

EVALUATION OF THE REPORT OF THE COMMISSION ON POSTAL SERVICE

HEARINGS
BEFORE THE
SUBCOMMITTEE ON ENERGY, NUCLEAR
PROLIFERATION AND FEDERAL SERVICES
OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
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EVALUATION OF THE REPORT OF THE COMMISSION ON POSTAL SERVICE

MONDAY, MAY 2, 1977

U.S. SENATE,
SUBCOMMITTEE ON ENERGY, NUCLEAR
PROLIFERATION AND FEDERAL SERVICES
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 10:30 a.m., pursuant to notice, in room 3302, Dirksen Senate Office Building, Hon. John Glenn presiding.

Present: Senators Glenn and Stevens.

Staff present: Leonard Weiss, staff director; Walker Nolan, chief counsel; and Gary Klein, minority counsel.

OPENING STATEMENT OF SENATOR GLENN

Senator GLENN. The hearings will be in order.

This hearing is convened this morning so that the subcommittee may hear at firsthand the recommendations of the Commission on Postal Service. The Commission was established last year by Public Law 94-421. It was charged with identifying Postal Service problems and recommending solutions to them. We have reviewed the Commission's report made public on April 18 and I congratulate the Commission members for having brought this difficult task to completion in less than 6 months. I know this was a very busy time for you. The subcommittee has not yet had an opportunity to evaluate all of your recommendations fully. We look forward to starting that process today and continuing in subsequent hearings.

We welcome today Mr. Gaylord Freeman, honorary chairman of the First National Bank of Chicago, the Commission's chairman; Mr. James Rademacher, retired president of the National Association of Letter Carriers, Vice Chairman; Rose Blakely, Washington businesswoman; Mr. Paul J. Krebs, former Member of Congress; and Mr. Kent Rhodes, who was originally scheduled to be here, has been replaced by Mr. Hobart Taylor. I would like to welcome him.

Mr. Krebs and Mr. Rademacher have published views dissenting from some of the recommendations of the full Commission and the subcommittee will be glad to hear those positions explained, too.

Today's hearing is the first of several planned by the subcommittee as we proceed to assess the Commission's recommendations on a matter which I consider to be of tremendous importance to this country. At stake here is the very future of the Postal Service. Not only a national institution, but an institution which touches the life of every single American.

The Postmaster General, Ben Bailar, and the Chairman of the Postal Rate Commission, Clyde DuPont, will testify on May 16. They are nonvoting members, ex officio, of the Commission on Postal Service. We will be asking them how they believe the recommendations before us will affect the Postal Service and the ratemaking process.

Subsequent hearings, devoted to broad postal subject areas, will be announced at a later date. Interested individuals and groups will be asked to appear. I hope other Commission members who could not be here today will be available later on.

Senator Stevens, do you have anything to say?

Senator STEVENS. Mr. Chairman, I am hopeful that we can schedule these hearings so we can have as great a participation as possible. I think it is very important, as you have stated. I come from an area where there are many places that still get mail once or twice a month, and yet I have heard a hue and cry about the proposition that perhaps there are other places in the country that might not get their mail 6 days a week.

The reason for not delivering mail more directly to these small places in Alaska is cost. At least that is what I have been told, and the reason the Commission has given for recommending that we reduce the number of days of delivery in what we call the South 48 is cost.

Somewhere I think that rural America and metropolitan America have to get together as far as the future of the postal system. I particularly am pleased, Mr. Chairman, that since we had to have the reorganization—which I disagreed with, as you know—that you will chair this portion of these hearings because I think one of the things that many people have missed is the total impact of technology in communications on the post office and particularly the services that will be provided in the future for individuals for private communications through the use of telecommunications and thereby circumventing the post office and having a direct impact on the revenues. We need to have assessed what is the role of the Federal Government with regard to private communications and the extent to which we will face up to the questions of costs of these services in the future.

I am particularly pleased to be here, to be able to listen to the statements. I know there is not total agreement at the table. I am not sure that there can be total agreement up here at this table either.

Thank you very much.

Senator GLENN. I appreciate your comments. The Senator from Alaska, Senator Stevens, has worked, of course, on postal matters for a number of years here. So we are going to be looking to him for a lot of our expertise and background in this area.

We will be having extensive hearings as I indicated. We hope to be working very, very closely together on these problems.

I think rather than spending any more time on our statements, we would like to get to your statements.

Mr. FREEMAN. If you would lead off, please, we will then take them in the order of our witness list: Mr. Rademacher, Mr. Krebs, Ms. Blakely, and Mr. Taylor.

If you can lead off, we would appreciate it. You may summarize your statement and the summaries will be included in the record or the full statement, whichever you prefer.

**TESTIMONY OF GAYLORD FREEMAN, CHAIRMAN; JAMES RADE-
MACHER, VICE CHAIRMAN; PAUL KREBS; ROSE BLAKELY;
AND HOBART TAYLOR OF THE COMMISSION ON POSTAL
SERVICE, A PANEL**

Mr. FREEMAN. Thank you, Mr. Chairman, Senator Stevens. On behalf of the Commission, I would express our appreciation for your so speedily convening to consider the report of the Commission. We hope that our work since last November will help Congress and the President evaluate the problems of the Postal Service and make policy decisions which will help preserve this great public service.

I presume that most members of the committee and your staff have had an opportunity to read at least the first volume of our report during the past week. Therefore, I would rather respond to some of the issues which we and you have raised, rather than simply enumerate what we recommend.

"Business as usual" is not a viable course for the Postal Service. We contracted with four reputable firms, all possessing expertise in postal affairs or in the field of electronic communications. Each reinforced our own analysis that the Postal Service in its present form simply cannot survive unless postal rates rise beyond a politically and publicly acceptable level, or unless subsidies are greatly increased. We foresee a rapid and continued decline in the Postal Service, for unless it adopts dramatically new methods of combining its delivery system with some form of electronic communication, it will inevitably suffer such a massive loss of both volume and revenue, without offsetting cost reductions, that even extensive increases in appropriations will not be adequate to maintain levels of service comparable to those provided today.

The Postal Service has attempted to achieve an increase in productivity. Through increasing the use of letter sorting machines, from 25 percent to 63 percent, and increasing vehicular use in delivery routes, from 58 percent to 83 percent, productivity in terms of mail handled per man hour has increased by 1.3 percent per annum, but labor costs have risen so much more rapidly that the volume handled per dollar has declined 9 percent.

In the 5 years since the reorganization of the Postal Service, at the end of fiscal 1971, total expenses have increased from approximately \$9 billion to roughly \$14 billion, an actual increase of \$5,048, billion. That might seem an inordinate increase, but of the several components set forth in the table on page 13 of our report the expenses for depreciation, building occupancy and "other" have increased only \$83 million amounting to 1.5 percent of the total increase. With the increase in oil prices, transportation is up \$270 million and accounts for 5.4 percent of the increase.

The real cause of the increased expenditures is compensation for labor. Despite a reduction of 24,000 man years between 1972 and 1976, total compensation has risen \$4,694 million.

This one item alone accounts for 93 percent of the increase in expenditures.

Why have labor costs risen so severely? Partly, of course, due to inflation, the CPI index has risen 40 percent in this period. But the

primary cause is the congressional mandate that the Postal Service pay wage rates comparable to those in the private sector. It has done so. As of February of 1975 the Postal Service was paying an average of \$8.05 per hour, inclusive, of fringes, as compared to \$8.04 for employees in steel, oil, transportation, and communication industries. Since then postal wages have kept pace with those in private industry and now average \$9.10 per hour including fringes. Thus, of the \$5 billion increase in expenditures, \$4.7 billion is due directly to the congressional requirement.

It is significant to note that today's average Postal Service compensation is 15 cents per minute. Thus, every 1 ounce first-class letter which in the aggregate of collection, sortation, transportation, and delivery takes as much as 1 minute of time adds over 2 cents to the postal deficit.

The Postal Service is expensive and it will become more so. Our long-range outlook for the Postal Service is dismal.

As you know, first-class mail, the only entire class in which the Government has a monopoly, is the only class which is truly profitable. Eighty percent of first-class mail is business mail. Seventy percent of first-class mail is comprised of payment transactions, the mailing of bills, checks, receipts, and transfers of checks to banks.

The Postal Service is going to lose a large part of this desirable business. The use of point of sale and other electronic systems will eliminate much of this 70 percent of first-class mail some time during the next 20 years.

Other business correspondence accounts for 10 percent of first-class mail but the Postal Service is likely to lose much of this to facsimile and other forms of electronic communication unless it aggressively enters the electronic field. The remainder of first-class mail is greeting cards and personal letter correspondence, amounting to less than 20 percent of the pieces but accounting for a higher proportion of the costs.

Incidentally, personal correspondence accounts for only 3 percent—3 percent— of first-class mail.

Increased rates in those classes of mail which are subject to competition, second-, third-, and fourth-class, will result in the loss of a substantial part of present revenue and will leave the Postal Service with only the most expensive types of deliveries.

That is not a very pretty picture. What can be done? The Commission sees only four possible courses:

1. Increase the Postal Service efficiency, if possible;
2. Substantially increase postal rates;
3. Substantially increase appropriations; or
4. Reduce the levels of service.

Some further improvement in efficiency should be achieved and in our forecasts we estimated an annual saving of some 36,000 man-years, below the 1977 level, by 1985. But we must expect increases in wage rates to more than offset this reduction in man-years with a resultant net increase in cost. The only opportunity for a significant increase in productivity and revenue lies in electronic communications which the Postal Service appears reluctant to enter.

A substantial further increase in postal rates will merely divert mail volume and result in further deficits.

If postal rates remain at present levels we anticipate the cost to the Treasury and to the taxpayers will rise to an annual cost estimated to total \$12 billion by 1985.

We fully understand the reluctance to suggest reductions in the level of service but we are not overawed by that prospect. Six-day delivery to 76 million addresses is taken for granted. It is, however, an extravagance. The average family no longer expects its groceries, its milk, its medical services to be delivered to the home and, if delivery is available, its cost is such that few families choose to pay for it.

If the costs of delivery of the mail were charged directly to the recipient, the public would probably not care to pay for the elaborate delivery system which it now enjoys. The A. C. Nielsen survey which we commissioned indicates that the public recognizes this fact. Eighty percent of the respondents indicated that they will accept 5-day delivery in order to hold down postal rates.

Rather than rely on a massive increase in rates or appropriations, anticipate a great increase in efficiency, or suggest a major cut in service, the Commission has opted for modest changes in each of these areas. Our recommendations would:

1. Urge the 36,000 man-year reduction in the number of employees;
2. Suggest an increase in postage rates at an annual rate of about 6 percent to a level of 22 cents for a first-class stamp in 1985 and corresponding increases in other rates;
3. Propose a public service appropriation of 10 percent of the preceding year's Postal Service expenditures; and
4. Reduce the level of service moderately by cutting delivery from 6 to 5 days.

I know that there is little political advantage in telling the public that postage rates and subsidies are going up and levels of service are to decline. Nobody wins friends by such Cassandra-like pronouncements, but the facts are inescapable and we believe that the public would prefer modest increases in rates and appropriations and the 5-day delivery to any extreme increase in appropriations or major curtailment of service at this time.

If the Congress and the President wish to appropriate several billion dollars a year more to maintain service at our present levels and keep postal rates at low levels, you may, of course, do so. But in view of the overall financial position of the U.S. Government, we believe that such a vast expenditure of money to maintain a postal delivery system when the use of that system is declining—and will decline a great deal more—is an expenditure of tax revenues which may not be in the best interests of the Nation.

We also recommend that Congress reevaluate the whole problem just 6 years from now because by 1983 we will have a much better idea of the impact of electronic communications upon mail volume than we can possibly have today.

A further point relates to the identification of specific public service aspects of the Postal Service. In the period of time available, this task proved impossible. Indeed, our two consultants, National Economic Research Associates, Inc., and Arthur D. Little, Inc., suggested that the task was probably impossible even with a much greater expenditure of time.

I would like to say, however, that in my judgment the whole postal system is a public service. I want to assure you that no private enterprise would ever consider for one minute entering into a postal delivery system similar to our Nation's Postal Service with 40,000 postal facilities.

I doubt very seriously if a private system would have 10,000. No private enterprise would deliver mail 6 days a week, certainly not in rural areas.

Our report on pages 26 and 27 identifies some 15 specific public services which the Postal Service now performs. The list could be expanded. That does not mean that merely because the Postal Service is a public service its costs should be paid entirely by the taxpayer. A number of our witnesses in almost every city protested that the Department of Defense and the Department of Agriculture are not required to be self-supporting and hence neither should the Postal Service.

That is a facile analogy but really irrelevant. The availability of the postal delivery system is of such incalculable benefit to the business community, which is its primary customer, that the taxpayer should not be asked to bear the entire burden of the system. The taxpayers have always paid a relatively modest portion of the total postal costs. For the 10 years prior to reorganization this averaged 18 percent of operating costs. Since reorganization it has averaged 12.9 percent and has been declining as a percentage, and I think was 11.7 last year.

We believe that the Postal Service will always require taxpayer support if service is to be maintained at reasonable levels and rates do not rise to a level where large volumes are driven away. But because of the impact of electronic communications, we are unprepared to recommend a level of support beyond 1985. Congress is fully capable of reassessing the problem in 1983, and we have no hesitation in limiting our recommendations to the short term financial problems of the Postal Service.

You wouldn't like it if I went beyond that. It would be too tragic.

Finally, I would like to comment on our recommendation that the present organization of the Postal Service be preserved; that is, that the Board of Governors not be abolished. Our Commission evaluated the available written evidence of the Governors and had one meeting with three members of the Board of Governors, the Chairman, the Vice-Chairman and the Chairman of the Finance Committee. We acknowledge disappointment with the Governors' performance to date. For instance, the billion dollar bulk mail facility program appears to have been instituted with only cursory review by the Governors and there were at least some knowledgeable postal employees at high levels who felt that the decision was ill-advised. We are certain that the legislative and appropriation committees of Congress would have given greater scrutiny to such undertakings.

Nevertheless, we do not believe that the Postal Service would be improved if the Governors were disbanded and the President appointed the Postmaster General. As a practical political consideration, to put the problems of the Postal Service directly back into the laps of the President and the Congress would subject them to myriad pressures from both mailer and labor groups as well as public complaints.

From the standpoint of facing the very difficult decisions ahead for the Postal Service, we think that continuing to operate the Postal Service on a nonpolitical basis would be best. That doesn't mean that the Postmaster General is required to be a bad politician or to ignore the wishes of the committees of Congress which have jurisdiction over that agency, or to take actions which he knows will be politically unpopular simply to demonstrate his independence.

It is our view that many of the problems which have arisen between the Congress and the Postal Service since 1970 could have been resolved more happily if the Postal Service had not seemed so aloof from the legitimate inquiries of Congress. A more involved and responsive Board of Governors should prove helpful to both the Postal Service and to the public.

Let me conclude by saying that we believe the Postal Service faces very difficult times. I have no doubt personally that the Postal Service of 1997 will be a vastly different organization than it is today. By that time most business communications will have been diverted to faster and less expensive electronic media.

Public opinion surveys show that a great many people do not believe there is an energy crisis. I think a similar problem may exist in understanding postal problems. Since it isn't happening today and we cannot prove exactly when it will happen, many people may be incredulous. We believe that Congress should exercise a greater measure of foresight than the average citizen is required to use and recognize that the future of the Postal Service is bleak and that the impact upon our society will be substantial.

I believe that the other Commissioners now have statements for the subcommittee. Following that, we shall be pleased to attempt to answer any questions you may have for us.

Senator GLENN. Thank you, Mr. Freeman. I think we will hold the questions until all the statements have been made. Then we can have a panel discussion, if you would like.

Mr. Rademacher?

Mr. RADEMACHER. Thank you, Mr. Chairman, Senator Stevens.

I do not have a prepared text. The chairman has covered the position of the Commission very well. We do have minority views that are going to be expressed by former Congressman Krebs, immediately on my right.

Just briefly, however, I have 36 years in the Postal Service. I find one of the problems along the way has been the failure of the postal administration to provide continuity of management. There have been 12 Postmasters General serving the Postal Service since I entered in 1941. I find that to be one of the problems.

The most serious problem is money, and a determination has got to be made by the Congress as to who is going to pay for this Postal Service; the people that use the mail, the people that receive the mail or all taxpayers at large. I have mixed emotions concerning those views. This Commission was established because there was a very serious attempt last year made by the Congress to have the Congress take back the Postal Service. Fortunately, there were those wise enough to envision the return of politicizing a postal establishment that affects not only our country but the world, and they allowed a Commission such as ours to examine the facts. We did that.

I have high commendation for the Chairman of this Commission. I was pleased to sit with this group of people who were not just office-holders but were doers. We met all over this country. We are one of the few Commissions, if not the only Commission, that went out to America and listened to what they had to say, and what they had to say about the Postal Service was not at all times very friendly.

They had suggestions, and we did our very best to try to promulgate their recommendations and at the same time produce a report that could be realistic, reasonable, and acceptable. Our Commission learned through the past 6 months of testimony, hearing maybe 600 persons all together, that the Postal Service does face a serious problem between now and 1985. My colleague, Mr. Krebs, will discuss the important feature of electronics when he is called upon to speak.

We have also learned, though, that because of an act of Congress in 1974, by 1985—which is just around the corner—there will be between \$2 and \$3 billion of the annual postal budget devoted strictly to retirement funding and injury compensation benefits.

I do not think that that is a legitimate charge to the mail users of America to pay the costs of retirement funding and injury compensation. There is a difference of opinion in that regard.

Our Commission learned what every other study commission, what every Congressman who ever studied the Postal Service, and every Senator likewise also, has learned. That the only way the Postal Service can save money is to eliminate employees and/or reduce service. That's exactly what the Postal Service Commission has accomplished. We are recommending at the outset a saving of \$624 million out of a \$15 billion budget.

The only problem is that that \$624 million is total destruction of the Postal Service. That's where I dissent.

First of all, we have agreed that there can only be two tours processing mail daily rather than three. Naturally, this eliminates the 10 percent night differential, but it also means that air mail arriving from the west coast at National Airport at 10 o'clock on Thursday night will not be delivered until Monday if Saturday mail service is eliminated because the night tour will also be eliminated.

There's a saving reported by this Commission in excess of \$400 million which eliminates Saturday mail service in the residential and rural areas of America, including Alaska.

Sixteen percent of the Nation's mail service is going to be reduced at what appears to be at the present time less than the cost of 1 cent of postage. When 80 percent of the American people did respond to the Nielsen survey that they would prefer less service rather than higher postage rates, I am confident that they were not thinking ahead to a half a cent postage to have 16 percent of their mail service eliminated.

Along with my colleagues, Mr. Krebs, I dissented on the elimination of 6-day mail service. Not because of the impact of what that would mean. We never studied what the loss of Saturday mail service would mean to senior citizens who relied on social security checks and other bread and butter transactions which arrive in the mail on Saturdays.

We didn't get involved in that, although we heard many farmers talk about the need of having Saturday service so they could have

their Thursday newspapers delivered, so they could have agricultural reports delivered. That is irrelevant. What we studied as a Commission was the cost of Saturday mail service, and at the present time, that's around \$450 million a year to service all of America on the sixth day of the week.

There today is at least a 7 percent error in the processing of mail. That's brought about generally, most of the way, by machinery. In order to avoid these errors that are causing the complaints that Congress is receiving, it would be necessary to slow down the machinery; to slow down the machinery it would be more expensive an operation, so the Postal Service is truly caught in a very serious dilemma.

Six-day mail service also means the retention of 20,000 positions at a time when Congress is ready to spend between \$2 and \$4 billion to make certain that more American people are employed. You will find a recommendation of this Commission which eventually would eliminate not only 20,000 letter carrier positions, but a total of 90,000 annual jobs in the Postal Service by 1985.

The question comes, What should be done? First of all, we are going to have to talk in terms of more money. The appropriation that was granted prior to the Postal Reorganization Act was 24 percent of the postal budget. Last year I believe that amount that the Government contributed in the form of tax dollars to operate a communications system in America was 12 percent, or the amount cut actually in half. That subsidy, as we might want to call it—that public support—has got to be increased realistically. This Government has got to operate a communication network.

The cost of 13 percent which would include Saturday mail service is not an unreasonable cost. Now as to who should run the Postal Service, the reports that this committee has before it indicate that there is only one dissent on the suggestions that the Postmaster General continue to be appointed by the Board of Governors who are appointed by the President.

Because of incidents that have occurred since the Commission issued its report on April 18, I find it necessary that I retain a different point of view. I feel that the Postal Service requires a sensitivity that is not known in the minds of profit oriented, profit motivated postal management. Already the very next day, within 24 hours of receipt of the Commission's report, postal management, who was not intended to receive this report and who should have understood that it was a congressional report, sent a notice to all the unions requesting a meeting because, as they say in this letter dated April 19, 1 day after our recommendation, the Postal Service wishes to advise you that pursuant to the recommendations, the Postal Service is commencing serious study of the proposed change to 5-day-delivery service before Congress even has a chance to open the pages of our report.

In view of that absolute lack of sensitivity, in view of the seeming arrogance on the part of the postal management, I am compelled to change my viewpoint and offer these suggestions now in lieu of the position that I had taken in the printed report.

