temporarily the contemplated service curtailments. He added, however, that he could not delay these curtailments on the promise of action to be taken following the Republican and Democratic National Conventions. I suspect that if any of us were wearing his shoes, we would have to come to a similar conclusion.

I sincerely hope that this committee will act promptly to remedy this most distressing situation.

The CHAIRMAN. Thank you very much, Mr. Hallbeck, for your helpful and informative statement, which, as usual, you have always given straight from the shoulder to this committee.

Actually, if we were to legislatively close the post offices and thereby the service for an extra day a week, we would receive a large amount of criticism from the public.

But if the members of your fine organization, or Mr. Keating's, or Mr. Silvergleid's, should cause a slowdown by reporting sick one day a week, the wrath of heaven would fall on organized labor for such a slowdown. This would practically have the same effect, would it not, in the movement of our mail?

Mr. HALLBECK. I think it would.

The CHAIRMAN. It would be ill advised of the Government to create this condition, as it would be by the membership of the fine postal organizations to create it, and instead of expediting, as you have so well been able to do with the vast increase in mail, by congressional edict, we would be throwing on the four-wheel brakes to stop the movement

that we invested hundreds of millions of dollars in modern post office buildings to try to unlog the postal system through such mechanization and transportation as has been available under our research programs to do so.

We are stepping backward a long distance to services that I don't think the public is ready to accept.

Mr. HALLBECK. I think you are absolutely right. I think it would be tragic, and the great danger in this is that once you start something like that, it would be quite likely to snowball. It might get worse instead of better in the future.

That is why I say there is an immediate urgency. This coming Saturday, they are due to start part of that program in post offices throughout the country. If that goes in, we are going to have problems that we can't even foresee at this moment.

The CHAIRMAN. Senator Boges?

Senator Boges. Thank you, Mr. Chairman.

Mr. Hallbeck, I certainly appreciate your testimony, too, and I think you have made a very good case. We appreciate your insight, and have a lot of confidence in your testimony.

Just this one question that was asked me this morning, and how would you answer this? I am trying to make the record clear here, now that this thing has come on us.

How do you know what all of these effects are going to do unless you try it?

The Director of the Budget this morning, Mr. Zwick, testifying here, said he just wants to wait and see what is going to happen, and I understand his position.

Now, there are other people throughout the country, until they feel this pinch, say that, "You have got to try to make these reductions."

How do you answer this?

Mr. HALLBECK. I think the Postmaster General has already laid out a program which shows pretty well what would have to happen, and I certainly couldn't dispute very forcefully his assessment what would have to happen in the event these ceilings stand. They are going to have to close all fourth-class post offices. I don't think there is any doubt about it.

They would have to pick up those positions to have somebody to man New York City, for example.

They are going to have to close a lot of third-class post offices.

They are talking about curtailing delivery services. They probably have to close on Saturdays.

I don't know how they could possibly lose 15,000 men a year without doing something like that, and it seems to me that in the case of the Post Office Department, it is pretty clear what would have to happen unless someone could suggest some alternatives—and I confess that I can't—that might be more palatable.

There is no way you can work 8 billion pieces more mail with the same manpower that you had in 1966. It can't be done.

The Post Office, as far as I know, is the only agency of Government that has that kind of perfect example. And in the Post Office Department it is clear that there is something over 8 billion pieces more of mail to be handled with the manpower available in June 1966.

I submit to you, sir, that it cannot be done.

Senator Boges. Thank you.

I think you make the point well in your testimony when you say that there is no predetermined workload.

Mr. HALLBECK. That is right. What are we going to do Christmas? What are we going to do in this coming election?

I have been through elections and Christmases in post offices. I know what it means. And you have got to have manpower.

I don't know what we are going to use as a substitute, because those machines are not ready. There are no machines that will do all the work that needs to be done. They are in the future. I have no doubt they are going to have machines that will do much of the manual work now done in post offices, particularly the more laborious work.

I have said many times, any time we had put a machine on the moon that can dig holes in the moon and take pictures of it and analyze what they dig, they can invent a machine to sort mail, given enough time and space and money. It can be done. But that day is not here. We still need manpower.

Senator BOGGS. Oh, yes.

Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. I was trying to do a little arithmetic. Eighty-four billion pieces of mail divided by 365 days comes out to 230 million pieces every 24 hours. I don't have the flow of the Mississippi, but I would guess that this is a greater cubic footage moving daily than the Mississippi, or two Mississippis.

Mr. HALLBECK. I am positive it is.

The CHAIRMAN. Now we are asked to erect an instantaneous dam across this flow of mail, which would back up without notice on the people above the dam, covering them up from the mailing of their mail and the people below the dam getting the supply of the water.