One, I suggest that the President appoint the Postmaster General for at least a 6-year term of office; second, that a Board of Governors continue to be appointed by the President so that there can be some control other than by the Postmaster General; third, the Rate Commission must be continued if we are to have an orderly procedure in

the matter of ratemaking; and, fourth, there has got to be the reinstatement of an advisory council which consists of mail users, representatives of the public at large, and representatives of the unions who would meet periodically to learn firsthand what are the views of the Postal Service and offer any advice that they care to offer at that time.

In conclusion and in defense of postal employees, and not because of my labor background, but because these are the facts, the statistics are all there, during the last 3 years, 55,000 less postal workers have handled 3 percent more mail volume.

The last negotiated wage increase which covered a 4 year period was the cheapest, according to Newsweek magazine, the cheapest labor contract in the country last year and amounted to only a 12-percent-wage increase over a 3-year period. I say that's modest; I say it's not unreasonable; I say postal employees have learned that it is a two-way street, that they have to work with management if this Postal Service is to survive.

I think that is the objective of everyone sitting at this table, of everyone sitting representing the Senate today, that the Postal Service continue to survive in the most economical means possible and still provide the services that America needs.

Senator GLENN. Thank you, Mr. Rademacher.

Mr. Krebs?

Mr. KREBS. Thank you, Mr. Chairman.

My name is Paul J. Krebs, of Livingston, N.J. I am delighted for the opportunity of appearing before you, Chairman Glenn, and Senator Stevens, recognizing full well that you face a complex task, as I well know from my experience in the last 6 months on this Commission.

As you assess the changing role of the Postal Service in meeting the communication needs of the American public, and the optimal method of financing that role, I hope that our report, the studies of our contractors, and the observations of 525 mail users across the Nation who appeared before us in public hearings, will be of assistance to the Congress. I appear before you today as a member of the Commission on Postal Service who has dissenting views on several important Commission recommendations. I am also testifying as chairman of the Commission's Subcommittee on Electronic Communications.

By way of introduction, allow me first to express my consternation at some of the misinterpretations of our work which have appeared in the press. Mr. Rademacher made some oblique references to them. The public has been informed that the Commission has recommended the abolition of 6-day delivery and that we devoted ourselves simply to identifying services which might be eliminated.

Not enough significance has been given to our recommendation that public appropriations be increased so that services like those provided by thousands of small, rural post offices might be maintained.

Let me say parenthetically, Mr. Rademacher made a reference to the subsidy being 24 percent before postal reorganization and 12 percent now. Let me say no attention has been paid to the amount of inflation which has plagued the total Federal establishment. While it may seem like a large appropriation when measured in terms of current dollars, we are not asking that very much more money be appropriated for the operation of the Postal Service.

While I will discuss later my dissenting views on 6-day delivery, I believe it is critical to note that the Commission did recognize that the Postal Service is, in fact, a public service which cannot and should not be expected to attain self-support.

Like other governmental agencies which provide public services, the Postal Service will require more than the present nominal support provided by appropriations. The current public service appropriation of \$920 million constitutes less than 6 percent of total costs. The Commission has recommended that appropriations be increased to 10 percent of costs.

Commissioner Rademacher and I recommend 13 percent to allow funding of a sixth day of delivery. If this particular recommendation is implemented, it should go a long way toward eliminating the hand-to-mouth financial condition of the Postal Service, accompanied by frequent rate increases.

As a second prefatory comment, I will report to you that, in my opinion, the most difficult task faced by the Commission was untangling the inconsistent data received from the Postal Service itself. Although we worked with a liaison office within the Postal Service, inconsistent data were frequently submitted to us. Apparently little effort was made to reconcile the work product of different departments within the Postal Service.

It is our impression that this organization is composed of balkanized departments which devote far too little time toward developing coherent agencywide policies. It is a credit to our consultants that they were able to piece together so successfully the parts of the data puzzle.

I respectfully suggest that you bear this problem in mind as you consider for yourselves the possible reforms of the Postal Service recommended in the Commission's report.

As an example of this problem, of immediate relevance to you is the recent statement by the Postmaster General announcing a \$5 million surplus for the year ending March 25, 1977. This statement fails to recognize that the rates in effect during this period were set by the Postal Rate Commission at levels designed to recover \$207.8 million per year above current operating expenses, which should be devoted annually to retiring operating indebtedness of \$625 million incurred since 1971.

The reported surplus is thus \$202.8 million short of what the rates were designed to recover and it is my understanding that no operating debt has been retired during this period. While I do not seek to belittle recent accomplishments of the Postal Service, I use this example to urge you always to insist upon the complete story from postal management.

In my opinion postal management has abandoned hope of developing a Postal Service able to meet the changing communication needs of the American public in the coming decade. Annual research and development expenditures have averaged only \$23 million since postal reorganization, roughly 0.2 percent of total postal expenditures. I believe the average nongovernmental investment in research and development runs to anywhere between 2 to 3 percent. We are far below that. This level of funding only serves to keep the R. & D. Department alive.

Our investigation of this matter, which included an inspection of the R. & D. Center in Rockville, Md., lead us to conclude that R. & D. is given very low priority by management, that leadership within the department is inadequate and that there is little coordination between the R. & D. department and those within the Postal Service who implement the projects actually undertaken.

Research and development must occupy a central position in postal management, fully coordinated with the operations and market research departments. Further, it must be headed by personnel with strong backgrounds in research and who are capable of dealing effectively with contractors in the private sector.

This leads quite naturally to a discussion of the Commission's unanimous findings on electronic communications. Although representatives of the Postal Service may tell you that studies are underway to define its role in the area of expanded electronic communications, it is my opinion that postal management is actually trying to avoid making any decision on that role. In fact, I have detected a predilection against any involvement at all.

During its meeting with representatives of the postal Board of Governors, this Commission was informed by one Governor that electronic communications was simply too revolutionary a topic to have merited serious consideration by the Board up to that point in time. But however revolutionary, it is inescapable that electronic communications will change the media by which businesses and individuals communicate. In so doing, the demands of the public upon its Postal Service will also change, most imminently through large diversions of first class-mail volume.

Arthur D. Little, Inc., a Commission contractor on electronic communications, predicts virtually no growth in first-class mail volume through 1985. A total of 17 billion pieces will be diverted to the new electronic communication systems which will become commercially viable during this period. The Private Express statutes, which have traditionally preserved the letter monopoly, will be powerless to stem this diversion.

To meet its public obligations the Postal Service must first conduct market studies to determine whether diversion to electronic communications can be dampened if defensive marketing strategies are employed to retain volume, or if new services can be offered which may provide new sources of income. Second, it must develop both long-and short-term decisions on whether to provide electronic communications services. In the 5 months available for study, this Commission was unable to assemble all of the necessary data on these matters. Our contractors gave excellent presentations on mail diversions which would result from electronic communications; however, the development of comprehensive postal strategy was simply too complex a task for so short a period.

But this is really an assignment for postal management who have at their command the full resources of the Postal Service and, hopefully, an R. & D. budget significantly larger than the \$23 million now in effect. Moreover, these critical decisions require the full support of management to assure their successful implementation—it is unlikely that specific decisions reached by this Commission could be imposed upon an unwilling postal management.

For these reasons, the Commission recommended that the Postal Service give immediate attention to implementing a short-term role and that a 2 year limit be set for the definition of a long-term role. I respectfully urge you, the Members of Congress, to monitor the progress of this work over the next 2 years.

At the end of this period a most thorough investigation should be made of the Service's reasons for or against providing electronic communications services to the American public, including:

1. The capability of private sector firms to provide these services;
2. Comparative costs of several feasible systems which the Postal Service might establish and their methods of deployment across the Nation; and
3. The Postal Service's recommendation of the optimal system (or systems).

Contrary to the opinion of the majority, I recommended that the Board of Governors be abolished and that the Postmaster General and Deputy Postmaster General be directly appointed by the President, subject to Senate confirmation. I believe that a part-time Board can never exercise control over postal management.

The waste of resources caused by management's precipitous investment in the bulk mail system, theoretically directed by the Board of Governors, is the foremost example of this problem. I want to say that on page 101 of the Commission's report, there is a table that indicates that from 1959 to date, there's been a steady erosion, a decline in the volume of parcel post. The Board of Governors made a decision to invest \$1 billion in the bulk mail system despite the fact that all the evidence issued by their own studies indicated they were going to fall below the 400 million minimum volume per year that would be required to break even in the operation of bulk mail centers.

It is now, as of the last accounting for the last year 388 million pieces, below the 400 million pieces required. If the current erosion of volume continues until 1985, the volume will fall to 138 million pieces, far, far below the 490 million pieces required at the time the bulk mail center was built with dollars that had a fixed value at that time and that would be further affected by inflation.

Other examples have been mentioned in Mr. Freeman's statement. The majority has curiously attempted to make management more accountable by further diffusing it in yet another appointive body—an Advisory Council. Their claim is that by maintaining the Board and requiring it periodically to report to the Advisory Council we can motivate the Governors to actually govern. But who, I would ask, will motivate the Advisory Council?

This recommendation is supposed to preserve the Postmaster General from direct political influence on the conduct of postal affairs. However, I do not see how the appointment of a Postmaster General by a Presidentially appointed Board of Governors is significantly less "political" than direct appointment of the PMG by the President, subject to confirmation by the Senate.

Furthermore, I see no problem in political appointment for it assures the management accountability which the Governors have been remiss not to demand.

As a second point of disagreement from the majority, I dissented on the method by which postal rates should be approved by the Postal

Rate Commission. Although I agree that the Governors play a superfluous role which should be eliminated, as well as the actual Board itself, I do not believe that the PRC should be given final ratemaking authority subject only to judicial review.

Instead, I recommend that the Postal Rate Commission submit recommended decisions to the Congress. Present law requires the PRC to consider important social and political factors in setting rates which are best left to Congress. My recommendation would assure that these factors are properly taken into account in each rate proceeding.

The Rate Commission should be authorized to propose a recommended decision on rates. The decision would be submitted to both Houses of Congress. If Congress did not act within 90 days to disapprove the decision, it would become effective. If Congress disapproved, the decision would be returned to the Rate Commission for a new recommended decision. If Congress disapproved the second decision, Congress would be deemed to have appropriated the additional funds that the Postal Service would have received if the decision had become effective.

The Study Commission recommendation which has probably caused the greatest public reaction is that the number of days for the delivery of mail be cut from six to five per week. I joined with Commissioner James Rademacher in opposing this recommendation and in urging, instead, that the level of public appropriations be established as 13 percent of prior year expenses, rather than the majority's 10 percent, to finance this necessary service.

It is unconscionable to ask the American public to pay higher postal rates in future years for less service than they now receive. A sixth delivery adds only one-half cent to the price of a first-class stamp.

Further, I cannot recommend that good postal jobs be eliminated, as they would be under this recommendation, during a period of high unemployment. Services must be enhanced rather than diminished.

I want to say it seems ironic in face of the fact that your body last week passed the public works employment bill to create employment. There are other bills in the legislative process that will expend several billions of dollars more to provide employment, and the Postal Service is talking about reducing it.

In addition to retaining a sixth day of delivery, I would also preserve night processing of mail and would reverse the existing policy of offering very limited mail pick up from collection boxes.

While it isn't in my prepared text, I would like to say for the record, Mr. Chairman, we estimated with the assistance of a lot of people that 60 percent of the pickup possibility has been eliminated in this country today either in the form of reducing the number of times mail is swept from the boxes or actually removing the boxes from the corners where they had been. Even in my own airport in Newark, where you would expect mail to get rapid treatment, there are many boxes in the Newark Airport where mail is picked up once a day. If you miss the pickup hour, it sits there for a full 24 hours when people have a right or have been led to expect they are entitled to get rapid service there.

In addition to retaining the sixth day of delivery, I would also preserve night processing of mail, as I just said, and change the existing policy of offering only limited pickup of mail at collection boxes.

Finally, I would like to comment briefly on a special assignment which I undertook to investigate alleged violations of the Davis-Bacon Act by contractors retained by the Postal Service on facility renovation projects. The Chairman asked me to check into a complaint that the Postal Service was not complying with minimum wages in the New Jersey area. At the suggestion of the Commission, I made a trip with these people to several facilities and found that they were in fact violating the Davis-Bacon Act. They weren't paying prevailing wages. They were paying people as little as 45 and 48 percent of what the prevailing wages were.

There was one investigation made at the same time by Senator Williams and Congressman Daniels who were holding hearings in the Bayonne military facility for a simple complaint. They went to investigate the employment of illegal aliens in a post office in New Jersey, and upon being informed that they were being investigated, the illegal aliens jumped out the window and ran and were pursued by staff members of the committee. They were found to in fact be illegal aliens working in the postal facility and depriving American citizens of their jobs.

I think that aliens are entitled to eat, too, but it seems to me that the Postal Service ought to pay some heed to the law of the land, and if you are expecting private business people to comply with this law, certainly the Government itself ought to comply with it.

That ends my formal comments. I would be delighted to answer any questions, if I can.

Senator GLENN. Thank you, Mr. Krebs.

Ms. Blakely?

Ms. BLAKELY. Mr. Chairman, in the interests of time I will say I attended all the meetings of our Commission. I waded laboriously through the written material that we had done for us and attended some of the hearings around the country. I do agree with Mr. Freeman. I subscribe to the majority report. I am with him.

[The complete statement of Ms. Blakely follows:]

PREPARED STATEMENT OF ROSE R. BLAKELY, COMMISSIONER, COMMISSION ON
POSTAL SERVICE

Mr. Chairman and Members of the Subcommittee: I am Rose Blakely of Washington, D.C. I appreciate this opportunity to comment briefly on several majority recommendations of the Commission on Postal Service.

I support the statements of Chairman Freeman regarding the serious fiscal problems which beset the Postal Service and the assessment that first class mail will be increasingly diverted to novel methods of electronic communications. In my opinion these are the most pressing problems of the Postal Service and I believe that our report contains practical solutions to them.

I support continuation of the system whereby the Postmaster General is appointed by a Board of Governors. In 1968 the Kappel Commission found a crisis in the old Post Office Department and recommended its radical transformation into the Postal Service. This \$16 billion organization has had less than six years in which to perfect that transformation and I think we would have been unwise to suggest another at this time. Instead, we recommend making the present management organization more accountable by urging that Governors be appointed who are truly committed to improving the Postal Service, creating a

Postal Advisory Council to check the Board of Governors, and strengthening the Postal Rate Commission. My views should not necessarily be construed as an endorsement of present management. Rather, it is my feeling that restructuring the Postal Service now would distract all those who formulate postal policy from the most serious issues confronting us.

We do recommend that the Postal Service be reinvestigated by 1983. This would undoubtedly include an analysis of the record of management over the next six years.

This concludes my prepared remarks and I welcome your questions.

Senator GLENN. Thank you.

Mr. Taylor?

Mr. TAYLOR. Mr. Chairman, Senator Stevens, I concur—

Senator GLENN. Did you have a statement to submit?

Ms. BLAKELY. I have a statement. I don't want to read it.

Senator GLENN. It will be submitted for the record. It will be included in the record.

Mr. TAYLOR. I concur in the largest part with the majority report of the Commission. I do feel there is some measure of attention to be given to the points that are made by the dissenters with regard to the reliability of service and the lessening of the quality of service, because in fact the majority report will not maintain the reliability of service because of the error rate which is inherent in the use of machines, as Commission Rademacher has described.

However, when you look at the proper balance between economy and good service—and there has to be such balance because there are other things the American people have to pay for—energy for one—when you look at that and when you look at the oncoming arrival of electronic communications, if you continue to build a larger permanent superstructure that will be more difficult to get rid of once you have it, you see that you cannot simply go in that direction either.

It is for that reason that I suggested in my supplemental views that consideration be given to returning to the system invoked under the old Post Office Department which is in use in the Postal Service's competitors—use of part-time workers—during peak hours. If these people don't get permanent status, then it will be easy to cut back as electronic communications become more and more the order of the day.

This is a means by which you could have more adequate service while at the same time the cost would not be too great.

I have no strong feelings about the appointment of the Postmaster General by a board of Governors. I believe that the President is capable, if the Congress so directs him in legislation, to appoint a first class man or woman to that post. The present method is, I think, an appropriate one but not the only one. I think that what Commissioner Krebs had to say about bulk mail centers is important to know, particularly in view of the fact that we are considering an increase in the subsidy of the Postal Service, and if we increase this subsidy for the purpose of maintaining these inefficient bulk mail centers, further subsidizing competition with private carriers, I don't think that would be to the advantage of the Government or of the American people.

It is for those reasons that I included my supplemental views—both here in the bulk mail centers and in the area of enlarging the permanent work force to retain Saturday deliveries and night processing. Both of those are areas that the Congress should give very

careful attention to. There are substantial savings there. Yet there is also an opportunity to improve service by the use of temporary personnel.

Thank you.

Senator GLENN. Thank you, Mr. Taylor. We will follow our 10-minute rule on questions.

Mr. Taylor, in view of the downward trend in parcel post volume, do you believe an increase in the public service subsidy of the Postal Service would constitute unfair competition with UPS?

Mr. TAYLOR. Well with UPS or whomever else might enter that field or whoever else is in the field at the moment, yes, I do.

Senator GLENN. Do you think the bulk mail system should be liquidated? Should we turn it over to a private industry?

Mr. TAYLOR. We didn't go far enough into a study to find out if—in fact, as Commissioner Krebs points out, we did not get sufficient information on the bulk mail centers. We only know that you are looking at the kind of volume. Whether you could do it by liquidation, or whether you could wind it down slowly over a period of time, whether some sort of arrangement might be made with private carriers to cooperate with them in this area, I don't know the answer to that. All of these should be investigated.

In the field of electronics transmission, we were told about Xerox offering the Postal Service an opportunity to cooperate with them in electronic transmissions that would have probably been a very valuable service. There is room here for cooperation as well as competition.

Senator GLENN. Anyone else care to comment on that?

Mr. RADEMACHER. Yes.

Mr. FREEMAN. Yes. It would be a part of my makeup to wish to see such public services turned over to private industry if I thought that was practical, but I don't. I don't believe that any private industry would really want to offer the public, the rank and file of individual families, the degree of service which the parcel post does.

The parcel post can put a package in at any one of 30,000 separate post offices. You can get it delivered there, or you can have it delivered to your place, your home, your farm. No private industry is going to want to do that.

Now the United Parcel Service is a very splendid organization, a very efficient one. It says it will pick up your parcels anyplace for \$2 a week. Very few families have more than one parcel a week. That \$2 additional charge makes it quite expensive for the individual family. I would guess that's what UPS wants because they don't want the individual packages. They would much rather get the larger bulk loads from the stores or other large mailers, and indeed they do have that and they do a fine job.

Senator GLENN. I believe in your testimony you indicated that you thought it would be unlikely any private carrier would want to get beyond the 10,000 drop points or 10,000 service points as opposed to, what was it, 40,000?

Mr. FREEMAN. Yes.

Senator GLENN. I believe that is what your testimony was.

Mr. FREEMAN. United Parcel Service has a thousand locations. I would not urge them to have more.

Senator GLENN. Mr. Rademacher?

Mr. RADEMACHER. Mr. Chairman, on the two subjects, I think they are very important subjects. First of all, I think the American citizen should not be penalized with the fact that there is no competition, that there is no Government agency willing to step in as they did 55 years ago and establish parcel post for one reason, the exorbitant rates that were then being charged.

Many spokesmen of private parcel delivery firms will tell us don't ever put the Postal Service out of the parcel post business. It would be the worst thing that could ever happen for the private carriers. It would mean that the ordinary citizen then would be compelled to pay more exorbitant rates in order to have a parcel delivered.

The other matter that you mentioned, the information that I have gathered and read indicates that the bulk mail facilities are no longer of practical use if the Postal Service no longer has 400 million parcels a year to handle. They don't have that number any more. They are dropping very rapidly. They are in the 300 million bracket. That means, in answer to your question, I would suggest closing them down one at a time and let's get back to delivering parcels in the way that we did when they were delivered efficiently.

Senator GLENN. Isn't the drop in number of parcels handled a drop in the requirement, or is this mainly a skimming off by UPS and the other services?

Mr. FREEMAN. Skimming off. Back in 1958 the Postal Service handled about 884 million pieces in a year. That has dropped down to 338 million last year. It is estimated it will drop to 137 million by 1985.

I would like to say one word, because I forgot when you were asking before. Is it improper for the Postal Service to compete with United Parcel Service?

I feel absolutely not. The Postal Service had the business. United Parcel, by being more imaginative, more creative, has taken a good deal of the business away from parcel post. I think the Postal Service ought to take the attitude that a business would. Let's get out there and get the business back. Let's cut our rates. As long as we get our out of pocket costs back with a little bit of contribution to the overhead, let's cut the rates and go out and get the business.

Senator GLENN. That was my next question. What specific step would you recommend on parcel post to make it more competitive? You just can't cut rates indefinitely. We could give free service. That would be the ultimate, of course.

Mr. FREEMAN. That's right. The first thing we need is a declaration by the Congress that it's appropriate for the Postal Service to compete. The Postmaster General feels it would be wrong to go out and try to get the business. I think—I don't believe anybody on the Commission felt that way except perhaps Commissioner Taylor. I think we felt that the Postal Service should go out and get the business. They can cut their rates a bit. They can cut them down to where they get their out of pocket and make some small contribution to the overhead.

When we were here in Washington we had the department stores here testifying. They said the service is just as good from the parcel post as from United Parcel. We would have stayed with the Postal Service, but United Parcel charges a lower fee.

If you are running a business, you have to look at that, as long as you have your actual expenses back.

Mr. TAYLOR. I have no objection to the Postal Service competing with United Parcel or anybody else. I just don't feel we should indefinitely subsidize the competition.

Now if you can cut the rates, if you can show operational efficiencies, things of this kind—and I said so in my supplemental views, that that would be an appropriate way to go about it. But I am just worried about an unlimited use of public funds to win back lost markets through price cutting.

It is a subsidy, unlimited subsidy, that strikes me as sort of a self-defeating thing.

Mr. FREEMAN. I might call one thing to your attention, Mr. Chairman.

There is still on the books a limitation that you cannot send a parcel of over 40 pounds from one first-class post office to another first-class post office. That was put on there in order to help the Railway Express Agency which has long since gone bankrupt. There is still a prohibition against the Postal Service handling such a package.

Mr. KREBS. Mr. Chairman, could I add something to that, if I may, please?

Senator GLENN. Certainly.

Mr. KREBS. The answer to the question you initially asked is contained on page 101. In 1962, the U.S. Postal Service handled 792 million pieces of parcel post, and the United Parcel Service handled 182 million.

In 1976, the U.S. Postal Service handled 338 million pieces, and the United Parcel Service would have handled over one billion pieces in that year if it had not been for the 2½- or 3-month strike they suffered. The year prior to that, you see the Parcel Service handled 905 million while the Postal Service only handled 400 million.

The real reason for my putting that example in there, as horrendous as the mistake was in our judgment to develop the bulk mail system, was to point out that the Board of Governors never functioned as an oversight body nor exercised any authority. I would like to give you a couple of other examples. They approved a blank request for a rate increase which the court ultimately reprimanded them for doing. The Postmaster General said they wanted a rate increase. They said go ahead. They approved it without knowing how much money they were asking for. The Federal court rebuked them.

We asked them in terms of their opposition to the electronic communications problem what they were doing researchwise, whether they exercised any planning authority and responsibility for the Postal Service. They said, oh, yes, we have a 5-year plan. We asked for a copy of the plan. They didn't have a copy. We asked what the plan contained. They finally admitted, to their embarrassment, that nobody read the plan.

This kind of Board of Governors really hasn't provided any oversight, exercised any responsibility over the operation of the Postal Service.

We found also the General Counsel to the Postal Service just happens to be, coincidentally, the Executive Director of the Board of Governors. This, in my judgment, is a patent, flagrant violation and pays no respect to the conflict of interest requirements.

Mr. RADEMACHER. Just to respond to your first question about how do you compete. It isn't necessary to change too many laws, if any, to have the Postal Service compete. A year ago I was shocked to attend a meeting and learn from top management that we had just lost a \$10 million annual account on parcel post. I am not going to say that nothing was done about it. I imagine there might have been some phone calls made. We lost \$10 million, from one firm in Chicago, because we, the Postal Service—I shouldn't say we, but the Postal Service refuses to offer the services, Mr. Chairman, that are being offered by the competitor, of picking up the parcels, of providing the kind of insurance that the competitor does provide, of providing redelivery.

All it takes is a matter of imagination and trying to instill in the thoughts and the attitudes of management that we are a service. That's what we are here for, to perform a service. That's why we lost a \$10 million account in just one movement by a firm in Chicago.

Senator GLENN. Senator Stevens?

Senator STEVENS. Thank you, Mr. Chairman.

I appreciate your using the 10 minute rule. I have another appointment that I am late for now. I did want to ask a couple of questions.

Mr. Rademacher, as far as I can see, you made news here today because it is the first time that I have heard that you or your labor organizations supported the concept that we should have a return to the political system of appointment of the Postmaster General and the Board of Governors, is that right?

Mr. RADEMACHER. I believe that the unions, who I have not been connected with for the past 3 months or made contact with, favor the complete elimination of the present structure and the appointment of the Postmaster General by the President. I believe that is their attitude today. That had no influence on my attitude.

Senator STEVENS. What about the postmaster? In each area?

Mr. RADEMACHER. I would strongly urge, because of the fact that there are many who have forgotten that postal workers are no longer covered by Civil Service, despite the fact they believe they are, they are not, that any amendment to the Postal Reorganization Act assure all employees that the politicizing shall begin and end with the appointment of the Postmaster General and that it be a violation of law to go beyond that.

We don't want—I am sure employees don't want a return to the day when the Congressman appointed the Postmaster and the rural letter carrier.

Senator STEVENS. I think I remember once—or at least it has been said to me that you believe we should not return to the days when it is more important for the Postmasters had to deliver precincts rather than mail. Is that still your position?

Mr. RADEMACHER. That is still my position, sir. There have been the days when it mattered how you carried the precinct, not on how you carried the mail. I would urge and insist that any amendment at all end with the appointment of the Postmaster General. I realize that is difficult.

Throughout the Commission's report I have emphasized the fact that collective bargaining as we know it today is done for because of the possibility of politicizing where the Postmaster General is ap-

pointed by the President. I would like to have it end there for the sake of all concerned.

Senator STEVENS. One more question, Mr. Krebs, and then I will be happy to have your response.

Mr. Rademacher, in terms of labor management relations, how can we have a situation where a Presidential appointee, a Cabinet officer sitting, I assume, with the President's Cabinet at the table and at the same time labor management concepts that apply totally to private enterprise also apply to that department?

Mr. RADEMACHER. That's the biggest fear I have at the present time. I feel if the President appoints the Postmaster General, the President or a representative of the White House will be at the postal bargaining table. That is the biggest fear I have had. I said it for 6 months.

Senator STEVENS. I misunderstood then. I thought you were recommending it.

Mr. RADEMACHER. I am now recommending, for the first time, a dissent from the report that I signed. I am recommending that the President appoint the Postmaster General on a 6-year term for one reason. All sensitivity seems to have disappeared. When the Postal Service management disregards the Congress, who hasn't even had a chance to open the pages of this book, and attempts to eliminate a mail service that only the Congress should do, then I say it is time to change the method of appointment of those people.

Senator STEVENS. You would preserve the present system, you wouldn't have a restoration of the Post Office Department. You would still have the Postal Service, but that appointment would be for a fixed term and the Postmaster would not be a member of the President's Cabinet?

Mr. RADEMACHER. You are correct, sir. Very briefly, Senator Stevens, you know very well that President Nixon and I, first of all, worked together in the hopes of having a Reorganization Act. I would be the last one to ever want to go back to having Congress control the Postal Service, but when I see what's been going on in recent days and recent years, I am compelled to seek a change in the method. I would not want the Congress to ever again take over the Postal Service, but because of the sensitivity of the Congress to the American people, they ought to have more say about the Postal Service than they are presently having.

Senator STEVENS. I understand it better. I am grateful to you for your answer. I think that anyone in the Congress that wants to go back to the day when we had any role in the selection of Postmasters ought to have his head examined.

Mr. Krebs?

Mr. KREBS. Senator, I just wanted to respond to the question you did ask. The testimony, which is contained in volumes 3A, B, and C of our report will indicate that the Postmasters' organization and all of the other organizations representing groups of postal employees are for the Presidential appointment of the Postmaster General and the elimination of the Board of Governors, except one, the American Postal Workers Union. All the rest, including very specifically, the Postmasters organization.

Senator STEVENS. I am concerned—and I think all of us were concerned to watch the Post Office Department change to the Postal Service. We have been concerned that they were not ready to be competitive as a quasi-member of the private sector. I take it that all of you have some feelings that they have not been competitive in the sense of setting rates and providing service to maintain the level of business that they had previously, is that correct?

Mr. FREEMAN. I think your statement is largely correct. Before we indict the management of the Postal Service too hard, they have developed this new express mail. It only has an experimental rating at the moment, but I admire that effort. It is an effort to get in and compete at a lower price than the courier services. It does assure next day, next morning delivery, and I think we would have to say that they showed imagination and creativity and a highly competitive attitude in developing that one feature. They haven't advertised it.

Senator STEVENS. With regard to the telecommunications and the facsimile transmission of facsimiles in place of mail, did your Commission come to any conclusion as to how long it is going to be until the private citizen has this opportunity available at a reasonable rate for use of what we call telecopiers now in the business sector? Was that addressed?

Mr. FREEMAN. No. We approached it in two or three different ways. We asked our advisors, our consultants to estimate the loss to the public service, to the Postal Service, of mail of these electronic means. They give us a figure. One was about 23 percent by 1985.

We also looked at the loss of government payments. I think the Treasury does about 15 percent of their payments now directly rather than through the mails. The other aspect of it is when the Postal Service is going to do something. We were dismayed to have the Postal Service say they do not intend to enter the facsimile field, and then we said would you let a private firm enter it and deliver to customers? They said, oh, no, we wouldn't permit that.

We said, do you mean to say, then, that here are the new technological developments and the American public are not to be allowed to have the benefit of it? They said if you want to express it that way, yes, that is so.

Mr. KREBS. If I might add something to that, Senator Stevens?

Actually, the state of the art is such today that if they wanted to, they could get into the field of electronic transfer of information. As a matter of fact, essentially they just don't want to do it, as the Chairman of our Commission just said. There is one example where the Xerox Corp. a year ago, had submitted a proposal, a joint venture proposal, wherein Xerox would have put up \$20 million and the Postal Service \$20 million. It would have been the beginning of a system where they could have transmitted to 32 cities within 2 years a message in 5 seconds at a reasonable cost.

The system envisioned reaching 96.7 percent of all the metropolitan areas in this country within 7 years. They turned it down. We asked why. They said it wasn't sent to us, it wasn't a competitive proposition.

We said did you ask for a competitive bid, did you put it out for competitive bidding?

No, Xerox was prepared to proceed with this system which is already on the list of available technologies. They were willing to do the market research work to determine the feasibility of this, and they were willing to invest half of the money for the first phase of this program. It was turned down by the Postal Service.

Senator STEVENS. Some of the Commissioners, recommended that we subsidize the USPS up to 13 percent; others say 10 percent of the budget. Can you quantify that? What would it be now? What would it be in 1985?

Mr. FREEMAN. In 1985 it would be about \$3,100 million, I think it is.

Mr. RADEMACHER. In 1985, sir, it would be 15.8 percent of the total postal budget that would be paid for by public funds. 15.8 in 1985.

Mr. FREEMAN. If you take the 13 percent.

Mr. RADEMACHER. That is including Saturday delivery.

Senator STEVENS. What did you figure that would be? Did you project it.

Mr. FREEMAN. At our 10 percent, it would be 10 percent plus the additional appropriation for revenue forgone. It would be 3.1 billion.

You can compare that 3.1 billion with 1.7 billion in 1976.

Senator STEVENS. Yours would be roughly 3.8 billion, somewhere around there?

Mr. RADEMACHER. Three percent more, sir.

Mr. FREEMAN. It would be a little over 400 million additional.

Senator STEVENS. Did you question the business community as to whether they realized when they used UPS that they are also going to be paying a portion of that subsidy? I wonder if the business community really realizes that as it increases its utilization of private postal parcel post carriers that because it offers services at a lower rate, that it is also paying a substantial portion of the increased taxes that must go to subsidize the remaining system? Was that explored by the Commission?

Mr. FREEMAN. I don't think so.

Mr. KREBS. I believe it is true, though those views were made known to the Commission through Mr. Rhodes input.

Mr. FREEMAN. We understood it.

Mr. TAYLOR. At the same time, Senator Stevens, there are other reasons why they use it. There is this pick up service that Commissioner Rademacher pointed out. There is a better handling of packages, apparently, by the UPS than by the Postal Service.

Senator STEVENS. I am not antagonistic to UPS.

Mr. TAYLOR. I didn't mean it either. I was saying there are other considerations which go into it. If the Postal Service worked on its operation efficiencies, they could compete much better.

Senator STEVENS. I apologize to you for running over, Mr. Chairman.

I want to commend all of you for taking your time and going around the country and listening to the views. The Commission was a creature of the past Post Office-Civil Service Committee. We had hopes we would still have a committee that would be able to devote its full time to this. I am sure the Chairman and members of the subcommittee will do our best to review the recommendations. We

are all indebted to you. I think every one of you worked hard on trying to find out what are some of the ills of the system.

Our mail indicates an increasing criticism of the present system. I am sorry I didn't have a chance to read your complete statement, Ms. Blakely, as that seems to be your position, too. The problems do require some solutions. I think many of the problems deal with funding. Again I do commend you all.

Thank you.

Thank you, Mr. Chairman.

Senator GLENN. Thank you, Senator Stevens.

A study was done by the National Research Council urging electronic communications; others by Arthur D. Little, Inc., and George Washington University, and Xerox offered the opportunity you indicated a moment ago; why is the Postal Service so hesitant about moving into this area?

Mr. KREBS. Well, I think that my own personal appraisal of that is that they feel that they have no right to compete with private enterprise. I take the position personally that we are not competing with private enterprise in a new field. This is the only way you are going to salvage the Postal Service. Commissioner Rademacher referred to our hearings, We went into the rural areas of this country where the postal facility is the only contact that the agricultural people who are residents of rural areas have with the Federal Government.

If you don't get into the electronic transfer of mail, the technology is going to march on and leave us behind. You are going to be left with a plant of 40,000 postal facilities which are either going to have to close or be faced with an overwhelming debt. I think it is largely a matter of the attitude of the postal officials.

I think somebody has to prod them. They think they have no right getting involved or entering a virgin field, which it isn't.

Our recommendation is given with a view to saving the Postal Service. The taxpayer doesn't get taxed out of the system.

Senator GLENN. I don't disagree with those who want to keep in touch with everyone and have a direct contact with everyone in the country by the mail. That's fine. Your figures indicate that some 70 percent of this mail is bills being sent or paid. There might be a variance in that percentage for rural areas.

Nevertheless, I would think a very high percentage of that 70 percent would be in urban metropolitan areas where electronic transfer is something that either we do through the Postal Service or somebody else is going to start doing it and take it away. One or the other.

Mr. RADEMACHER. Mr. Chairman, if I might, one of the points of irritation with the Commission constantly was the reluctance of representatives of the Postal Service to give any indication of what they intended to do in the electronic field. You are going to have an opportunity later this week to talk to those responsible for that attitude and see what it is. It appears, as Commissioner Krebs has indicated, a reluctance to join in a cooperative venture, but I say to you, Mr. Chairman, today on this date in 1977 that the future of the Postal Service is bleak unless there is that joint cooperative effort.

Now I do not know how anyone can argue against a joint cooperative business venture in the Postal Service when the most successful venture ever undertaken was a joint venture with Western Union and

mailgram is now providing the Postal Service with the best profit that they have ever had. They will have the same kind of a profit once they get involved with Xerox, or IBM or any of the other people who are willing to pay the Postal Service to use those 40,000 terminals that we have serving America.

Senator GLENN. Do any of you believe that we need legislation to require such a commitment, or is it fully within the province of the Postal Service right now to go ahead and take whatever action is necessary to move into this field?

Mr. FREEMAN. I think they could do it right now. Going back to your earlier question, why don't they? I think there are four reasons.

First, they are—and this is legitimate—they are uncertain as to whether there is a market. They will point out to you that the United Kingdom and Sweden each tried this facsimile arrangement and it turned out to be nothing. A hundred a year, something like that.

England is a much more compact nation and so is Sweden, than the United States. There aren't the circumstances involved. They have good postal service there, too. There was not an adequate requirement or demand to support it. That is the first thing—they didn't make studies here.

Senator GLENN. How about the Japanese experiment in this area?

Mr. FREEMAN. The Japanese have two experiments, one in Tama Newtown and one in Higashi-Ikawa. These are governmental undertakings motivated by the Japanese, now that they have the radio and television business, to get the whole home communication business. They are achieving a great deal. They use their systems there. For instance, if you have a television, you can, when you want, by pushing a button, or turning a dial get prerecorded programs that will come on to your machine from the sending station.

You can get, any time you want, the current stock market. They use it for burglar alarms and fire alarms. They use it to present a newspaper, a one page newspaper, the quality of which is as good as the original.

Senator GLENN. Having looked into this, is it your opinion the Postal Service would be in violation of the Communications Act of 1934 if it entered into competition with private telecommunication carriers?

Mr. FREEMAN. They wouldn't really be entering into competition. The Postal Service has a tremendous gathering and distribution system. If, as a preliminary step, they contracted with IBM or Xerox or one of these companies that are in the forefront of facsimile, if they contracted with them really to send a message from one post office to the others, I don't see that they would be in violation of any statute. They would in this way, if indeed there is a market—

Senator GLENN. Go ahead. I am sorry.

Mr. FREEMAN. They would in this way get their feet wet, so to speak. They would begin to get into the telecommunication business.

Senator GLENN. I don't know whether I am reading all of your concerns correctly or not. Correct me if I am not reading them properly. As I see what you are saying, this is so crucial to the postal system for the future that the whole system really hinges on whether we go that direction or not.

Mr. FREEMAN. We think so.

Senator GLENN. Then, whether or not the subsidies are of the type you are talking about, direct Government outlays, increased rates, we have to make a decision whether we are going with some of the new technologies before we decide what the Postal Service is going to consist of in the future. Is it that basic?

Mr. FREEMAN. It is that basic. We as a group would think if they don't get into this modern system of communication, that there will still really be the necessity for the distribution system but there won't be much revenue paying mail, very little revenue paying mail. So that the deficits instead of being 1 or 2 billion will be running 20, 30, 40 billion in another 25 years.

Mr. TAYLOR. Add further to that the problem that I see—and I think we all see—is that the Post Office, the Postal Service has not organized itself to attack the problem. It is only under the impact of the committee's questions that they have begun to work with RCA to tell them whether or not they should consider doing this. All of that research budget, over the past several years, really bore no relevance to this at all.

They have not appreciated the importance of this to date. If they would organize themselves and start working at it, they might begin to see what we have seen.

Mr. FREEMAN. If I could go back to your question once more. There are four things. Uncertainty of market, that's a legitimate concern. They haven't explored it.

Uncertainty of their own capability. The Postal Service has fallen down so badly just in research and development that I am sure that the Postmaster General must have some uncertainty as to whether they really have people that are fast enough on their feet to handle this kind of thing.

Senator GLENN. You mean just technical expertise?

Mr. FREEMAN. Yes. And the market.

Thirdly, concern about competing with taxpaying business; and fourthly, a constant fear of Congress. The Postmaster General is an able man, a serious man, a hard-working man, an honorable man; but in conversations with him, it leads you to realize that he is constantly concerned that he is going to be criticized by the Congress for doing anything new if it doesn't work well.

I think one of the basic needs is for Congress to say we want you to get into this.

Mr. KREBS. I was going to make the point the chairman just made. I think Congress at this juncture does have to take the initiative in nudging him in that direction.

Senator GLENN. Can this be done separately or does it have to be part of a Federal communications policy of some kind? We are into areas of television and other means.

Mr. FREEMAN. That will come but at this stage that's not necessary.

Senator GLENN. You state in chapter 2, "There are still avenues for improvement in postal productivity and efficiency, particularly through improved management techniques, but progress may be difficult."

Can you identify those improved management techniques you refer to or which ones would be most helpful?

Mr. FREEMAN. The Postal Service has engaged a large number of middle-management personnel to try to achieve a greater efficiency. I think if you would visit the Washington Post Office, preferably unannounced, or New York, or Chicago—I went through in Chicago and started where the mail came in. There were five men there visiting. There were stacks and stacks of mail, no action. I said to the postmaster, "What are those men doing?" He looked at me like I was a boob and said, "Well, they are visiting."

I said, "They aren't doing anything about the mail." He said, "No, they aren't."

He went over to one and said, "Don't you think they ought to be doing something?"

They kind of shuffled around. There is no feeling of tempo or speed or urgency in larger post offices.

I think that in many of the smaller post offices, in smaller communities, it's an important, respected job; and the people work as conscientiously as they do in a hardware store or any place else in town. In many of the larger post offices, there is not the efficiency.

What we are referring to is that they have got to have management techniques to get those people working like they do in United Parcel.

Senator GLENN. I believe the figure was a 1.3-percent increase in the amount of mail.

Mr. FREEMAN. There has been an average increase of 1.3 percent in total output. The Postal Service measures its productivity by dividing the total units of mail by the number of man-hours. Our consultants, National Economic Research Associates, Inc., NERA, said that is not really a very good test because you are losing the big heavy parcels and you are gaining first-class letters. You shouldn't give them the same evaluation.

Also, on the other side, you are now delivering to 76 million different addresses. That's going up about 2.7 percent per year. They said we ought to have a weighted system of measuring productivity. That came up with this 1.3 average for the last several years. This was partly brought about by the very large increase in the use of letter-sorting machines and partly by the use of vehicles in the delivery routes.

Those two steps are fairly well completed; so there is not the same opportunity for improvement through that type of mechanization. There may be opportunities for further improvement in efficiency through the use of optical scanners, and the use of bar codes. The Postal Service is approaching this rather gingerly. It says those machines are expensive. It is only practical to use them in the larger post offices. It would be our hope that over a period of time they could get those—the cost of those—down so they could use them in more post offices. There is room for increases in productivity; and we think that that will be achieved. We used a figure which is variously reported because of the base. We say they can save 93,500 jobs by 1985. Well, that is 93,500 less than had been anticipated in 1985. Actually it gets back to about 30,000 less jobs than in 1976.

So we think there can be some increases in efficiency but that they will be more than offset by increases in hourly wage rates so there won't be any greater productivity per dollar.

Senator GLENN. Back to the appointment of the Postmaster General. On the question of the 6-year term, Mr. Rademacher, I wind up with conflicting signals. If we are trying to politicize the position of Postmaster General to make it more responsible to the people and more responsive to the administration, then we set up a 6-year term that goes from one administration to another, perhaps we undo what you set out to do.