It is such a magnitudinous number, it is hard for an individual's mind to calculate it; and yet without study, or without consideration of the consequences, this thing got through in the haste to try to necessarily raise the amount of money to keep our fiscal policy in order. This has nothing to do necessarily with our fiscal policy. The fiscal policy rests in the Congress, and we should selectively reduce where we can.

Within our appropriations committees, these additions have been justified because of the increase in the mail load.

Mr. HALLBECK. I am confident, Mr. Chairman, that had this come up as a bill and had there been opportunity to debate it, it could never have been adopted. There was no opportunity to debate the effect of the cuts on the Post Office or any other agency. We were, as you said a few moments ago, using a meat ax. I don't think we can use a meat ax on a subject of this sort.

The CHAIRMAN. I quite agree.

Senator YARBOROUGH?

Senator YARBOROUGH. Thank you for your statement.

The increase of mail around an election time; is that increase as great as Valentine's Day and Mother's Day combined?

Mr. HALLBECK. I used to work in the Chicago Post Office, and I can assure you that it was far greater than Mother's Day and Valentine's Day combined.

This is a year beyond the memory of anyone, I am positive, and very few have memories that go back further than mine.

The CHAIRMAN. Would you yield there?

Senator YARBOROUGH. Yes.

The CHAIRMAN. With television in the New York City area, for example, costing \$6,000 for 40 seconds of prime time, I think we are going to find postal rates quite a bargain in trying to reach voters with our story.

Mr. HALLBECK. I live out in Rockville, Md., and I can tell you that I have had more election mail this year than in any other, which indicates that other time is getting expensive.

Senator YARBOROUGH. I think your observation on page 4 is valuable, when you point out the productivity figures there.

Mr. HALLBECK. You get awfully tired of overtime.

Senator YARBOROUGH. To cut back this, and have an artificial number work overtime, it will cost more money with less results.

Mr. HALLBECK. The Postmaster General made a point of saying yesterday that he had the money, and I am positive that if you cut the manpower, he is going to have to resort to almost unlimited overtime, and that isn't a satisfactory answer.

Concerning overtime, I happen to head an organization that has a lot of employees. I know what overtime does. Overtime doesn't produce over the long haul the same quantity or quality of work that straight time does.

The CHAIRMAN. Senator Burdick?

Senator BURDICK. Mr. Hallbeck, thank you again.

To summarize your statement: Increased workload, decreased workers, results in the breakdown of the service?

Mr. HALLBECK. That is a proper characterization. You cannot do this and expect to get a job done. The best intentioned people in the world have physical limits, and they are right close to that physical limit now.

The CHAIRMAN. I think Senator Burdick has put into the fewest words possible a summary of our problem.

Thank you very much, Mr. Hallbeck.

Mr. HALLBECK. Thank you, Mr. Chairman, and members of the committee.

The CHAIRMAN. We are honored to have Mr. David Silvergleid, president of the National Postal Union, before us.

We appreciate your courtesy in giving us your advice.

Senator BOGGS. Mr. Chairman, I join you and welcome you, too.

I have an appointment, which I am 10 minutes late for. Will you excuse me?

The CHAIRMAN. Yes. I would like to announce while the members are here that we would like to have an executive session at 2:30 in the conference room, to see if we can agree on legislation to postpone, if not solve, this matter.

Senator YARBOROUGH. I would join in welcoming President Silvergleid here, and I congratulate him on his elevation to the presidency.



**STATEMENT OF DAVID SILVERGLEID, PRESIDENT, NATIONAL  
POSTAL UNION**

Mr. SILVERGLEID. Thank you.

Our union consists of some 70,000 postal workers, an industrial-type union.

Mr. Chairman, I must apologize for not having a formal statement. My good friend, Dave Minton, reached me late last night, and it was almost impossible to prepare it.

However, I would like to take a few moments of your time, because this is a subject that is understandably very vital to all of us.

I would like to associate myself first of all with the statements made by the Postmaster General yesterday and both my associates who testified this morning.

We feel very strongly that the actions of the Senate Post Office and Civil Service Committee, Mr. Chairman, and your own, particularly, in scheduling these hearings in order to try to bring about a more happy ending, we hope, to a situation that is pregnant with danger, is something that is commendable, and we sincerely appreciate it personally and collectively.

I would like to point out that there have been several statements made in the press and in the Congress which I think bear some clarification and some answering.

In the first place, and this is not the first time, whenever a Postmaster General has been confronted with cuts in service such as this, inevitably when he proposes particular reductions in service, he is charged with using blackmail.

Well, listening to the Postmaster General yesterday, in his quiet but forceful way, explain that he had no personal ax to grind, but that he was merely trying to comply with the law of the land and put in whatever reductions in service are necessary, I think we all came to a realization that he wasn't trying to put undue pressure on a Congress which had handed him a very unpleasant package.