Why did you select the 6-year term as your recommended term?

Also, if it's better to have them politically responsive at the top level, why not on down at the lower level?

Mr. RADEMACHER. Well, Mr. Chairman, by having a 6-year term you somehow eliminate politicizing because it's beyond the term of the appointee.

Senator GLENN. Making it a Presidential appointment is supposed to be making it more responsible. I thought that was one of your purposes.

Mr. RADEMACHER. Making it more sensitive than it presently is. The Postmaster General today is appointed by the Board of Governors, who are appointed by the President; but what I was thinking—and I think I am ahead of myself—was continuity of management. In the 6 years of our Postal Service, the average tenure of office of a Postmaster General is 2½ years. I think that's where the problem starts. You have to have a man running a firm the size of General Motors that wants to stay on the job and knows what he is doing and what he is talking about. We haven't had that and only recently have we had a man indicating that he wants to remain on to try to do a job.

I thought that by having a President appoint a Postmaster General beyond his own term, it will allow a continuity, but it will also mean that that Postmaster General must accommodate that President and even his successor. Instead of then being obligated to a Board of Governors who appointed him, the Postmaster General would be obligated to a President. I think we would see the return of sensitivity which is absolutely lacking today.

Mr. KREBS. Could I add one thing, Mr. Chairman, to that?

Senator GLENN. Certainly.

Mr. KREBS. The argument has been made by those who would retain the Board of Governors that you need continuity. I just want to submit for your consideration the fact that since Postal reorganization, under this system, you have had three Postmasters General in 5½ years. This hasn't provided any continuity of top management at all.

Mr. FREEMAN. It is fair, however, to point out that preceding the reorganization, they had had several Postmasters with the average tenure of 2 to 3 years, too. That is no cure-all.

Senator GLENN. Only one other series of questions. On the 5-day delivery, how much did you get into the impact of this? If we went to 5-day delivery, it would impact many, many people, not just the weekly newspapers being delivered and so on, but major businesses in the country that scale some of their operations around weekend delivery of mail.

Did you go into that fully enough to really know what the full impact would be on business?

Mr. FREEMAN. We did not go into it at great length. We suggest that though the mail be cut down by 1 day that the Post Offices remain

open for delivery. A company that wanted to pick up their mail could pick up their mail. Most businesses are closed on Saturdays, at least in the large cities. In the smaller towns it's easier for them to pick, it up. At least the majority did not feel that this would be a burden except in such cases as that part of newspaper distribution which goes with the mails. I think that about 6 percent of the newspapers' delivery is through the mails.

Senator GLENN. As far as the mail being sorted at the Post Office and being available, do you mean it would be available if business wanted to pick it up?

Mr. FREEMAN. That's right.

Mr. TAYLOR. Not quite as available as presently.

Mr. KREBS. No.

Mr. TAYLOR. That mail processing, that last shift of mail processing, is also eliminated. This is a point that I was reaching at when I suggested part-time workers, because it will not be available sometimes.

Mr. KREBS. I would recommend, too, Mr. Chairman, that you take that Nielsen question with a grain of salt, because the question simply said, would you rather pay higher postage rates or suffer the loss of 1 day's delivery of mail? Obviously people said they would rather pay less postal rates and eliminate, if need be. If the question was asked directly, would you mind losing 6-day delivery, I think the result of that poll would be substantially different than what it was.

Ms. BLAKELY. I think the businesses we talked to were the first to say they would give up that extra day of mail delivery. They were the ones that have big postal bills. They would really—they are very interested in keeping the costs down, rather than I, who just mail five or six letters a week, maybe.

Mr. RADEMACHER. Far be it from me to disagree with the only fine lady on our Commission.

Ms. BLAKELY. Well, you have before.

Mr. RADEMACHER. I didn't do it openly, such as this. [Laughter.]

Certainly business could care less. They are going to benefit maybe in the end if the rates are less; and it is business that is paying the freight. Let's not kid ourselves. The average person sends seven letters a month in the form of greeting cards or bill payments. A 20-cent stamp to them doesn't mean as much as it does to a mailer of a million pieces a month. We know that.

But it isn't the businessman or the sender, businesswomen or the sender, who is as concerned as the receiver. If I was waiting for that social security check which eventually is going to come by wire instead of by letter carrier on a Saturday morning, I wouldn't care whether the head of the HEW was interested in Saturday delivery; I would be more concerned whether I was going to get that on Saturday.

I repeat two things that I earlier said. One concerns productivity and the other concerns Saturday service. On the productivity, this glass of water is half full and also half empty. It's all in how you look at it. Any reasonable, intelligent person must agree that when there are 55,000 less postal workers how handling 3 percent more mail just 3 years after mechanization was implemented, there's been a tremendous increase in productivity; and that's why the Postmaster General has said for the first time he is showing a little profit.

The last point in regard to service, I repeat again, that all of this airmail coming from the west coast, arriving at National Airport at 10 o'clock on Thursday night, will not be delivered until Monday. We have five Monday holidays a year. Thursday night arrivals will not be delivered until Tuesday. I don't think that's what the Congress wants. I know that is not what the American people want.

Senator GLENN. How well can you document your figures for the additional \$462 million for fiscal 1978 or your 3-percent increase that would let us maintain 6-day service? Is that an estimate or is that well documented?

Mr. RADEMACHER. That is the Postal Service's figures, Mr. Chairman.

How well they are documented, I cannot answer that. [Laughter.]

Senator GLENN. We have quite a number of other questions here. It is getting late, though, and we are going to have to end the hearings. What we would like to do is submit additional questions to each of you perhaps from the other members that were not able to be here this morning or from the staff. We will keep the hearing record open for a period of 10 days. We hope you can respond to any additional questions we might have.

I would like to echo Senator Stevens' statement earlier this morning. I know you worked long and hard on this. It is something that was very much needed. Exactly what direction we will be going in is yet to be seen. We are going to be doing a great deal of work on it.

We appreciate your help very, very much, and appreciate your being here and being so patient with us this morning.

Mr. FREEMAN. I would like to add we have been blessed with an excellent staff. David Minton, who has been in this room many times on postal affairs in the past, put together an organization that did a splendid job for us.

[Additional questions by Senator Glenn to the Commission on Postal Service with responses follows:]

COMMISSION ON POSTAL SERVICE

Washington, D. C.

May 23, 1977

Honorable John Glenn
Chairman
Subcommittee on Energy, Nuclear
Proliferation, and Federal Services
Senate Committee on Government Affairs
Washington, D. C. 20510

Dear Senator Glenn:

I am responding on behalf of the Commission on Postal Service to your recent letter enclosing ten questions which were not asked during the public hearing before your Subcommittee on May 2, 1977. These answers are based upon views of the majority of the Commission as expressed in the report submitted to Congress and the President on April 18, 1977.

Question #1 - What do you think the appropriate position of the Government should be vis-a-vis the private sector in electronic communications?

Answer: The Commission recommends that the Postal Service adopt a short range and long range program on electronic communications. In the short run, cooperative ventures with private enterprise could demonstrate the merit for postal participation in electronic communications. In the long run, a Federally-regulated electronic communications enterprise would be the most likely vehicle for developing a hard copy electronic communications system. The Commission does not recommend whether the Postal Service should develop that system; the Commission does recommend that the Postal Service determine its role within two years.

Question #2a - Your report states that a poll which you commissioned by A. C. Nielsen shows that a majority of the public is generally opposed to higher levels of public funding;

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however, the public would prefer increased appropriations rather than increased postal rates. (a) Public funding accounts for only 1/16 of annual operating expenses for USPS. Do you think this is generally the public perception?

Answer: The Nielsen survey tends to demonstrate that the average citizen does not have a technical understanding of the nature of congressional appropriations and revenues derived from rates. Many respondents indicated surprise that the Postal Service is not self-sustaining at the thirteen cent stamp level. Generally speaking, the public impression has been that all subordinate classes of mail, particularly third class bulk rate regular, are subsidized at the taxpayers expense. This is not so but it is an impression that is hard to correct.

Question #2b - What are the alternatives? Would private citizens bear a great proportion of the burden if it is taken from taxes or if it is taken from increased rates? What would be the share of business?

Answer: An increase in the level of appropriations to meet postal costs would impose a greater burden on the citizens generally rather than upon mail users. A justification for this income redistribution is that citizens generally benefit from the public service characteristics of the postal system, such as maintaining post offices in nearly every village in the nation and door-to-door delivery to more than 77 million individual addresses.

Question #3 - You have concluded that an increase in the public service appropriation is necessary--that the currently authorized \$920 million a year is inadequate. How did you arrive at 10 percent of the previous year's operating expenses through 1985? In other words, why not 9 percent or 13 or 15 percent?

Answer: The Commission recommended a ten percent appropriation because it seemed to be an achievable level of appropriations considering other Federal obligations, and, except for reference to a particular fiscal year, it is exactly the same percentage ratio as was enacted in the Postal Re-organization Act.

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Question #4 - You recommend increasing the public-service subsidy to the Postal Service to 10 percent of the postal expenses incurred in the preceding fiscal year. You also recommend a once-only appropriation of \$625 million. Will you explain again the origins of the \$625 million figure?

Answer: A \$625 million appropriation would liquidate the outstanding indebtedness of the Postal Service for non-capital expenditures. In effect it would erase the operating losses of the past and give the Postal Service a clean start.

Question #5 - If we were to accept the Commission's recommendations across the board, and if they were enacted, what would be the projected state of the Postal Service by 1985? It most likely would still have outstanding debts for operating purposes, would it not?

Answer: If the Commission recommendations were adopted and if the Postal Service achieved the management efficiency and employee productivity levels which underlie its recommendations, the Postal Service would "break even" in 1985. The data outlining the recommendation is found on pages 42-46 of the Commission report.

Question #6 - For rate-making purposes, you recommend that attributable costs be limited to 60 percent of total costs which, I believe, is close to the current practice. (pg. 64) At the same time, you ask Congress to enact into law a method of allocating costs so as to help preserve second, third, and fourth-class mail volume. (pg. 63) The U. S. Court of Appeals for the District of Columbia Circuit has found the current attribution system faulty. Implementation of the Commission's recommendation to enact into law the 60% attributable cost limit then, would have the effect of overriding the Court's opinion. Is that correct?

Answer: Yes.

Question #7a - Is it correct that the Commission's recommendation is that cost-of-service factors be used to distribute no more than 60 percent of total postal costs among the various classes? How did the Commission arrive at that

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particular percentage, which I believe is very close to current practice?

Answer: The Commission recommended a 60 percent level of attribution because it is precisely the attribution arrived at in the most recent postal rate case.

Question #7b - You suggested that the 60 percent limit on attributable costs will help preserve volume in all classes. Do you regard the 60 percent limit as a temporary fix? What kind of further Congressional action do you suggest?

Answer: The Commission recommends that Congress reexamine postal policies beginning in 1983. The method of fixing postal rates and the criteria to be used in that process should be among the issues studied at that time.

Question #8 - In addition to reducing service from six to five days a week, you recommend also "increased mechanization of incoming mail" and a "restructuring of urban retail services." (chart, page 40) Why would urban retail services be restructured and how would this reduce service?

Answer: The "restructuring of urban retail service" means closing some postal facilities in metropolitan areas. This would result in reduction in service because citizens would have to go farther to reach a postal facility.

Question #8b - How would increased mechanization of incoming mail delay delivery? How long a delay do you contemplate?

Answer: Delay in mail delivery may result because of higher error rates in processing mail by mechanical means rather than hand sorting. Additional delays may occur because of "batching" incoming mail until sufficient volume is available to justify using mechanical equipment.

Question #9 - That section of your report beginning on page 62 titled "The Impact of Attributing Costs" sounds as if it were describing a self-destruction mechanism. It projects a picture of rate increases to pay cost increases,

Honorable John Glenn

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May 23, 1977

followed by volume losses caused by rate increases, necessitating further rate increases to make up for revenue lost because of volume reductions--ad infinitum. Is it the Commission's position that such a pattern would be the inevitable result of a strict policy of allocating costs among the various rate classes on a cost-of-service basis?

Answer: Yes

Question #10 - The following statement appears in Chapter 2 of your report: "There are still avenues for improvement in postal productivity and efficiency, particularly through improved management techniques, but progress may be difficult." Could you identify improved management techniques which you believe would be helpful?

Answer: Principle areas for improved managerial techniques include scheduling of manpower, annual budgeting, reducing budgets to accurately anticipate mail volume and manpower requirements, and reducing error rates in mechanical mail sortation. Because postal costs are principally affected by peak load requirements, accurately anticipating mail volume can help management schedule manpower to operate at maximum efficiency. A "fat budget" can be used up because of the lack of incentive on management to reduce expenses by better management techniques. Finally, there has been a significant growth in administrative support costs in the Postal Service, growing at a rate of almost twice the rate of clerical and carrier employment. These administrative support manpower levels should be constrained.

Sincerely,



DAVID MINTON
Executive Director
Commission on Postal Service

[Whereupon, at 12:23 p.m., the hearing was adjourned, to reconvene subject to further call of the Chair.]

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EVALUATION OF THE REPORT OF THE COMMISSION ON POSTAL SERVICE

MONDAY, MAY 16, 1977

U.S. SENATE,
SUBCOMMITTEE ON ENERGY,
NUCLEAR PROLIFERATION AND FEDERAL SERVICES OF THE
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to notice, in room 3302, Dirksen Senate Office Building, Hon. John Glenn presiding.

Present: Senators Glenn and Ribicoff.

Staff members present: Leonard Weiss, staff director; Walker Nolan, chief counsel; and Gary Klein, minority counsel.

OPENING REMARKS OF SENATOR GLENN

Senator GLENN. The subcommittee will be in order.

This is the second in a series of hearings the subcommittee has planned to lay out the issues involving the future of the U.S. mails.

In the main, the Commission on Postal Service has stated the key issue. That is, can we, or should we, proceed with a business-as-usual posture?

If we do, the Commission tells us that the future holds in store a declining level of service, higher prices and the possible stagnation of a once-proud institution, the U.S. Postal Service.

Mail volume will decline for, despite the Postal Service's monopoly on the carriage of letter mail, the fact is that it is met by considerable competition in the overall communications market. And that competition, triggered by advances in communications technology, is increasing every day.

One alternative is to move the Postal Service toward increased use of advanced technology itself, perhaps by using its presence in virtually every city and hamlet of the Nation and its unique capability of reaching into virtually every private residence and even the smallest of our country's businesses.

The report of the Commission suggests that a major effort should be made to define the Postal Service's role in electronic communications and to tie its delivery capability to existing electronic services now.

That is one issue raised by the report we are considering. The maintenance of our present level of traditional services, including 6-day deliveries of mail, and the Postal Service's presence in 35,000 locations is another.

Yet another is the question of how best to establish the postal rate structure. Should it be based fundamentally upon cost-of-service principles or should it, as the Commission suggests, give significant weight to market factors, such as the vulnerability of mail volume in different classes to alternative means of delivery?

To what extent should the taxpayers support the Postal Service through appropriations made by the Congress, as opposed to having the senders of mail foot the bill?

We are told by the Commission, which rendered its report last month, that the public generally would prefer greater appropriations.

These are not all the issues by any means. Indeed, a fundamental issue before the subcommittee is whether the current structure should be retained, or whether Congress should move to undo what it did in 1970 when the independent Postal Service was established.

That would mean basically two things: Making the Postmaster General a direct Presidential appointee and putting the expenses of the U.S. Postal System back into the budget of the U.S. Government.

But those are issues which raise many basic questions which the Commission tells us were correctly answered 7 years ago when the old Post Office Department was severed from its former political ties and directed to operate more in the manner of a corporation.

The Subcommittee on Energy, Nuclear Proliferation, and Federal Services has been given the responsibility of dealing with these issues only recently.

It would be premature for me to say we have the answers. Rather, I prefer that we keep an open mind, listen to all of the testimony and consider all the data before taking a position on any of these issues.

In short, we have questions at this point. Not answers. The answers are what we are after.

One of the questions I want to explore today is how long we reasonably have to consider the broad range of issues involved in the postal problem before drastic or significant changes will occur.

We are glad to welcome our first witness this morning, the Postmaster General, Benjamin Bailar.

I know you have a statement, You may summarize it, or present the whole statement as you see fit.

TESTIMONY OF BENJAMIN F. BAILAR, POSTMASTER GENERAL

Mr. BAILAR. Thank you, Mr. Chairman.

I would like to read the statement. It is rather brief. I may make a couple of observations as I go along in response to your opening comments.

The Commission report includes a large number of conclusions and recommendations—some highly detailed and technical. Rather than taking your time at this point running through each of these one after another, I should like to provide you briefly with my reaction to the overall thrust of the Commission's work.

Then we can focus in more detail on matters of particular interest to each of you by means of the question and answer session.

I think the Commission should be commended for a job it has done. The members and staff did yeoman work in a short time, on an extremely intricate and controversial subject.

It is clear to me that the Commission perceived the basic forces that are at work and with which the postal system must come to grips.

Since the report was released, I have noted, as I am sure you have, that there has been expressed some dissatisfaction that the Commission did not come up with radical solutions that would put all difficulties behind us and enable the public to get more service for less money.

Anyone familiar with postal facts of life would never chide the Commission for this alleged failure. Postal problems are large and complex, but not dissimilar from those facing public officials at all levels.

We have reached the point where there are no quick fixes and easy answers.

We are a labor intensive organization. We serve an ever-expanding delivery network as new homes are built and businesses are established.

Inevitably, at current levels of service, our costs are going up. If we enjoyed the prospect of continuing volume growth, we might have the opportunity of maintaining the status quo.

However, changing technologies, higher rates, and increasing competition indicate we are moving in the opposite direction in the years ahead.

The Commission found that the discipline of trying to work through the specific steps which might be taken to improve the postal system highlights certain very real constraints.

The question remaining is the extent to which we are going to face up to the facts and try to shape and adapt our postal system to best serve the public interest in the future.

The most apparent of these forces is continuing inflation in postal costs. Inflation is hurting everybody, but the nature of the postal system is such that it hurts us more than most others.

Despite improvements in mechanization, we are still and we will remain extremely labor intensive.

As the Commission noted, we start from a distinct disadvantage in trying to stay apace with future productivity increases in the economy as a whole.

Another major factor noted by the Commission is the nature of the delivery network aspect of our system. Perhaps what is most distinctive about the Postal Service is its in-place network of facilities and delivery routes designed to serve the entire Nation.

This network is little affected by the degree with which the system is used. The cost of a carrier making his rounds is not much different whether he has 100 pieces of mail to deliver or 1,000.

We also find that continuing population increases require even more delivery points to be served without corresponding increases in mail volume.

Since we generally charge the sender of mail for the full cost of mail service rather than sharing it between sender and recipient, the only alternative to escalating delivery costs is to move toward spending less per delivery address through more economical forms of delivery.

Another reality emphasized by the Commission is the increasing tendency of business mailers to seek other ways of communicating than through the mails, as postage rates increase.

When considering what level of services to maintain for the mail recipient, and how to allocate the costs of these services, it is tempting to say that, well, the mailers can handle it.

But that reasoning is proving to be increasingly short-sighted and self-defeating, as mailers take their business elsewhere.

An associated development dealt with by the Commission is the increasing relevance of electronic technologies as an alternative to traditional mail services.

This subject matter is a complex one. For one thing, there are not one but many quite different possible applications of electronic technology—some of which might be relevant to a Government postal system and some of which might not be so relevant.

With respect to each possible application, there are important questions that must be faced. These include the appropriate respective roles for the Federal Government and the private sector; the appropriate part of the Postal Service in whatever role the Federal Government should play; and the extent to which technically possible applications would prove economically worthwhile.

While the Postal Service necessarily is involved in working on all of these issues, others must also be interested and all of the decisions are not ours alone to make.

Whatever the outcome, at least one thing seems comparatively certain: the role of the Postal Service as one among many communications services must be adapted to the developing changes in the available technology.

Another matter considered by the Commission, in the context of the other factors I have been discussing, is the question whether some adjustment is needed to the public service appropriation to the Postal Service.

This is a matter that warrants careful consideration. It is a public policy question for the Congress and the Administration to decide.

I respect the Commission for bringing the forces that demand attention to the forefront and trying to find measures that will be of some help in accommodating to them.

Considering that some other kind of report, while perhaps illusory, might have been more pleasant, and better received, I have to believe the Commission when it says that the facts left no alternative.

I would make one point here. The way Americans are communicating has been changing. It has been changing as long as we have been a nation, changing with the advent of new technology, and there is nothing we can do to change that as a fact of life.

The Postal Service can provide any service the American people want, assuming they are willing to pay for it, either through postal rates or through subsidies, but I think we have to keep in mind that the services have to be paid for in one way or another.

For the most part, then, the Postal Service supports the major conclusions of the Commission's report.

This is not to say that we agree that each specific recommendation is well taken. There are some significant ones which we disagree strongly with.

For example, we believe that the recommendation to restrict the Postal Service's role in mail classification matters would be a serious mistake.

At present, no classification may be changed unless both the Governors and the Postal Rate Commission agree. We fail to see how the Postal Service properly can be held responsible for its service unless it has at least this much of a say as to what classes of services will be offered.

In addition, while we agree with the Commission's concern that the funding structure of the Postal Service should promote a determined attitude toward cost control, the proposal to limit severely our authority to borrow for operating purposes is unwise, in our opinion.