Second, I think that we are all in agreement. There are going to be some very adverse effects on postal service, as we know it, if these cuts are permitted to stand.

I don't want to be repetitive, so I won't go into any detail on that. But I would like to touch on the fact that in addition to its effect on 200 million American citizens, it is going to have particularly adverse effects on some 700,000 of those very same American citizens—postal workers.

The report of the President's Commission on Organization, which was referred to by a previous witness, has highlighted the fact that since 1959 the female complement in the postal service has increased from 11 percent to almost 18 percent, approximately 125,000 female employees.

It has also been brought out that inevitably—and we have learned this from past experiences—the Post Office Department will have to impose certain severe restrictions against employees.

To start off with, they want to eliminate window service. They want to cut deliveries. They will freeze appointments to regular positions. They will freeze promotions. This is not official, but we can anticipate it on the basis of past experience.

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They will change schedules, and as has been pointed out by Mr. Hallbeck, they will undoubtedly resort to an inordinate use of overtime.

It has been said here previously that we are dealing with people, and not with machines. We recognize that both machines and people can break down. It is much simpler, Mr. Chairman, to restore or repair a machine. It isn't that easy to restore people.

We have lived through too many periods in postal service wherein unconscionable amounts of overtime were used as far as the employees were concerned, particularly inside employees. We have seen the results. We have seen in Chicago, for instance, and while we don't concur in it, one of the basic reasons given for the so-called "backup" was the fact that the employees deliberately slowed down because they resented their working conditions.

As the chairman pointed out a little while ago, the employees might react in that way throughout the country. We won't subscribe to that, but these are facts of life which we cannot ignore.

One other fact, Mr. Chairman. The President's Commission on Reorganization also stressed the fact in their report that post offices generally are dirty, filthy, unfit places to work in. They made quite an issue of that, and put particular emphasis on it.

If there is any force reduction in personnel, and it spreads similarly throughout the custodial force, the employees are going to face even worse conditions in their daily rounds.

Under the circumstances, Mr. Chairman, I would respectfully suggest that we can't wait, as some people suggest, for the next 3 or 4 months. We cannot relegate this to the 91st Congress, because the crisis is on us now.

Orders are already issued to bring about reductions in service. There will be even more emphatic orders as we go along. So it seems to me imperative that this committee and the Congress enact as quickly as possible a law which will exempt the Post Office Department.

Mr. Chairman, in conclusion, I want to thank you again, you and the members of your committee, who have demonstrated such a very evident interest in the welfare not only of the American public and the postal service, but the postal employees as well. I am hopeful, honestly and sincerely hopeful, that we can get this legislation through in a hurry.

Thank you.

The CHAIRMAN. Thank you, Mr. Silvergleid, for that cogent testimony.

From your experience with the postal clerks and letter carriers, I believe what you are saying is that the burden of the jam up of the mail and the increase, through the lack of staffing, would throw the greatest burden on the most faithful of our employees——

Mr. SILVERGLEID. That is correct, Mr. Chairman.

The CHAIRMAN. There will be resignations because of the intolerable working conditions of trying to do 2 days' work in 1 day, which they would have to do on Monday, and thus the intake, so valuable to the personnel standards which we are so proud of, of the postal workers, would dry up, as this would be a permanent handicap the Government would have to bear as a prospective employer of the outstanding young men who might otherwise aspire to a lifetime of Government service.

Mr. SILVERGLEID. That is right. I raised the subject of female employees. If their schedules are thrown out of kilter, and most of them are housewives, they will not be able to carry their load.

Overtime is something many of them cannot accept.

In an interview at the Post Office Department recently, they have already indicated there will be mandatory overtime during Christmas rush.

The CHAIRMAN. And the staggering of hours, perhaps, to make an effort to move the mail. And that might result in thousands, if not millions, of hours of nighttime work to clear the load of the incoming mail so that it would be less obstructive than if the Post Office were open in the daytime.

It would be extra heavy on the clerks and the mail handlers at that point of time.

Mr. SILVERGLEID. That is right.

The CHAIRMAN. Senator Yarborough?

Senator YARBOROUGH. Thank you for your statement.

I have no patience with the statement I have heard publicly made, and on the floor of the Senate yesterday: "Let's wait and see how bad the breakdown is before we do anything about it."

It is just like saying when your car is running out of gas, to say wait until it gets empty out on the highway and see how long it takes you to get back.

The CHAIRMAN. Thank you.

Any statements that have been submitted and the witnesses have been unable to testify, will be printed in the record at this time.

(The above-mentioned statements follow:)

STATEMENT OF THOMAS P. COSTIN, JR., PRESIDENT OF THE NATIONAL ASSOCIATION OF POSTMASTERS AND POSTMASTER AT LYNN, MASSACHUSETTS

Mr. Chairman and Members of this distinguished Committee: My name is Thomas P. Costin, Jr. I am president at Lynn, Massachusetts, and president of the National Association of Postmasters of the United States. It is indeed a pleasure for me to appear before you today representing the postmasters of this country.

At this point in the history of the United States, when the economy is ever-increasing, the population explosion is continuing, and building is at an all-time high, the Post Office Department is faced with a drastic curtailment of services. Public Law 90-364 has brought this situation to a head by requiring the Department to reduce its level of employment to that of June, 1966.

The impending post office closings, reduction of window service, reduction of delivery services and less frequent collection schedules create an impossible situation for the post office. In view of the increasing mail volume which amounts to more than two billion pieces of new mail each year, these cutbacks will permanently cripple the postal service.

Beside the rising mail volume, which affects all of the 32,500 post offices, more than five million new delivery stops have been added to city and rural delivery routes. This is caused by population rise and new housing, all of which add more to post offices' ballooning workload.

Gentlemen, the Post Office Department actually needs the 15,000 new employees which Congress authorized earlier this year. The budget cut would remove 68,000 positions by forcing the Department to return to its 1966 employment level, and this figure must then be combined to show a cut of 83,238 less positions than they actually need to handle mail volume being received this year.

Most people don't realize that we have much less than half the number of post offices today than we had in 1961. In that year we were serving 76 million people and delivering about 7.4 billion pieces of mail to 77,000 post offices. Today population has almost tripled to 200 million, the number of post offices is much less than one-half, from 77,000 to 32,500. But the most significant figure

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is small increase—more than ten times as much, from 7.4 billion to 82 billion pieces last year.

We have realized for some time that post office closings had almost reached their practical limit. We agree that 77,000 offices are not needed in this increasingly urban society. But then we can't get below today's figure and still maintain service at the proper level in every area of the nation. As post offices are closed, communities lose their identities, pride in small-town America is eroded and the flight to cities is hastened in a continuing pattern of rural desertion to the detriment of the entire nation.

We believe that Congress miscalculated in forcing the Post Office Department to return to its 1966 employment level. For a public service department, this is an impossible situation and the public will suffer most.

I am sure you will agree that action must be taken at this time to ensure that these drastic cuts will not take place.

Thank you very much, Mr. Chairman and Members of this Committee, for your courtesy in affording this opportunity to present our views.

PREPARED STATEMENT OF HENRY M. HEYL, PRESIDENT, NATIONAL LEAGUE OF POSTMASTERS

Mr. Chairman, my name is Henry M. Heyl. I am President of the National League of Postmasters and am the Postmaster at Wooster, Ohio. The National League of Postmasters is grateful for the privilege of presenting this statement and having it become a part of the record in the very vital matter before this distinguished committee.

While it can be said, I think, that no segment or group of Postal Officials and employees will be more adversely affected by the implementation of the provisions outlined by the Post Office Department, which has to be done to conform to the present law, than any other, I would like to point out a few things which we think should be brought to your attention. The ranks of the National League of Postmasters of the United States will be sharply reduced if all of the post offices envisioned under this proposal are closed. This fact is of no major significance, to be sure. But, and I wish to emphasize, that the effect that these proposed closing will have on rural America could certainly be very adverse. This was brought out so eloquently yesterday by the distinguished gentlemen, Senator Yarborough, and Senator Brewster. While I would not attempt to match their eloquence, we do want to state that we concur wholeheartedly in their stand. We believe that rural America is entitled to the services that only a post office can provide. Our rural delivery service is good, we have no quarrel with that, but we maintain, and we think rightly so, that a post office is an integral part of any town and that when it is taken away, the town dies. This has been proven far too many times unfortunately. We strongly urge that these closings be postponed until such time as the Congress has seen fit to exempt the Post Office Department from the cut-backs in employment, or to deny its exemption.

The implementation of the existing orders, to conform to the present law, will, for the most part, have to be carried out by the Postmaster in his own office. This is to say that it will be our responsibility to see that the job is carried out under what we envision now, as an impossible situation. We have no intention of shirking our duty, Mr. Chairman, we fully accept the responsibility that is ours to carry out Departmental Policy, but quite frankly, we just do not see how the job can be done, especially with the ever increasing volume of mail, and in view of the fact that we will not be able to hire the personnel required to carry out the function of moving the mail.

Many words have been uttered on this matter, and it is not my intention to bore you with the details of a lengthy statement. We may have been brief to a fault, I trust however, that you will not construe our brevity to mean that we are not vitally interested in this matter, for we are.

Thank you, Mr. Chairman!

The CHAIRMAN. The committee will stand adjourned, and it will meet at 2:30 p.m. to discuss temporary interim legislation.

(Whereupon, at 12:57 p.m., the committee recessed, to reconvene at 2:30 p.m. the same day in executive session.)