In a situation such as that experienced after the 1973 oil embargo, such a limitation might have brought the postal system to a grinding halt, with far-reaching consequences.

In closing, I would make one further point. I support retention of the structure of the Postal Service substantially as it is today.

In my view, the most significant aspect of the Postal Reorganization Act is that it created a decision-forcing mechanism which, among other things, exposes the public to the true cost of postal operations and allows the public to make conscious choices.

We are required to provide reasonable levels of service at a reasonable cost.

These often conflicting requirements force us to face reality and to make, at times, tough decisions.

In my judgment, the absence of this type of forcing mechanism in the days of the Post Office Department resulted in the avoiding of hard decisions and thus contributed to the decline of the agency to the point where Larry O'Brien once described it as being in a "race with catastrophe."

I don't think the public would be well served by pretending our problems don't exist.

The fact that the Postal Service is a Government agency does not, and should not, insulate us from the facts of life.

We in the Postal Service look forward to working with the Congress and the administration in resolving our problems in the best interest of the public we serve.

We would be pleased to respond to your questions.

Senator GLENN. Mr. Bailar, before we start on the questions, Senator Stevens had planned to be here this morning. He is unable to be here because he is chairing Commerce Committee hearings this morning in Alaska. He will be back at our next meeting.

We would like to keep the record open, however, for any questions that he or the other six members of the subcommittee might wish to submit to you.

Mr. BAILAR. All right.

Senator GLENN. Mr. Bailar, do you feel we are in a real crisis situation? It has been referred to as a crisis, at least the various Commission members have referred to it as that at one time or another.

Mr. BAILAR. I don't see it as a crisis that has to be resolved in May of 1977, Mr. Chairman.

The changes we are talking about are evolutionary. They have been taking place for a period of time. We have charted the pattern of personal communications over the last 50 years, starting with the market share enjoyed by the Postal Service and that enjoyed by Western Union and the telephone company, and you can see that the changes are gradual.

There is nothing about May of 1977 that forces any action other than a couple of considerations. One is that there is a new administration and an opportunity for review there that is a fresh one.

Second, we are faced with the need to have more revenue in 1978, which creates rather immediate need on the part of the Postal Service to file for a rate increase or to seek additional subsidies, or to reduce our costs through service reductions or some combination of that.

The present legislation is certainly adequate to operate the Postal Service in the next several years.

So, I don't think that there is a crisis in that sense of the word, but the changes that are taking place are very real, and the passage of time only puts us further down the road in terms of dealing with them.

Senator GLENN. Do you see any immediate legislative requirements that would be of a critical nature, that have to get out right away if there is not to be a crisis in the Postal Service?

Mr. BAILAR. No, sir, I do not. I do think there is a need for the Members of Congress to understand that the Postal Service is going to have to take some action.

I think it is fair to say that there are some Members of Congress who feel that would require legislation in order to prevent that action, but the Postal Service can operate and serve the American public well with existing legislation, in my judgment.

Senator GLENN. If there is no legislation that puts restrictions on the Postal Service, when can we expect a rate increase, for instance?

Mr. BAILAR. I would think in the second quarter of calendar 1978.

Senator GLENN. What amount would that be? Do you have any estimate?

Mr. BAILAR. The decision is going to have to be made by the Postal Service Board of Governors.

It seems to me there are a couple of likely alternatives, and I cannot speculate on which of them would be pursued. The increase to the level of 16¢ on the first-class stamp would be required if we went right on with business as usual, and corresponding increases in other classes of mail.

Senator GLENN. Sixteen cents in the first quarter of 1978?

Mr. BAILAR. In the second quarter, I believe. If the Postal Service Board of Governors were to choose, they could mitigate that increase by some service reductions, a reduction of delivery from 6 days to 5, and some other rather modest changes would probably allow them to hold that to 15 cents.

Senator GLENN. Would there be comparable price increases for classes of mail other than first class?

Mr. BAILAR. Yes, there would.

Senator GLENN. In the absence of legislation, when would you begin to move to close additional post offices?

Mr. BAILAR. I think it is important to understand, Mr. Chairman, that we have been closing post offices at a continual and rather modest rate, ever since the turn of the century.

There were 75,000 post offices at the turn of the century. There are now 30,000. We have closed an average of around 600 offices a year. During the last 10 years we have only been closing 300 a year, and in 1976, I think it was 250.

I think the Service will begin to close offices in that magnitude.

Senator GLENN. There were proposals to close roughly half the post offices, and I assumed that was going to be in a fairly short period of time the way it was presented. Is that correct?

Mr. BAILAR. No, sir. There are no plans to change anything to that degree. There is a presentation made to the Postal Service Board of Governors last month at the specific request of one of the governors about this issue.

We made the presentation and told them that it was based on limited samples of three centers around the country. There has been no decision, and there has not been yet. That would have to be discussed with the Board, because it is a fundamental change.

Any change of that kind would take an extended period of time to consummate, because we have a clear obligation to our existing postmasters, one we recognize and made provision for last year.

That is, postmasters whose offices were closed would need to have jobs elsewhere. Although they don't have a contract, with the no-layoff provision, we thought the fair thing was to recognize the permanence of their employment, if you would, and there would be a great deal of shuffling that would be necessary and would have to be evolutionary.

Senator GLENN. As you would see it now, there would not be any great, precipitous cut at any one spot?

Mr. BAILAR. No, sir.

Senator GLENN. How about the 5-day delivery? That wouldn't be so evolutionary. You either have 5-day or 6-day.

When do you contemplate moving to that?

Mr. BAILAR. That subject falls into the category of national service changes, which would have to be submitted to the Postal Rate Commission for an advisory opinion.

If the Board went this route, I think it would be something that would probably receive their approval some time in the next 60 days, and then we would file for an opinion with the Postal Rate Commission.

They would have to hold hearings and get the information necessary to give us the advisory opinion that the law calls for.

I think in any event if that step were taken, it would be sometime in 1978. That is, we could not do it early this year, and we certainly wouldn't do it until after the Christmas season.

Senator GLENN. What would be the normal time period for hearings like that?

Mr. BAILAR. The Postal Rate Commission has an internal procedure which gives them 90 days to do that sort of thing, and on a project of this sort I think they would need all that time and perhaps more.

Senator GLENN. A 90-day limit to their proceedings, or a 90-day starting period and then unlimited hearings?

Mr. BAILAR. They have a 90-day limit on it now.

Senator GLENN. On what, starting or completing the whole procedure?

Mr. BAILAR. They are supposed to give us their response within 90 days after we request it, by their own procedures, but this is a major matter that would require a lot of work on their part.

Senator GLENN. If we went to 5-day versus 6-day delivery, would that change the rate structure which you thought the business-as-usual approach would put into effect in the second quarter of 1978?

Mr. BAILAR. Yes. I think with a change to 5-day from 6-day delivery, and some other economies that we haven't gotten precisely pinned down that the financial impact of those would be such that the Board could probably look for a 15-cent first-class rate as opposed to 16 cents if we went that route.

Senator GLENN. You indicated in some of your testimony last year before the Post Office Committee that your request for meetings and telephone calls went unanswered by the White House and the OMB. I want to ask you if things have changed in the last few months?

Mr. BAILAR. They have changed. I have had several meetings with them and certainly whenever there has been a need, I have been able to get the attention that the problems require.

Senator GLENN. That included OMB?

Mr. BAILAR. I wrote the President shortly after the election and indicated a willingness to brief him and work with the administration.

He asked us to work with Mr. Eisenstadt, so that is the procedure we have followed, and I have made no attempt to contact OMB other than on routine budget questions.

Senator GLENN. The President made some comments during the campaign last year about the Postal Service. He was highly critical of management and of the role of the Board of Governors, at least if the Business Week quotations of his statement, which we noted the other day, are correct.

He indicated there that the Postal Service was "a classic illustration of wasteful and imprudent and inefficient management," and so forth.

He said executive salaries are above those of other Federal agencies and 187 work in luxurious quarters. He also said that he would require the Postal Service's Board of Governors to take a more active role in management, and that he recommended the abolition of the Postal Rate Commission.

The Commission has completed deliberations on only two rate cases in the last 5 years, he said.

Do you think those are justified criticisms?

Mr. BAILAR. No; I would like to comment on them briefly, if I may.

First of all, as far as the postal salaries are concerned, we have adjusted a number of executive-level salaries in the Postal Service in the last few months as a result of the change in the Federal executive salary scale, and we now have, I think—if I am not mistaken—Mr. Chairman, eight people paid above supergrade level. The rest of the people in the Postal Service are paid at supergrade, \$47,500 and less.

As far as the offices are concerned, we moved into a new building in 1973 because we thought it would be considerably cheaper to operate than the former building which we were in.

The General Accounting Office was asked to review that decision and did so, and concluded that the savings that we had estimated would in fact be realized.

There is a good deal of attention about the office that was built for the use of the Postmaster General. It is a nice office. There is no question about that, and it is considerably more modest than the one that was vacated in the old building.

As far as the Board of Governors is concerned, I would mention to you that the Board meets regularly. They stay informed on the Postal Service, and the present law under which they operate clearly intended that it be a part-time group.

That is, they are limited—the pay structure, which is set up for the governors—is limited to 30 days a year. I think from that provision of law, it is pretty clear that nobody who was involved in the writing of that law intended that the Board would be full time, really deeply involved on a day-to-day basis.

As far as the Postal Rate Commission is concerned, I don't have any strong feelings about the institutional structure, if you will, of the Rate Commission.

I do feel we need to have an independent group involved with postal rates, whether it is a group in the administration or part of the Congress or part of the Postal Service, or what we have now.

It clearly has to be a group of specialists who are dealing with these problems on an independent basis on an almost continual basis, because of so many of the classification issues as well as rates and some of the appeals that have to take place.

The statement about the delay in the Postal Rate Commission, I think, was true at one point, but the most recent rate case, which is the third one, was processed in less than 10 months.

It was the result of a great deal of hard work on the part of the members of the Rate Commission and I think probably a reflection on their part that they recognized that some of the things that had gone on earlier should not be tolerated.

Their practice on the last rate case was certainly commendable.

Senator GLENN. The President proposed at one time making the Postmaster General a political appointee. Are you for that, or against it?

Mr. BAILAR. I am opposed to that. I think as a practical matter the old post office department was the political trading block of the Federal Government.

There were a series, endless series of compromises that were made because the Postal Service was the place where the political accommodations all got made.

I was not in the Postal Service at that time, and I have to give you that from hearsay, but I have some associates here who had personal experience with that if you would like to hear from them.

I think it is interesting that in the period from 1900 to 1968, 10 of the 20 Postmasters General who served at that time had been their party's political chief prior to assuming the Postmaster Generalship.

One of those was the man who told President Johnson that the Postal Service was in a race with catastrophe, and recommended a thorough review, and recommended changes to make it into an independent, nonpolitical agency.

The Commission which reviewed the situation that Larry O'Brien had brought to President Johnson's attention. They found out that 80 percent of postal employees were leaving the Postal Service in the grade at which they entered, whether they were quitting or retiring or whatever.

That is a stifling environment. It is hard to imagine people feeling that there was much of an opportunity for promotion, that there was much reward for doing their job well.

We changed that process, and in the last 20 months—well, 27 months—that I have been Postmaster General, every single appointment or promotion within the officer ranks of the Postal Service has been made to an employee who has previously been in the Postal Service.

I think that is what the law intended. I think it bodes well for the future of the Postal Service, and I think it has contributed to the process we have made in the last couple of years in terms of controlling our cost.

Senator GLENN. Back to the 5-day proposal. Congress has a very large interest in this, as you are very well aware. It is politically very sensitive, of course, since services would be curtailed all across the country. You are planning to ask the Postal Rate Commission for an advisory opinion on this.

Would it be your present plan to put that into effect, whatever their recommendation, or whatever you worked out with them, before any possible congressional action in this area?

Mr. BAILAR. Well, let me say, first off, that we have not decided that we should ask them for their opinion on it. We expect that will be done, that a decision will be made on that in the next month or two, with the opportunity for the Postal Rate Commission to hold hearings and pursue this over a period of time, and our conscious decision not to take action until after Christmas of this year, I think that would be generous time for the Congress to take any action they felt should be taken in this area.

If we concluded we should move some time in 1978, I would go ahead at that time, yes, Mr. Chairman.

Senator GLENN. The Postal Reorganization Act of 1970 has been termed by some as being a schizophrenic law. The first part of the law puts heavy emphasis on the postal system's obligation to provide service, and then it prescribes a business-like operation not always consistent with public service.

Where does the answer lie, and how do you make those determinations?

Mr. BAILAR. We try to make them on the basis of serving the public well, recognizing that we are dealing with a population of 220 million people who do not all have the same perceptions of the services they want.

I recall being interviewed by a freelance writer from Fortune Magazine. He spent his summers in London and worked out of a townhouse in New York during the winter.

He wanted service several times a day and was willing and able to pay for it. That is not the typical member of the public that we serve.

We have a number of factors to consider.

I think it forces us to make these decisions and keeps us from going and hiding from them behind subsidies or whatever you will.

I think that while the matter of 5- and 6-day delivery is clearly a question that has a lot of the public and a number of people in the press concerned, and properly so, it is important to recognize that the Postal Study Commission hired the A. C. Neilsen Co. to make a market survey, and determine what public reaction was to the matter of 6-day and 5-day delivery.

The results of that study were that the public would generally be willing to accept a less frequent delivery if it would contribute to holding down postal costs.

Since that study has come out, some of the Commission members have attacked it and have said that it was a loaded question, but they don't mention that the entire questionnaire was reviewed by all members of the Commission before it was put into use, and I think it is fair to say that their reservations about the questionnaire were after the fact, only after they found out what the results of the questionnaire were.

Senator GLENN. You have indicated that we have to make some very basic decisions as to what the nature of the service is going to be, how technological we are going to be, whether we are going to use new technology in communications in the Postal Service, or let that means of communication go by private services.

I agree that those are very basic decisions that have to be made.

The Postal Service has a presence in even the smallest of American communities and a delivery capability of reaching into every home and business in the country? With that as one of its biggest assets, isn't it quite possible that if we cut back services we will limit the application of technology in making it universal to every home and business in this country? Perhaps we are getting the cart before the horse in this decisionmaking process?

Is there a possibility we should be making the technical decisions first, because it may be based on how many outlets we have across the country?

Mr. BAILAR. I don't think that is a problem with the type of outlets that I believe we are referring to, Senator.

The small post offices are redundant services, if you will. That is, we don't have any intention of cutting off the Postal Service to 10 percent of the American people. The problem is that we are serving rural America through redundant systems now, and we have letter carriers covering virtually every road in the country, who sell stamps, and accept packages, and so forth.

We have the post office. It is our contention that we don't need both.

If we were to go into some kind of an electronic system, it would be hard for me to imagine that that system would get into that many post offices and that the types of rural offices that we are discussing would have that service.

So, I don't see the possible closing of those offices as compromising our ability to provide an electronic service.

Many of these rural offices, Senator, serve a handful of families. They are open only a few hours a day. There is one of my colleagues who has described them as the place where the wagon wheel fell off, and I think it is fair to state that those offices would not have electronic services in any electronic network that I can conceive.

They are extremely small, and those offices that would be included in the electronic network are clearly not subject to this.

Senator GLENN. I feel that having all these outlets might be the biggest asset the Postal Service has. They could enable the Postal Service to move into the area of incorporating modern communications technology. If you lost those outlets, some of that advantage might disappear.

I gather from your previous statement, that you feel the actual delivery system could come from different points rather than from smaller local post offices. Is that correct?

Mr. BAILAR. Yes. I think the network of post offices which would be continued would include all those places which might have any involvement in electronic systems, so that the supplying of the service to the individual citizen would be through the network of either city letter carriers or rural letter carriers, and in those cases we have every intention of maintaining that contact with every citizen.

Senator GLENN. You were quoted in the Wall Street Journal earlier this month to the effect that potential savings from a 5-day-per-week delivery are estimated at \$412 million, but that these savings would not be fully realized for 3 years.

Why would it be that long?

Mr. BAILAR. Well, I think that any change of the nature that we are talking about, which would involve many people and many routes and a lot of readjustment would take a long time to consummate.

The largest single item that comes to my mind is that for some of those substitutes that we now are using and who would not be working for the Postal Service afterward, we would have some unemployment compensation payments that would be netted off against our savings for a period of time.

Senator GLENN. Do you think these estimates are fairly accurate?

A GAO study indicated the closing of some 12,000 post offices would result in a savings of \$100 million a year without any loss of service.

The Postal Service, I understand, has an internal study, which suggests that closing 17,000 post offices, that is 57 percent of all post offices, would produce an annual savings of \$490 million.

Whose figures are we to believe?

Mr. BAILAR. Let me separate this into two things. First, the change from 6-day to 5-day delivery. The number that has been used there has been carefully worked out and well refined, and I think that is a pretty accurate number.

As far as the small offices are concerned, frankly, we don't know precisely what the number would be, and I think it is because of that reason principally that I was telling you a few minutes ago we would be going slowly and that nothing precipitous is in the offing.

The General Accounting Office estimate was very much a round-house number. They estimated three-quarters of all fourth-class offices would be closed, and one-quarter to one-half of all third-class offices.

They took it on that basis and put an average number of all of the offices and multiplied it out.

The post office number has been based on a review of three centers: one very rural, one metropolitan, and one in between.

Those three centers, if extended to a nationwide basis, would give us a substantially higher figure, but we don't know the three centers we reviewed are typical.

We have about 360 sectional centers in the country, and I am not prepared to tell you that the savings based on 3 are accurate.

So, any decision to move into post office closings in the interests of saving a lot of money would be made on an individual basis.

Each office would be reviewed as to whether the service could be maintained or improved, and whether the savings would be worthwhile. If we couldn't do that on an individual basis, we wouldn't close the office.

Senator GLENN. The amount of money that will be saved makes a big difference to Congress. If you close 12,000 offices, you save 1 figure, and if you close more you'll save 4 times as much. That is quite a discrepancy.

I realize these are GAO studies, but there are mammoth differences in the figures.

Mr. BAILAR. One thing to recognize is that some of the costs have gone up since the GAO study was done. When the Postal Service study was made, it assumed the larger offices would be closed.

I tried to make it clear over the last year that we would not close any offices without an individual study of that office.

We have not done so and don't intend to start.

Senator GLENN. In cost allocations, the Commission recommended, for the purpose of fixing postal rates, that attributable costs be limited to 60 percent of the total costs.

This means that substantial noncost criteria can be used in order that first-class users may be required to pay much more than the costs relating to that class.

Is this equitable to your view? What do you think should be done?

Mr. BAILAR. I feel very strongly that considerations other than costs ought to be considered. It is written into the Postal Reorganization Act that way, and I think properly so.

The Postal Service and, in my judgment, the Postal Rate Commission have tried to honor that what is to me a very clear expression of intent on the part of the Congress and the administration that passed in that legislation.

The Commission's recommendations come about in part because of a legal problem; that is, the most recent two rate cases have been challenged in Federal court, and so far we are being required by the court to go to a much larger degree on costs than the Postal Service and the Rate Commission have heretofore felt we should.

We are appealing that, but we don't know, obviously, what the ultimate result of it is going to be.

I don't know whether the 60 percent in the law is the right way to do it.

I do feel very strongly that there are issues other than cost that ought to enter into it, and if it is necessary—if we can't prevail in this court case, then it is going to be necessary to clarify the legislation in some way.

Senator GLENN. To my knowledge, the Commission on Postal Service did not consider specific labor matters.

The conference report that set up the study said, and I quote—

The conferees agreed that the Commission should not study areas relating to matters covered under chapter 12 of title 39, United States Code—

which was the right of the postal workers to organize and bargain collectively. I don't know that anyone wants to disturb that.

I certainly don't want to disturb that. It seems, however, that the Commission consciously chose not to deal in an area of cost that com-

prises some 86 percent of the Postal Service budget. That is a big area that probably should have been discussed and was not.

Because it is a labor-intensive business and because labor encompasses some 86 percent of the total budget of the Postal Service, what are your comments on this?

Mr. BAILAR. To my knowledge, other than some isolated comments on the part of a couple of members' concerns about how much labor was costing us, there was no real discussion of the labor costs in the Postal Service at all during that meeting.

Senator GLENN. How can you run a business and not have a major study cover 86 percent of the costs? That is what I am saying. I am not trying—and I repeat so there will be no misunderstanding—I am not talking about the right to bargain collectively. We are studying the future and what the wage rates would be if we moved into different technologies and what this would do with the number of people and training of people. All these options are so tied up in the type of labor and the wage scales that would be used that I don't see how we could consider them while completely ignoring the work source factor.

Mr. BAILAR. They did look at the question of productivity, Mr. Chairman, and at how many employees would be needed under different sets of circumstances. Other than that, I think I would have to defer to the Commission, or to the Chairman of the Commission, as to precisely what they did and did not work on and why.

I would certainly agree with your comments about the importance of labor and the costs thereof and how much you need, and what types, and as Postmaster General it is a matter of interest to me, and one of the relatively small numbers of postal executives who reports directly to me is the man in charge of employee and labor relations, because it is so important that I feel it needs my personal attention.

Senator GLENN. You were an ex officio member of the Commission?

Mr. BAILAR. Yes, sir.

Senator GLENN. I understand the question of whether to consider work force issues was never even brought up and seriously discussed. Is that correct?

Mr. BAILAR. Yes.

Senator GLENN. We are glad to have Senator Ribicoff, who is chairman of the Governmental Affairs Committee, here with us this morning.

Senator RIBICOFF. Thank you, Mr. Chairman.

You know, this committee never asked for jurisdiction over the Postal Service, but we have got it, and I feel a responsibility on our part to do something with it.

Now, maybe it is just as well that this committee comes to these issues with a fresh and open mind, relieved of the pressures of the past and the feeling that that is our constituency, and come hell or high water we are going to protect it, right or wrong.

I don't personally feel that way. My feeling is that the Postal Service is a mess, and we have an obligation to do something about it if we can.

Now, I know the decisions are going to be hard to make politically; but, the Postal Service is so important that somebody should start getting ready to make some hard political decisions.

Now, I have only a couple of questions. Mr. Chairman, I wonder if Mr. Du Pont can come up here?

He might answer these questions as well as Mr. Bailar.

Senator GLENN. Mr. Du Pont, will you join us at the table?

He has not given his statement yet.

Senator RIBICOFF. I know that, but I wanted to come. Although I have appointments at the office. I would like to get in a few questions.

Now, the Commission on Postal Service recommended that we go to a 5-day-delivery week instead of a 6-day-delivery week.

How much money would be saved if we went to a 5-day week as against 6 days?

Mr. BAILAR. We have estimated on an annual basis after the program is fully implemented \$412 million a year.

Senator RIBICOFF. Can this be done unilaterally, or do we need legislative authority to go to a 5-day-delivery week?

Mr. BAILAR. No, it cannot be done unilaterally, but it can be done within the existing legislation.

The Postal Service would have to determine whether they thought such a change was a proper move. They would have to request advisory opinion from the Postal Rate Commission, which would then have hearings and develop the information that they thought was appropriate to that question, render their opinion to the Postal Service, and then the Board of Governors of the Postal Service would have to act on it.

Senator RIBICOFF. But you could do it without getting specific legislative permission to do it, in the present structure?

Mr. BAILAR. That is right.

Senator RIBICOFF. Why do we need 6-day delivery in the United States?

I think of the mail I get on the sixth day, bills, third-class mail, flyers, advertisements. That could wait until Monday morning, could it not?

Mr. BAILAR. Yes, sir, I think it could. I made it clear on a number of occasions that the Postal Service can provide any level of service the American people want, need and are willing to pay for.

I think the only way the Postal Service can be a viable business or political mechanism is to act in the public interest, and if the public wants the 6-day-a-week service badly enough to pay for it, then I think we ought to provide it for them.

The market survey that the Study Commission had done suggested that the public-at-large was willing to do away with 5-day-a-week delivery in the interests of holding down postal costs.

Senator RIBICOFF. Will you supply a copy of that survey for this record?

Mr. BAILAR. Yes, sir. I will be happy to.

[The information requested and subsequently supplied follows:]

A NATIONWIDE SURVEY OF THE
GENERAL PUBLIC
Covering the
UNITED STATES POSTAL SERVICE

Conducted for
COMMISSION ON POSTAL SERVICE

by
Custom Research Service
A. C. Nielsen Company
January, 1977

"The views and conclusions contained in this document are those of the author and should not be interpreted as necessarily representing the official views, either expressed or implied, of the Commission on Postal Service."

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CM002

A NATIONWIDE SURVEY OF THE GENERAL PUBLIC COVERING THE
UNITED STATES POSTAL SERVICE.

BACKGROUND AND PURPOSE

The Commission on Postal Service was established under Public Law 94-421, 94th Congress, H.R. 8603, dated September 24, 1976. The Commission has been charged with the responsibility of identifying and studying the problems facing the United States Postal Service and to recommend actions to be taken to resolve those problems.

As a component part of this overall responsibility, the Commission desired to conduct a survey among the general public, using scientifically-designed sampling techniques to obtain coverage of a cross section of the United States citizenry. The purpose of this survey was to obtain the views of the public as they relate to the current service being provided by the United States Postal Service as well as to changes or new innovations in various facets of the service that are being contemplated for the future.

RESEARCH OBJECTIVES

The primary objectives of this survey were to study the following key issues:

1. To determine the current type of postal service being offered, to obtain reactions to current postal services, and to ascertain the importance

of the service to the public sector as well as the degree of satisfaction with the current service.

2. To investigate the effects, if any, upon the public if certain postal services were to be scaled back from the current service offered.
3. To deal with concerns related to current postal rates.
4. To obtain reactions to suggestions for dealing with modifications or changes in the postal rates.
5. To determine the extent of the use of sending income/payroll checks directly to a personal checking or savings account, and to measure the incidence of automatic deductions/payments made directly to creditors from a personal checking or savings account, in order to obtain an indirect evaluation of the public's reactions to the concept of the electronic transfer of mail.
6. To probe, among postal patrons living in rural areas and small towns with populations under 5,000 individuals, the incidence of changes in local post office or mail services

in the past two years, along with reactions to any change(s) that have been made. Furthermore, among this select group of customers where changes have not taken place, to explore their willingness to have the local post office closed provided this action would not adversely alter their present level of service.

7. To examine, among business owners/operators, the effect of five-day delivery on their business enterprise and the willingness of these entrepreneurs to pick up mail (as opposed to being delivered) at a post office in order to help keep postal costs down.

RESEARCH PROCEDURES

The research methodology involved the telephone interviewing data collection technique from a centralized WATS facility. This type of data collection provides the advantage of being able to coordinate and combine the quality of the interviewing from a single location, through the monitoring of a random selection of interviews. This quality control also removes the need for costly and time-consuming, follow-up validation studies. Questionnaires were put through an initial editing check immediately after each completed interview. A second editing check was conducted following coding and keypunch, and a third edit was made prior to tabulation.

A two-callback system was used for purposes of this survey, in order to reduce any possible bias that might occur from qualified respondents being not-at-home when the initial phone call was attempted. In using this procedure an individual's home may have been telephoned a total of three times before that household was abandoned in favor of an alternate. Calls to a given household were scheduled over different days, and/or day parts. To insure that a high proportion of unlisted and newly listed telephones were represented, the sample was designed using a modified random-digit dial process to select the households to be interviewed. The random numbers were generated by a computer. Seventeen percent of the survey respondents claimed to have an unlisted telephone number, and this percentage compares with a national, unlisted incident level of about 20% based upon other sources of information available to the A. C. Nielsen Company.

The scope of the survey covered the Continental United States. In total, 3,003 interviews were completed with qualified households, using a random selection plan to select the proper respondent within each household. This sampling approach provided for weighting procedures, which are discussed in detail in the Technical Appendix section of this report.

A copy of the survey questionnaire is also included in the Technical Appendix. This document was developed in a joint effort between the Commission on Postal Service and Nielsen personnel.

SUMMARY OF MAJOR FINDINGS

Most of the postal customers being served in the public sector by the United States Postal Service usually visit the post office to purchase stamps and to mail packages and letters. This behavior is to be expected because it satisfies basic needs related to using the services provided by the postal operation. One of the most important customer benefits is the use of the postal service as a vehicle for paying bills and for other personal business affairs (mailing of bank deposits and mail orders). While personal correspondence such as letters and greeting cards are important items sent through the mails, the relative importance of this type of mail is substantially below that attributed to those pieces of mail which are business-oriented in nature.

This business-to-personal mail relationship is due in part to the ever-presence of the telephone as a means of keeping in contact with relatives and good friends who live out-of-town. For example, for every adult who claims to use the postal service most often to maintain contact with out-of-town close acquaintances, there are 1.6 times as many adults who usually use the telephone for this purpose.

While the telephone companies represent a major source of competition in the area of personal communications, the postal service is clearly the major supplier generally being used by residential customers for sending packages. Seven out of

every 10 members of the adult population currently take advantage of this benefit offered by the postal service.

Overall, the postal service is perceived as being of vital importance to the public in their respective roles as senders and receivers of mail. Dependability of delivery (that is, not as fast as possible, but being delivered within a specific number of days) is the most important feature of service that the public wants to have maintained, both in the handling of personal business as well as non-business (personal correspondence) mail. While it is significant that somewhat over one-half of the adults had no major complaints about the postal service, those persons who did register a grievance mentioned most often that mail delivery was too slow. Everything considered, the public has a "somewhat favorable" opinion of the postal service at the present time.

Several trade-off proposals were discussed concerning postal service changes that might be initiated to help hold down postage rate increases.

1. On the issue of the reduction of weekly mail delivery, there is an overwhelming willingness to accept 5-day instead of 6-day delivery, with a majority suggesting that Saturday be the one day removed from the current schedule of delivery service. Anything less than 5-day delivery each week is generally not acceptable.

2. Reacting to a second proposal to slow delivery service by extending by one day the length of time it takes a letter to reach a particular destination, there were somewhat over one-half of the respondents who expressed a willingness to go along with this contemplated action as a means to help keep postage rates down.
3. About one out of every three adults are in favor of increasing the annual funding provided to the postal service by Congress, in order to keep postage rates as low as possible.
4. At the same time, however, on the proviso that if the current Congressional subsidy is unchanged in the years ahead and if it is assumed that postal rates may double by 1985 from their present levels, there are also about one out of every three persons who favor increasing only postage rates in order to keep pace with the future postal service costs anticipated for the mid-1980's. It should be noted this proposition also assumes that current delivery and service would remain unchanged in 1985.

Reactions to the above trade-offs reflect a wide diversity of opinion as to how the public feels about which is the best method to pay for future postal costs. To place the importance

of various methods into better perspective, the three major issues of increased postage, reduction in delivery and service and a higher Congressional subsidy were presented in a paired-comparison approach. Each factor was matched individually against the two remaining issues for a total of three separate pairings. By summing the preference answers from each set of the three pairings, the relative weighted importance reveal that 35% favor reductions in delivery and service, 26% prefer a higher subsidy, 21% are for increased postage and 18% of the responses fell into the "no preference" or "don't know" categories.

An indirect questioning approach was used to get the public reaction to the concept of electronic transfer of mail, since the survey pre-test uncovered the fact that most people were not familiar with the issue when faced with answering a direct question on the subject. Specifically, this issue, involving automatic transfer of monetary funds, can represent a future potential threat to the postal service because positive public acceptance of such procedures would result in a considerable loss of mail volume. Obviously, public reaction to this concept is important because residential postal customers view personal business mail as the most important item they send through postal channels, as noted earlier herein. Current survey findings indicate there is a reasonably high degree of resistance to changing to automated debit payments from personal checking and savings accounts, since a substantial number of persons prefer to have more time to pay their

creditors or perhaps they want to take advantage of the float time associated with covering checks that are written to creditors. This being the case, it will probably take several years before a large majority of the public is willing to accept the concept referred to as electronic transfer of mail.

Finally, selected questions were directed to special segments of the adult population.

1. One set was asked of postal patrons living in small towns and rural areas regarding the extent of changes that may have been made in local post office and mail services during the past two years, and the degree of satisfaction with these changes. Then, among this special sub-sample, if there were not any changes noted in the past two years, a proposal was offered regarding their willingness to have the local post office closed permanently if it would help keep postage rates down and not have any major impact on postal service as it is currently being offered. There were about 14% of this sub-sample who stated a change had taken place, and about 60% of these persons felt the changes were of a favorable nature. Among the remaining 87% of this special sub-sample, only one out of every five were willing to go along with

x

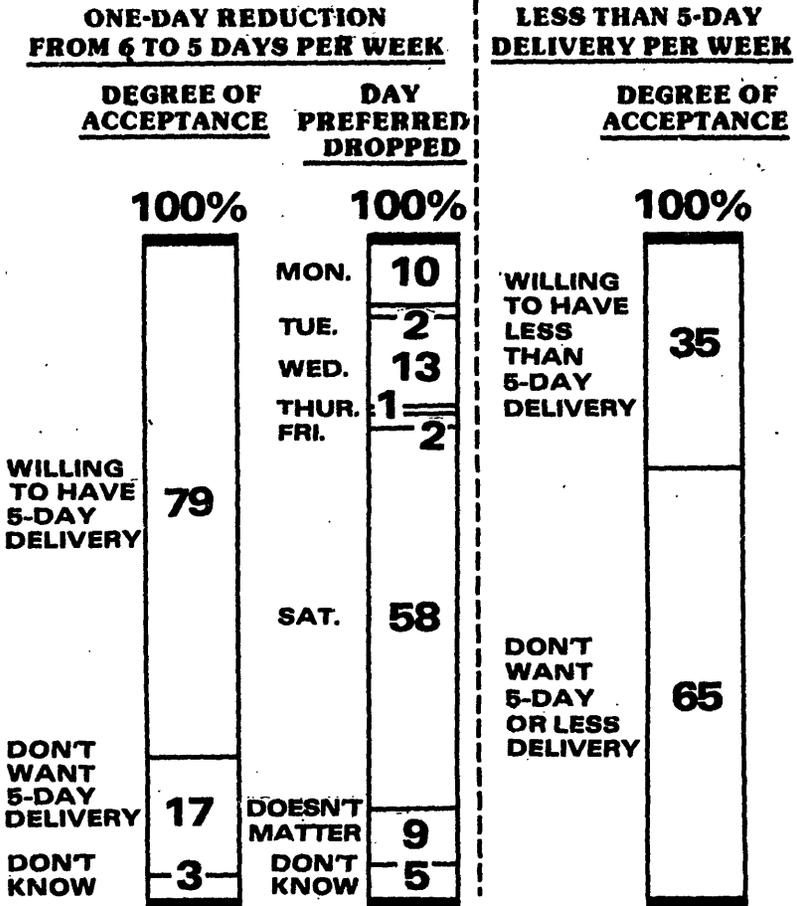
the proposition of closing the local post office to offset rising postal service costs.

2. The second special interest group involved business owners/operators and their reactions to two proposed changes in postal service that might affect their business operations. The first proposal -- eliminating Saturday delivery service -- was readily accepted as this change would not seriously inconvenience their business activities. The second suggested change dealt with their willingness to pick up business mail at the post office, as opposed to currently having the mail delivered, providing such action would help keep postal costs down. Reactions to this change of service was divided equally as to acceptability.

The above comments represent the major findings that have evolved from the survey. Additional highlights and greater detail, including exhibits, are provided in the Analysis of Findings section of the report.

EXHIBIT 15

REACTIONS TO REDUCTIONS IN
MAIL DELIVERY SERVICE



COMMISSION ON POSTAL SERVICE (WEIGHTED TABLES)

TABLE 22
WILLINGNESS TO HAVE 5 DAY DELIVERY INSTEAD OF
6 DAYS TO HOLD POSTAGE RATES DOWN (0.22)

	FAMILY SIZE					AGES OF MALES				AGES OF FEMALES				TOTAL ANNUAL HOUSEHOLD INCOME						
	TOTAL	1	2	3	4	5 OR MORE	TOTAL	18-34	35-54	55 & OVER	TOTAL	18-34	35-54	55 & OVER	UNDER \$5 M	\$5 M TO 9999	\$10 M TO 14999	\$15 M TO 19999	\$20 M TO 24999	\$25 M OR MORE
															100%	100%	100%	100%	100%	100%
TOTAL	6202	2416	2455	1331	2936	1209	953	774	3266	1263	1017	986	572	1227	1121	1129	607	820		
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
	100%	39%	40%	21%	47%	19%	19%	12%	53%	20%	16%	16%	9%	20%	18%	18%	10%	10%		
WILLING TO HAVE 5 DAYS	4926	1837	1997	1092	2367	992	783	591	2599	1032	822	705	416	979	937	939	486	670		
	100%	76%	81%	82%	81%	82%	82%	76%	78%	82%	81%	72%	73%	80%	84%	83%	80%	82%		
	100%	37%	41%	22%	48%	20%	16%	12%	52%	21%	17%	14%	8%	20%	19%	19%	10%	14%		
DON'T WANT 5 DAY DELIVERY	1062	461	385	217	499	206	141	151	564	199	156	118	118	202	163	168	102	137		
	17%	19%	16%	16%	17%	17%	15%	20%	17%	16%	15%	21%	21%	16%	15%	18%	17%	17%		
	100%	43%	36%	20%	47%	19%	13%	14%	53%	19%	15%	20%	11%	19%	15%	16%	10%	13%		
DON'T KNOW	214	117	74	22	70	10	29	32	143	33	40	71	45	46	21	22	20	14		
	3%	5%	3%	2%	2%	1%	3%	4%	4%	3%	4%	7%	7%	4%	2%	3%	3%	3%		
	100%	55%	35%	10%	33%	5%	14%	15%	67%	15%	19%	33%	18%	21%	16%	16%	9%	9%		

COMMISSION ON POSTAL SERVICE (WEIGHTED TABLES)

TABLE 22
WILLINGNESS TO HAVE 5 DAY DELIVERY INSTEAD OF
6 DAYS TO HOLD POSTAGE RATES DOWN (C.22)

	PLACE OF RESIDENCE											IMPORTANCE OF POSTAL SERVICE TO RESPONDENT						
	SMALL TOWN											AS A SENDER OF MAIL			AS A RECEIVER OF MAIL			
	TOTAL	CITY	SUP- AND OVER		RURAL	DOOR DELI	TYPE OF MAIL DELIVERY				RUP	VERY IMPT.	FAIR -LY IMPT.	NOT IMPT.	VERY IMPT.	FAIR -LY IMPT.	NOT IMPT.	
			URB	UNDEP			5000	ARFA	APT. BOX	CURB /ST.								CLUS -TER BOX
TOTAL	6202	2332	1481	727	774	887	2870	629	1355	85	407	824	4745	1172	215	4921	1081	157
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
WILLING TO HAVE 5 DAYS	4926	1848	1200	565	623	690	2265	406	1095	74	323	648	3698	1016	164	3825	937	129
	79%	79%	81%	78%	80%	78%	79%	79%	81%	87%	79%	79%	78%	87%	76%	78%	87%	82%
	100%	38%	24%	12%	12%	14%	46%	10%	22%	1%	7%	13%	77%	19%	3%	79%	17%	3%
DON'T WANT 5 DAY DELIVERY	1062	396	229	137	133	159	509	115	218	10	60	144	886	133	35	920	109	24
	17%	17%	14%	19%	17%	18%	18%	18%	16%	1%	1%	17%	19%	11%	1%	19%	10%	15%
	100%	37%	23%	13%	13%	15%	46%	11%	21%	1%	6%	14%	83%	13%	7%	88%	10%	2%
DON'T KNOW	214	89	42	25	19	39	96	18	42	1	24	32	161	23	15	166	36	5
	3%	4%	3%	3%	2%	4%	3%	3%	3%	0%	6%	4%	3%	2%	7%	3%	3%	3%
	100%	42%	20%	12%	9%	16%	45%	8%	20%	1%	11%	15%	7%	11%	7%	78%	17%	2%

* LESS THAN 0.5 PERCENT

COMMISSION ON POSTAL SERVICE (WEIGHTED TABLES)

TABLE 22A
DAY PREFERRED TO BE DROPPED (O.22A)

	FAMILY SIZE					AGES OF MALES				AGES OF FEMALES				TOTAL ANNUAL HOUSEHOLD INCOME				
	TOTAL	1 - 2	3 - 4	5 OR MORE	TOTAL	18-34	35-54	55 & OVER	TOTAL	18-34	35-54	55 & OVER	UNDER \$5 M	\$5 TO \$9999	\$10 TO \$14999	\$15 TO \$19999	\$20 TO \$24999	\$25 OR MORE
														\$9999	\$14999	\$19999	\$24999	MORE
TOTAL	6202 100%	2416 100%	2455 100%	1331 100%	2936 100%	1209 100%	953 100%	774 100%	3266 100%	1263 100%	1017 100%	986 100%	572 100%	1227 100%	1121 100%	1129 100%	607 100%	820 100%
MONDAY	611 100%	191 100%	272 100%	148 100%	304 100%	167 100%	75 100%	63 100%	307 100%	164 100%	75 100%	67 100%	54 100%	140 100%	101 100%	113 100%	56 100%	84 100%
TUESDAY	110 100%	42 100%	52 100%	16 100%	48 100%	25 100%	18 100%	5 100%	61 100%	32 100%	16 100%	14 100%	3 100%	17 100%	23 100%	15 100%	20 100%	20 100%
WEDNESDAY	820 100%	296 100%	335 100%	188 100%	372 100%	199 100%	101 100%	72 100%	448 100%	181 100%	161 100%	106 100%	55 100%	159 100%	135 100%	195 100%	85 100%	133 100%
THURSDAY	46 100%	10 100%	13 100%	14 100%	24 100%	8 100%	6 100%	10 100%	22 100%	14 100%	3 100%	5 100%	3 100%	3 100%	10 100%	9 100%	3 100%	3 100%
FRIDAY	99 100%	32 100%	29 100%	38 100%	44 100%	15 100%	14 100%	15 100%	55 100%	21 100%	19 100%	15 100%	10 100%	23 100%	14 100%	15 100%	7 100%	15 100%
SATURDAY	3620 100%	1412 100%	1448 100%	760 100%	1711 100%	688 100%	576 100%	447 100%	1909 100%	721 100%	645 100%	544 100%	322 100%	704 100%	716 100%	652 100%	367 100%	488 100%
WOULDN'T MATTER	575 100%	285 100%	206 100%	85 100%	305 100%	78 100%	110 100%	118 100%	270 100%	80 100%	56 100%	134 100%	77 100%	117 100%	70 100%	90 100%	55 100%	63 100%
DON'T KNOW	321 100%	139 100%	100 100%	82 100%	128 100%	29 100%	54 100%	44 100%	193 100%	50 100%	42 100%	101 100%	47 100%	64 100%	47 100%	39 100%	21 100%	14 100%

* LESS THAN 0.5 PERCENT

COMMISSION ON POSTAL SERVICE (WEIGHTED TABLES)

TABLE 22A
DAY PREFERRED TO BE OCCUPIED (0.22A)

	PLACE OF RESIDENCE											IMPORTANCE OF POSTAL SERVICE TO RESPONDENT						
	TOTAL	SMALL TOWN					TYPE OF MAIL DELIVERY					AS A SENDER OF MAIL			AS A RECEIVER OF MAIL			
		CITY	"000 AND UNDER		OVER 5000	RURAL AREA	RURAL DELI-VERY	APT. BOX	CURB /ST.	CLUS-TER BOX	P.O. BOX	RUR-AL	VERY IMPT.	FAIR-LY IMPT.	NOT IMPT.	VERY IMPT.	FAIR-LY IMPT.	NOT IMPT.
			100%	100%														
TOTAL	6202 100%	2332 100%	1481 100%	727 100%	775 100%	887 100%	2970 100%	629 100%	1355 100%	85 100%	407 100%	824 100%	4745 100%	1172 100%	215 100%	4921 100%	1081 100%	157 100%
MONDAY	611 100%	225 100%	150 100%	78 100%	65 100%	92 100%	297 100%	79 100%	114 100%	13 100%	25 100%	80 100%	468 100%	133 100%	8 100%	493 100%	119 100%	9 100%
TUESDAY	110 100%	31 100%	22 100%	17 100%	11 100%	18 100%	56 100%	15 100%	17 100%		8 100%	14 100%	79 100%	21 100%	7 100%	95 100%	12 100%	2 100%
WEDNESDAY	820 100%	296 100%	219 100%	99 100%	96 100%	110 100%	399 100%	60 100%	178 100%	14 100%	48 100%	110 100%	628 100%	181 100%	10 100%	653 100%	151 100%	13 100%
THURSDAY	46 100%	29 100%	12 100%	7 100%	3 100%		23 100%	8 100%	10 100%		2 100%	3 100%	33 100%	6 100%	6 100%	37 100%	3 100%	6 100%
FRIDAY	99 100%	38 100%	30 100%	13 100%	5 100%	13 100%	57 100%	7 100%	15 100%		2 100%	18 100%	85 100%	11 100%		75 100%	14 100%	6 100%
SATURDAY	3620 100%	1362 100%	872 100%	390 100%	492 100%	503 100%	1639 100%	373 100%	847 100%	41 100%	243 100%	453 100%	2794 100%	674 100%	108 100%	2886 100%	629 100%	87 100%
WOULDN'T MATTER	575 100%	205 100%	111 100%	91 100%	65 100%	104 100%	256 100%	36 100%	113 100%	12 100%	53 100%	104 100%	402 100%	116 100%	45 100%	425 100%	113 100%	24 100%
DON'T KNOW	321 100%	146 100%	54 100%	37 100%	37 100%	48 100%	143 100%	42 100%	62 100%	3 100%	27 100%	42 100%	257 100%	30 100%	30 100%	267 100%	40 100%	11 100%

* LESS THAN 0.5 PERCENT

Senator RIBICOFF. Are most business firms and industrialized firms closed on Saturday?

Mr. BAILAR. Yes; they are.

Senator RIBICOFF. So, it isn't a question of your interfering with the business of this country, because to my knowledge most offices and business firms outside of retail stores are closed on Saturdays.

Mr. BAILAR. Yes; that is correct.

Senator RIBICOFF. So, it is a question of luxury without a basic need, that the country can get along without Saturday delivery but it is currently costing us \$400 million a year.

Mr. BAILAR. I would make one other comment, Senator, if I might.

Clearly, if the Postal Service moved to eliminate delivery on the sixth day, that would carry with it an obligation to make sure that the window services were not reduced.

That is, that people could get into the post offices to pick up packages, or buy stamps, or whatever. We recognize that that kind of an offset would be necessary.

Senator RIBICOFF. That is practical, and that has meaning and makes sense, but it is a question of keeping up old forms because it has been done that way for 100 years.

That doesn't mean we should continue to do so.

Let me ask you this: Are there countries in the world in which the postal service is considered excellent or good in comparison with that of the United States?

What countries have outstanding postal services?

Mr. BAILAR. Well, Mr. Chairman, I am not sure that I am the proper person to ask for an objective point of view on that.

I can tell you that the U.S. Postal Service covers a much greater geographic area than almost any postal administration in the world.

We have fairly good service on a consistent basis. We have the cheapest postal rates of any industrialized country in the world, with the exception of Canada, which receives a much larger subsidy than we do.

I have read a number of things about postal administrations around the world, and I have also tried to stay abreast of the nonpostal current events in this country, and it seems to me that the problems facing the Postal Service are very much similar to the problems facing public managers in any area, whether you are talking about a fire chief who wants to close down a firehouse, and the people in the local communities say, "Well, that firehouse is 2 minutes closer to our home," or whether you are talking about libraries that don't open on a given day or a given number of hours, or about schools that don't open for extracurricular activities because of the cost.

The Postal Service is not unique. I can find parallel after parallel, and I think, considering the difficulties that are facing public administrators today, the Postal Service was in remarkably good shape.

Two years ago, the Postal Service was losing \$1 billion a year. We have taken action to reduce our costs, and they have not been popular, but we have made money in the last year.

You can't find the Postal Service in the pile of papers saying it is going into bankruptcy. You can still find New York City there, I am sorry to say.

Senator RIBICOFF. Why don't you continue doing the unpopular things?

Mr. BAILAR. I have every intention of doing that as long as I am in office.

Senator RIBICOFF. Let them squawk. You have 500 men in this Congress who go home every week and make speeches about how high costs are and how bad services are.

When you try to save costs, they are the first ones that start hollering. I think we have an obligation, if we are going to holler, that we know what we are talking about.

Now, do you want to say anything, Mr. DuPont, about this problem of how we can save legitimately \$400 million a year by going to a 5-day week instead of a 6-day week?

Mr. DUPONT. If I may, Mr. Chairman, reflecting back on 1969 and 1970, when postal reorganization was being drafted as far as the Postal Rate Commission is concerned, at that time the Congress said:

OK, we are going to put a new Postal Service into effect, and we are going to have or take ourselves to a great extent out of the day-to-day operational inquiries that we have been involved in for years.

But, in its place we feel that because we are going to set the Postal Service up as an autonomous entity, we feel that there should also be a new forum, an independent forum, where issues should be aired, and as far as the Postal Rate Commission was concerned, this responsibility was given to the Commission.

It is in this context that I think the Congress wanted an advisory opinion on changes, as the Postmaster General has stated.

There are, of course, differing views from a number of people, a number of organizations around the country, and I feel that what Congress wants from the Postal Rate Commission is an independent opinion on the effect of those service changes will have on the general public, on the Postal Service and then you have in effect a white paper, a report on a service change.

Unfortunately, or fortunately, whichever way you want to look at it, because of my position, you cannot comment on the merits of any issue that comes before us, or may come before us, an issue like this, because we have to—I would hate to indicate prejudgment.

I know that there are a number of people, a number of organizations who disagree with the proposal of going from 6 days to a 5-day delivery.

We are independent. We have a very strong ex parte rule that governs the activities of the Commissioners, and it is in that context that I say that when a proposal like this changes from 6- to 5-day delivery, or even post office closings, come before us, our job is to be independent, hear all the parties, and render an advisory opinion to the Governors of the Postal Service Board.

Senator RIBICOFF. Haven't you done that?

Haven't you made a recommendation on the 5-day service?

Mr. DUPONT. No, sir.

I was an ex officio member of the Commission that made the recommendation—

Senator RIBICOFF. Has the subcommittee of the overall Commission recommended that?

Mr. DUPONT. No, the full Commission recommended a change from a 6-day to 5-day delivery.

The law requires, however, that when the Postal Service makes such a change, they have to come to the Postal Rate Commission for an advisory opinion.

That is where we will sit and hear the substantive evidence.

Senator RIBICOFF. So, in other words, if the Commission made the recommendations of changes from 6 to 5, is it up to the Postal Rate Commission to see that the Postmaster General carry it through?

Mr. DUPONT. No, sir; he makes his proposal to us for a service change, which is what that be. Then the rules require that the Postmaster make that submission to us at least 90 days before he plans to put it into effect. We then discuss it and hold hearings to hear from the general public and the Postal Service on this service change.

Then after hearing the evidence, we submit an advisory opinion to the Governors of the Postal Service, whether they should or should not put into effect, what the effects of such a change would be, and we would also submit our findings to the President and also to you.

Senator RIBICOFF. What we have here, we have a \$400 million decision that has to be made. We have the two top men right before us now. The Commission on Postal Service has made a recommendation and the Postmaster General thinks it is a good recommendation; so, Mr. Bailar, why don't you go with your 90-day proposal, and see if we can't put it into effect? Four hundred million dollars is a lot of money.

Mr. BAILAR. Senator, the Postal Service Board of Governors, who are charged under law with the responsibility for setting postal policy, will make the ultimate decision on this. I think that will be either their June or July board meeting, and we are prepared to file a case with the Postal Rate Commission, if that is what they want us to do, promptly thereafter.

Senator RIBICOFF. Mr. Bailar, the other chastisement you received is for lack of innovation and the failure to experiment with electronic message transfers. Do you want to comment on this?

Mr. BAILAR. Yes, I would be happy to.

First off, I would say that the Postal Service is trying to stay abreast of what is happening in electronic technology. We have devoted about a quarter of our research budget, the section on electronics comes to \$6 or \$7 million a year, to this matter, not in an effort to spend enough money to get into electronic mail, because it clearly is not enough for that. I think it is enough to stay up to speed on what is happening, and to stay abreast of the developments in that area.

I personally feel that the Postal Service should go into electronic mail only when certain conditions are met:

First off, there is a public need to be filled, when there is a favorable financial return to it, only if private industry is not willing or able to go into it. I don't think the Postal Service ought to move in electronic message systems or electronics fund transfers if private industry is willing and able to do so.

Senator GLENN. You were quoted as saying that the electronic network is a fundamentally different business where the Post Service has nothing to offer. You said, "If we jumped in, we would be acting in a predatory manner."

Mr. BAILAR. That is a correct quote.

Senator GLENN. Would that foreclose future activities in this area?

Mr. BAILAR. I didn't think of it as being a complete closeout. If we run into a situation where we can provide a unique service, then clearly it is something that the Postal Service ought to be willing and able to move into.

Senator GLENN. If we feel that is the direction the business is going, we will be left waiting at the gate if we don't move somewhat into this. And business is moving in that direction. There doesn't seem to be much doubt about that.

Mr. BAILAR. I think it is moving in that direction. The way we communicate with each other and the way we do our banking and financial transactions is changing. I was also quoted in that article as saying that I didn't think the Postal Service should move into some area for the sake of maintaining the Postal Service in its present size and scope, if private industry is willing and able to fill those functions.

Senator GLENN. Thank you, Mr. Chairman.

Senator RIBICOFF. I have an additional question. Why is it that mail sent to me, my home, gets delivered to my office in the Russell Senate Office Building?

Mr. BAILAR. I can't think of any reason why it should, Senator; but I will be happy to look into it.

Senator RIBICOFF. I was curious, you know, because personal matters such as bills and social matters, that have nothing to do with my Senate duties are zip coded right. I am intrigued how my personal mail gets sent to my Senate office.

Mr. BAILAR. It ought to be delivered to the address on the envelope, unless there are specific instructions to the contrary. I will look into it this afternoon.

Senator RIBICOFF. Thank you very much.

I think the Postal Service is fortunate that Senator Glenn chairs this subcommittee. I don't think there is another man in the Congress who has as technical a competence and an understanding of technical matters as Senator Glenn. You are coming before a new subcommittee here that isn't bogged down with pressures. Maybe they will build up, and we don't have preconceived ideas that we are trying to cater to. I think you will find a sympathetic approach to your vast problems, and the desire to get efficient and effective Postal Service and keep your service in the black instead of the red.

Thank you very much, Mr. Chairman.

Mr. BAILAR. Senator, we need that understanding, and I appreciate the fact we are going to get it. It will be very helpful to us.

Senator GLENN. What do you see for the future of the Postal Service if we stay out of electronic transfers? Do you see it limited only to very expensive first-class mail?

Mr. BAILAR. I think the volume will generally stagnate. That will mean that the share of message units, the market share, would probably decline. I think that as a result there will be some adjustments in the kinds of service that are needed by the American people. I think, frankly, that there will probably be fewer days delivery in the decade ahead.

Senator GLENN. I understand Xerox proposed putting \$27 million into a program through some high-density corridors in the Postal Service to experiment with electronic communications. Why was

that turned down? They were going to furnish the equipment and were going to provide training programs for postal employees on an experimental basis to see how it worked.

Mr. BAILAR. Senator, it was turned down for several reasons. First off, it was requested on a sole-source basis, which we didn't feel was justified.

Senator GLENN. Did you go out for competitive offers, then?

Mr. BAILAR. No; and I will tell you why in a minute. If we had wanted to move into that area, we would have moved for competition, because the best feeling was that Xerox did not have the sole position. They had to build a plant in Texas to build the equipment, which had a 2-year leadtime. There is other equipment that appears to have an advantage over the Xerox equipment.

Senator GLENN. Are you moving toward any systems like that now?

Mr. BAILAR. No. Let me tell you why. The post office had a direct line between the New York Post Office and the Benjamin Franklin Post Office here in Washington. We had an average of one message a week over that.

In Sweden, there was a system put in in June of 1973 between 10 major cities which was intended to be available to 40 percent of the Swedish business population. It was a program put in by the Xerox organization in Sweden. They had a total volume over 2 years of some 500 messages. There was a system that went in in Great Britain, serving 12 major cities, subsequently expanded to 18 cities, and terminated in September of 1976, after a 2-year experiment, and a total of 113 messages.

Now, while the United States is clearly different in geography and business practices, and so on, from Sweden and Great Britain, I think the experience that we had in our New York-to-Washington project and that the Swedes and the British had clearly suggests a high degree of caution as to whether this project would have been worthwhile.

Xerox made a proposal to us which would have had the Postal Service committed to expenses of about \$20 million. Incidentally, most of that would have gone to Xerox.

Senator GLENN. Did you give all this same information to the Commission?

Mr. BAILAR. Yes; we sure did. As I gave you this information here, you may have noticed that I was reading from a piece of paper, which was a letter addressed Gaylord Freeman, and signed by Mr. Ellington—

Senator GLENN. Chapter 3 of the Commission report "Impact of Electronic Communications," begins by saying, "The electronic developments that begin in the 1960's portend disastrous consequences for the Postal Service," the report then speaks to what is happening in this field.

You are in disagreement with that statement, I assume.

Mr. BAILAR. I think there are troublesome times coming with respect to electronic systems and electronic fund transfer, but I don't think the proposal Xerox made was worthy, a worthy proposal for dealing with that.

Senator GLENN. What are you doing R. & D.-wise, if you are turning down the Xerox proposal and have discounted efforts made abroad? I understand the Japanese are doing something very successful in this area.

Mr. BAILAR. The Japanese project is an interesting one. I am not personally familiar with it. It is a program where they have taken a small community or a small city and wired it so that people can receive facsimile printouts in their homes, messages on their television sets, and it is a very unique and pervasive system.

I believe, although I don't know this as a fact, that it has massive funding from the Federal Government there, that it has been something to the tune of \$3,000 per terminal, and there is a good deal of question as to whether it can be maintained on a broader basis.

Senator GLENN. Apart from whether theirs is successful or expensive, or not, it is one I tossed out because I had heard about it. What are we doing to analyze whether we should be moving into this area or not?

Mr. BAILAR. We are now working on a definition of what kind of a system would make sense for the Postal Service to move into if we were to do it. We think that to move into electronic message systems would probably require something on the order of a 10-year effort.

We are presently in the first of a four-step process. We are spending a total of about \$13 million on the first step. The principal contractor is RCA. There are a number of other contractors working on it to try and develop for the Postal Service what the alternatives are and which way we should go if we decide to do it.

Senator GLENN. When will your studies be complete?

Mr. BAILAR. The RCA study is a 2-year project, and we are almost exactly halfway through it.

Senator GLENN. Is there enough research going on in this area? How much was the RCA contract?

Mr. BAILAR. The contract was about \$2.3 million, if I am not mistaken. I think there is enough research going on in this area. I know some of those who feel the Postal Service ought to move into this area, and who have already made up their minds, feel we should be spending more.

Senator GLENN. I am not here today to advocate moving into that area without studying it, obviously. We have statements you have made in the past, indicating that you are pretty much against that type of thing. I would hope that you are not holding back on research funds so that we do get a good, unbiased look at what potential this has for the future, particularly when all the gentlemen on the Commission felt this was "of disastrous consequences for the Postal Service if we let this type business keep on getting away from us."

Mr. BAILAR. I do not have any notion that the Postal Service has to stay out of this business if there is a unique capability that the Government can bring to it and a unique function that we can fill. I do think we ought to stay out of it if it is something that private industry is willing and able to get into.

I have not made a decision on it in my own mind, and it is because of that that I am reluctant to spend any more research money than we are. I think our expenditures ought to be generally explored at

the time of the commitment and I think if we were to spend massive sums that would be necessary to develop such a system we would be subject to some pretty serious questions about whether we had the information to make that kind of a decision, and why we were trying to compete with all the private organizations.

The Postal Service has been losing market share in personal communications for 50 years, to the telephone, and nobody has come along and said we should have gotten into the telephone business.

Senator GLENN. Because of the importance that the Commission attached to this area, we do have some hearings scheduled on May 26, on electronic communications. It will probably be in this room. We are going to look into this carefully because the Commission did put such stress on it.

Last month you announced that the Postal Service had realized a \$5 million surplus for the year ending March 25, 1977. Commissioner Krebs testified before this subcommittee that the rates during this period were set to recover almost \$280 million a year above operating expenses. It was to be used to retire operating indebtedness. He said the reported surplus was \$203 million short of what the rates were designed to recover.

Do you have any comment on that?

Mr. BAILAR. No; I am not familiar with what Mr. Krebs had in mind. I can tell you that there have been several people who suggested that the Postal Service really was not making money, and that it had been done with mirrors. Our results in the transition quarter, which was the first time we claimed to be operating at a profit, were audited and they were an accurate statement of our accounts. The subsequent periods have not been audited, because they fall within a fiscal year and there is no occasion for an audit, but they are a legitimate statement of how the Postal Service is operating.

Senator GLENN. Back to the subject of labor again, to what extent does the Postal Service use casual or part-time employees to meet peak period needs? Is this practiced more or less now than it was prior to the enactment of the independent Postal Service?

Mr. BAILAR. It is considerably less common, Mr. Chairman. The one number I have in mind was back in 1952, I think it was, we had a regular work force of about 500,000 employees, and hired 400,000 Christmas casuals. That last year we had a regular work force serving a much larger mail volume of 650,000 and the Christmas casual employment was something on the order of 30,000 even during the period that we had the United Parcel Service strike. So I know the use of casual employees is down from what it used to be.

In addition to those specific comments about a 26-year period, I would tell you there is language in our contracts with the unions which limits the number of part-time employees to 5 percent of the regular work force, and there are technical provisions in there. I think it is offices in excess of 100 employees, and we, of course, honor that part of the labor contract as we do the other parts.

Senator GLENN. I appreciate the collective-bargaining aspects, and I don't want to dispute that. But you are saying you can handle this peak load of mail during the Christmas period with only 30,000 extra employees, where you used to handle the same amount with 400,000

part-time employees in the past. Logic would indicate that you are way overmanned for the average day-in and day-out mail handling. Is that correct?

Mr. BAILAR. Well, logic would suggest that, and I think the fact that we have been able to reduce the payroll by 60,000 people in the last 2 years, that the very least that suggests that 2 years ago we were overmanned.

As to how far we can reduce beyond today's levels, I don't know, Mr. Chairman. I think it is something that those of us in the management of the Postal Service are going to have to work on. I don't have any nationwide policies or any numbers on a nationwide basis to tell you what is going to happen to the postal employment, because I think the decisions are going to have to be made at the local level. The postmaster has 10 people on the dock, and he is going to have to decide whether he can do it with 9.

Senator GLENN. Do you feel you are still above your optimum management level in the Postal Service now, as far as productivity and efficiency go?

Mr. BAILAR. Yes, sir, and we have made some fairly modest reductions in the last 3 months—4 or 5 months, I guess it has been. Obviously we had a great deal of difficulty in getting our job done during the United Parcel Service strike and the Christmas season and all the bad weather we had in December and January, but since that period there have been modest reductions in the number of employees.

Senator GLENN. Do you cut them back by attrition?

Mr. BAILAR. It is entirely by attrition.

Senator GLENN. There was an article in the New York Times a month or so ago about the Postal Commission report. At one point, in the latter part of the editorial, it says Congress and the President must involve themselves more actively and visibly in setting policy for the Postal Service.

Do you feel that would be a good step or a bad step?

Mr. BAILAR. Well, I think the Times editorial expressed a bit of naivete. First off, I think it would be a bad step.

I wrote a letter to the editor which was printed in the Times a couple of weeks later, Mr. Chairman, that I would like to supply for the record.

[The letter referred to follows:]



THE POSTMASTER GENERAL
Washington, DC 20260

April 26, 1977

Editor
The New York Times
229 West 43rd Street
New York, NY 10036

Dear Sir:

In reference to your editorial of April 21.

It is ironic that you should advocate reestablishing political control over postal wages in order to bring those wages under better control. At the same time, postal management and craft organizations who are advocating a return to political control of the Postal Service do so, at least in part, in the hope of reducing pressure for increased productivity. It is naive to think that political control can be established over postal wages and benefits without having that control apply as well to the matters of how many employees are needed, who those employees should be, whether productivity should be improved in a certain way, whether certain services should be modified and whether certain employees should be promoted.

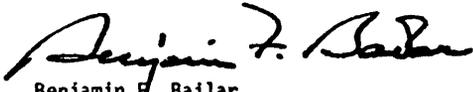
It is important for your readers to remember that postal subsidies are not a way of reducing postal costs - rather, they are a way of shifting the financial burden of supporting the cost of postal operations from postal rate payers to the income tax payers; i.e., principally from businesses to individuals. The simple economics of the matter are that 215 million Americans are going to have to pay the cost of maintaining the Postal Service and that subsidies, as much as they may be desired by certain groups and may have the desirable political attribute of reducing the apparent cost of postage through reductions in stamp prices, may or may not be in the public interest. The

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public interest is best served by pursuing, as the first order of emphasis, cost-cutting where it can be accomplished with little or no impact on postal services. As you pointed out, this is a matter which we have been attacking vigorously and successfully in recent months.

Also importantly, those who advocate larger postal subsidies seldom stop to consider the effect that such subsidies would have on the Administration's effort to balance the budget, nor do they recognize that the very substantial sums involved might well be used to meet some of our other pressing national needs.

Sincerely,



Benjamin F. Bailar

Mr. BAILAR. In effect, what I said was to suggest that the Congress should be involved in the wages that are paid postal employees, but ought to stay out of the area of how many employees are needed and how productivity is improved is extremely naive. The Times made that point.

They felt the Congress ought to stay out of the patronage issues, and who ought to be promoted, but they ought to get involved in the rate setting.

I don't think you can separate the two, Mr. Chairman.

Senator GLENN. I think perhaps they were going back to a time prior to collective bargaining in the Postal Service, and I don't think we want to go back to that.

Mr. BAILAR. There has been an editorial on this in the Washington Post as well that I would like to submit.

Senator GLENN. It will be included in the record. Is this the one on managing the mail?

Mr. BAILAR. It would have been about the first of May.

Senator GLENN. April 25?

Mr. BAILAR. Yes.

Senator GLENN. Fine.

[The editorials in the New York Times and Washington Post referred to follow:]

[From the New York Times, Apr. 21, 1977]

DELIVERING THE BAD NEWS

It is clear now that turning the United States Post Office into an autonomous public corporation in 1971 has failed to realize the hopes of its proponents. Mail service has not improved; many believe it has actually deteriorated. The postal deficit is larger than ever; in 1976 the postal operation cost more than twice what it did in 1968. The recently announced surplus for the 12 months ended March 25 is a one-time thing, not likely to be repeated.

An investigative commission established by Congress last year has now issued its report, calling for increased subsidies, a reduction in mail delivery from six days a week to five, and a limit on the Postal Service's power to close small rural post offices. There is merit in many of the recommendations, but the report overall is a cautious document that shows the strains of much give and take among its authors.

The compromise report slides by the controversial matter of the Postal Service's leadership. Congress is reluctant to appropriate the \$625 million needed to pay off the accumulated deficit as long as Postmaster General Benjamin F. Bailar remains in office. To Mr. Bailar's credit, he has cut the number of employees sharply and has closed some small post offices that had little reason for staying open besides serving as social center.

He has failed to carry out his mandate to break even. But that is due in large part to the unwise decision by Congress in 1970 to require that postal wages be subject to collective bargaining and made comparable to those in the private sector rather than tied to those of other Federal employees. Those conditions were the price of the A.F.L.-C.I.O.'s support of postal reorganization. As a result, wages and fringe benefits rose 63 percent between 1971 and 1976, while the consumer price index rose only 40 percent. Postal employees now average \$8.05 an hour, one cent more than the average paid to employees in steel, automobiles and other well-paid private industries. But unlike most industrial workers, postal employees do relatively light, clean work and have lifetime security. Despite the wage boost, morale seems to have slumped and productivity has increased only at the meager rate of 1.3 percent a year.

One hope for increasing productivity lies in the imaginative use of technology, and the postal management has tried to be innovative in some areas. However, it has been slow in developing a nationwide means of delivering first-class mail electronically, permitting privately owned competitors to begin skimming the cream of the trade and making the postal Service's future dimmer than ever.

It seems clear that the hopes set forth a decade ago of a self-financing Postal Service are illusory. Come rain or shine, the deficits will continue and Congress will have to appropriate money to meet them. That means Congress and the President must involve themselves more actively and visibly in setting policy for the Postal Service, including policy on wages. But Congress should by no means go back to the old system of deciding on political grounds which post offices to keep open and whom to appoint to postmasterships. The chief gain of reorganization was the freedom it provided for the service to make managerial decisions without petty political interference. This accomplishment deserves a stamp of approval.

[From the Washington Post, Apr. 25, 1977]

MANAGING THE MAIL

Consider a corporation whose volume is stagnating; whose labor costs rose 63 per cent between 1971 and 1976, while productivity improved only 1.3 per cent; whose major new processing system may bring no return at all; whose research and development budget is minuscule and whose competition is growing. Any analyst would call that a corporation in big trouble. That is just what a study commission has concluded about the U.S. Postal Service.

True, Postmaster General Benjamin F. Bailar has announced a \$5-million surplus for the last 12 months, including a \$45.5-million gain since last October. This may let rates increases be deferred until next spring. Mr. Bailar and the commission agree, though, that by 1979 first-class postage will have to rise at least to 14 cents even if deliveries are cut from six to five days per week, other services modified and public subsidies increased somewhat. A first-class stamp could cost 22 cents by 1985.

Why is the postal system in decline? Years of bad management and failure to match private services have caused parcel-post volumes to drop every year since 1959. Recent third-class rate increases have driven many companies to distribute their advertising in other ways. Now electronic communications systems are cutting into the 80 per cent of first-class mail that is business mail, and especially the 60 per cent that involves transfers of money—bills, checks, bank statements and the like.

The study commission concluded that, if the postal corporation continues business as usual, its future is "bleak." It will wind up as an insufferably expensive network for distributing a declining volume of publications, goods, greetings cards and the personal letters that now make up only 3 per cent of first-class mail.

Perhaps the worst course would be to dismantle the postal corporation and give Congress, again, a larger voice in postal management. The best course is to make service even more businesslike. It needs to do what any private firm in the same circumstances would do: innovate.

Mr. Bailar is already trying to persuade new subdivisions to accept curb service or neighborhood postal boxes instead of door-to-door delivery. The commission, while too far cautious, does recommend experiments with electronic mail systems, including joint ventures with private contractors. That will require some changes in the ticklish area of postal labor policies. It also raises large questions about the future structure and regulation of electronic communications, a subject already opened by AT&T's attempt to gain a statutory monopoly in the field. Congress has barely begun to address these problems. Unless the postal corporation can innovate and adapt, even good day-to-day management will not save it from the dismal spiral of soaring costs and cuts in services.

Senator GLENN. Mr. Bailar, thank you very much.

We have had you on a long time this morning, but these were very, very important matters, as I am sure you agree. We want to make sure to get all the best information.

If you find there is additional information which would be useful when you review all we went through here this morning, we would appreciate your sending it along in addition to your response to any staff inquiries or inquiries from other Senators who were not able to be here this morning.

We appreciate your being here.

Mr. BAILAR. Thank you, Senator. I appreciate your interest.

Senator GLENN. Mr. DuPont, we appreciate your patience this morning. You have been waiting quite awhile.

Clyde S. DuPont is chairman of the Postal Rate Commission. He was appointed to the Postal Rate Commission in September of 1974.

Mr. DuPont, we welcome any statement you have or a summary of it. We will include the whole statement in the record, or your summary, whichever you like.

TESTIMONY OF CLYDE S. DUPONT, CHAIRMAN, POSTAL RATE COMMISSION

Mr. DUPONT. Mr. Chairman, I do have an extended appendix attached to my statement. What I would like to do is read my oral statement to you and that would probably generate some of the questions that you may have.

Senator GLENN. Fine. The whole statement will be included in the record.

Mr. DUPONT. It is a pleasure to appear before your subcommittee today to present my views on the report of the Commission on Postal Service. The opinions I will be expressing are my own, and are based on my observations as a nonvoting ex officio member of the CPS as well as on my experience with the Postal Rate Commission.

Although I am not today testifying to an official position of the Postal Rate Commission, I still wish to ask the committee's indulgence in not asking questions that bear on matters at issue, or likely to be at issue, in cases before us. As you are aware, we conduct our proceedings on a strictly on-the-record basis, as required by the Postal Reorganization Act, and it would be improper for me to express views indicating any prejudgment on the merits. With that exception, I will be happy to answer any questions you may have.

I should like to discuss the CPS report generally and to touch upon some of its legislative recommendations. Attached to my prepared statement is an appendix discussing the CPS legislative proposals in some detail. I shall not read that appendix, but I would ask that it be printed in the record.

In general, I first should like to pay tribute to the chairman, members and staff of the CPS for the extensive collection of information in its report and appendices bearing on the condition of the U.S. Postal Service. The Commission went to great lengths to obtain input from as many sources as possible regarding the Service and they did it in a very short period of time.

The facts are there for all to read, and I believe the Commission on Postal Service deserves a vote of thanks for pulling all of this information together for you, the President and the interested public. As the committee knows, we at the Postal Rate Commission have had considerable experience with highly expedited proceedings and on the basis of that experience I can say that the CPS succeeded admirably in meeting a very tight deadline.

It is clear from the report that the CPS has not attempted to recommend a single "quick-fix" solution to the problems of the Postal Service. Instead, it has proposed a number of different partial remedies, focusing on a number of possible means of improving the Service's condition and assuring its future as a viable institution of Government. Neither service cuts, increased appropriations nor ventures into new forms of communication, taken alone, would be likely to solve the

Postal Service's problems—at least not at costs which the CPS believes would be acceptable. The CPS has, therefore, proposed moderate advances on several fronts which, taken together, appear to have a better chance of success.

Among the most forward-looking of the CPS's proposals is its strong recommendation that the Postal Service immediately investigate the possibilities of electronic message transmission. No student of postal affairs can look with unconcern on the prospect of drastic diminishing of letter mail volume, especially since a severe volume decline carries with it the threat of higher rates and as a potential consequence further diminishing of volume. The Postal Service possesses an unrivaled nationwide collection and distribution system with over 35,000 outlets. It would be a serious waste of a great national resource if we did not explore the potential adaptability of this system to electronic message service.

Turning next to the CPS proposals which would directly affect the Postal Rate Commission, may I say that there are a number of findings in the report with which I completely agree. I was pleased that the CPS recognized and endorsed the value of an independent regulatory body as part of our postal system.

I am also convinced—as a majority of the Commission has been in the past—that our decisions should be final and subject only to judicial review. The Governors, in exercising their present limited review powers, do not employ any standard of review which a court would not equally well utilize. So far as the technicalities of ratemaking are concerned, the Governors are not expected to be experts in the same sense as the Commission.

Furthermore, every other regulatory agency is so structured as to render final decisions, reviewable by the courts. I believe, therefore, that the CPS is right to urge that this additional administrative step be abolished.

Closely related to this CPS proposal, and independently desirable as well, is the recommendation that both we and the Postal Service be authorized to appear in court by agency counsel, rather than being represented by the Department of Justice. Other regulatory agencies have this authority. As it now stands there is a very real problem.

In a situation where the Postal Service might be appealing a final decision of our Commission, the Justice Department would be confronted with the conflicting mandate of representing both sides. Moreover, the Department's attorneys cannot be expected to possess the specialized expertise in postal rates and classifications. The representation proposal made by the CPA would be a step toward greater efficiency in the review process.

One of the most significant recommendations of the CPS is its proposal to amend section 3622 of the Postal Reorganization Act to clarify the standards for ratemaking. The Postal Rate Commission's interpretation and application of these standards—which we think are in accord with Congress intent—has caused some controversy. As a consequence, the Court of Appeals issued a decision last December calling for a different ratemaking method. That decision has created still more controversies.

I believe that the decision of the Court of Appeals is wrong. If it reaches the Supreme Court, I believe the Justices can be shown that the Court of Appeals decision should be reversed. But legislative correction of the Court of Appeals' interpretation is equally available and desirable.

In the appendix to my statement there is a more extended discussion of this important proposal. At this point, I would say only that I fully support the CPS proposal to revise section 3622(b)(1) to make it clear that noncost factors have a legitimate and highly important place in postal rate determinations. The reasoning used by the CPS—that the great increases in second-, third-, and fourth-class rates which the court's theory would require, would drive those items out of the postal system altogether and thus cause increases in first-class rates—in my view is perfectly sound. Hence, I fully endorse the CPS proposal which requires the following:

Each class or subclass of mail or type of service shall bear those postal costs attributable to that class, subclass, or type because the costs vary with the volume of that class or subclass or type of service.

This statement, together with the principles embodied in the CPS proposed section 3622(b)(2), represents the ratemaking method which Congress originally intended and which we have tried to implement.

I part company from the CPS, however, when it goes on to propose a permanent 60 percent ceiling on cost attributions and a rigid definition of 3 years as the period to be considered in evaluating variability. Since the question is discussed in more detail in the appendix, I shall limit any remarks here. I do not exclude the possibility that at some future time an attribution ceiling—though perhaps a flexible ceiling—might be more appropriate.

The CPS proposal is both premature and overly inflexible. To take just one example of the excessive rigidity of the CPS formulation: Suppose that a few years hence the Service did become significantly involved in electronic message transmission. Its entire cost picture might change radically, and the proposed 60 percent ceiling on attributions might then become totally unrealistic.

In addition, of course, the imposition of these inflexible limits would tend to nullify the expert regulatory function the Commission was established to perform. Yet in 1970 Congress specifically directed the PRC to find out how much it costs in fact to collect, process and deliver each class of mail.

While cost allocation has perhaps generated more theoretical controversy than any other aspect of postal ratemaking, the definition of the Service's revenue requirement is no less important. The CPS here makes two suggestions which I cannot endorse: first, that the Service's allowance for contingencies be limited to 2 percent of operating expenses, depreciation, and debt service; and, second, that no recovery of past years' losses be allowed for.

In our last rate case, after considering evidence pro and con, we allowed a 4-percent contingency provision and a \$207.8 million annual item for recovery of past losses. I believe both of these actions were fully supported by the record and by sound reasoning. Of course, the need for any contingency or allowance for past low recovery and their appropriate levels would be independently assessed in each future case.

As these matters are now in litigation before the court of appeals, and could thus come before us again, I shall not discuss the merits any further. However, my own view is that here the CPS recommendations would likely lead to an unnecessary increase in required appropriations.

In regard to procedures the CPS makes two recommendations which I should like to discuss briefly in the context of rate decision, for it is there that their impact would be felt. The CPS proposes to require rate cases to be decided in 9 months rather than the 10 months Congress mandated in Public Law 94-421 last year. It also proposed that the Commission be required to deal with related rate and classification matters in the same docket unless it finds that greater expedition and fairness require separate proceedings.

I believe that the first of these proposals should be rejected. The 10-month deadline toward which we worked, which we met in docket R76-1, and under which we now operate, seems to me about the minimum. Any further cut in the length of time might curtail the rights of the parties to challenge the basis for a postal rate increase and to develop convincing rebuttal cases.

Our Commission remains committed to maximum expedition consistent with procedural fairness. If we find we can complete a rate case in 9 months, or even 7, without any sacrifice of fairness, then we shall do so. So far as I am concerned, Parkinson's law—that work expands to fill the time available—does not apply to postal rate cases.

At this time, however, I do not see how a still tighter deadline than the one Congress enacted only 7 months ago can be imposed without threatening some curtailment of public participation.

The second CPS proposal—to require, so far as consistent with maximum expedition and fairness, that related classification and rate matters be handled in the same docket—is wholly unnecessary. I believe that the Commission, like any regulatory agency, has inherent power to consider related matters together in this way. That we have seldom done so in the past reflects exactly the concerns recognized by the CPS; namely, expedition and fairness.

In rate cases particularly, where expedition is mandatory, we should not be required to expend time on classification issues which are deferrable and which could as well be decided in classification dockets. If we are required to include those items in rate cases, the 10-month time schedule may not be met. On the other hand, where the central issues cannot be fully and fairly decided without extending the inquiry into related classification or rate matters, we most certainly will include the additional questions in our proceedings and decision.

Generally, such scheduling is left to the administrative direction of an agency, and I recommend that this be done in our cases as well.

Turning to mail classification matters, I should like to comment on the CPS proposal to freeze the present four main classes of mail.

This provision represents a considerable departure from the original intent of Congress in passing the Postal Reorganization Act. At that time it was contemplated that the Postal Service, the Commission, and mail users would have full latitude to explore a complete restructuring of mail classification.

The Kappel Commission suggested a reformed realignment of the system based on functional types of mail: messages, merchandise, and, bulk mail. The Postal Rate Commission has been, and is currently engaged in an exploration of basic classification reform in docket MC76-5. The Postal Service and parties to our proceedings have been engaged in formulating and executing long-term, in-depth studies aimed at improving present mail classifications.

I do not believe that the possibilities of improvement inherent in these efforts should be foreclosed by legislative freezing of the four main classes. Preserving the traditional four classes of mail as CPS recommends is in itself a worthy objective, yet only as long as this structure is a viable alternative.

In the past the Postal Rate Commission has tried to do precisely that, but only with the view toward the possible necessity of future reform. Thus, in our first mail classification decision in docket MC73-1 we stated that future proposals would be examined for their consistency with basic reform. In fact, we have reviewed all new mail classification proposals to insure that—if adopted—they would not hamper future reclassifications.

Equally important, we have carefully reviewed classification proposals to guard against any adverse effect upon, one, mail volumes and, two, the continued availability of services to all mail users to and to all categories of mail matter. I do not believe these goals can be attained by petrifying the classification structure.

If Congress wishes to adjure the Commission to provide a suitable place in the classification schedule for all types of mail heretofore carried by the Service, it would be better done by adding that requirement to the general policy sections of the act, such as section 101.

The CPS proposed a number of organizational changes in the Postal Rate Commission. The most striking is its suggestion that the number of Commissioners be reduced from five to three. I strongly recommend against this change. Indeed, it seems inconsistent with the CPS' own proposal to reinforce and make more specific the professional qualifications to be required of appointees to the Commission.

The CPS recommends that Commissioners be professionally qualified in postal affairs, law, economics, or utility regulation. This is certainly a worthy objective. Indeed, the list might be expanded to include accounting, finance, and industrial engineering, all of which disciplines have relevance to the Commission's work. I believe it would be far easier to obtain the desired mixture of professional disciplines on a five-member Commission than it would be if the panel were reduced to three.

In addition, I believe that geographical diversity among the members of a commission is a desirable goal. This, too, is more adequately achieved with five members.

A final reason for maintenance of the Commission at five members, and one that I believe is very important, is that we have experimented successfully with the practice of having Commissioners sit as presiding officers in cases requiring the development of an evidentiary record. Were we reduced to three members, it might be difficult to continue this procedure.

Any streamlining of the institution achieved by reducing the number of members might well be canceled by the need to employ more administrative law judges. I would like to say at this time that we have no administrative law judges. Our one judge left last month to go with the Civil Aeronautics Board. He asked me if the administrative law judge would handle a rate case, and I told him emphatically no, and with that future prospect, he elected to go with the Civil Aeronautics Board. I therefore would urge that this proposal be rejected.

The CPS also proposes that the Commission be funded from the Treasury through the appropriations process rather than continuing to obtain its budget from the Postal Service fund. As the committee knows, it was Congress intention that mail users bear the costs of regulation (through revenue from rates deposited in the Postal Service fund) and that these costs were not to be borne by taxpayers. Of course, I recognize that the present arrangement—wherein the Governors of the Postal Service pass upon our budget—is somewhat anomalous in that the regulated entity provides the budget for the regulatory agency.

It has, nevertheless, worked reasonably well. I believe that the better solution to the apparent problem of Commission independence would be to establish a neutral arbiter with authority to review any cut in our budget requests which the Governors might make.

When the General Accounting Office sought our comments on its recommendation regarding Commission budgeting, we suggested that the Commission should continue to be funded as it now is, but that the Director of the Office of Management and Budget be required to approve any budget cut the Governors proposed to make.

GAO did not agree with this suggestion—recommending instead that the review task be assigned to Congress. I believe our suggestion represents the simplest and most efficient way of both assuring the independence of the Commission and reducing the complexity of the budgeting process.

In regard to the appropriations to USPS, I do not intend to discuss the various proposals made by the CPS, but I do wish to comment briefly on the proposed \$625 million appropriation to retire the Service's operating debt. The CPS relates this suggestion to its proposed ban on any future allowance for recovery of past losses through rates and fees.

In my view, the question whether this cost should be borne by the taxpayer or the ratepayer is essentially one for Congress to make. Operating under the break-even standard of section 3621 of the act, we allowed in the last rate case for a past loss recovery, most of which was directly related to the retirement of the operating debt by which the Service had covered its operating losses.

Under the law the Commission in its last rate case was presented with a revenue need of the Postal Service of \$1.4 billion for losses incurred in fiscal years 1972-75. From the evidence received in that case we felt the request was supportable.

The question was whether the revenue should come from the ratepayer or the taxpayer. We could not guess what Congress would do and to insure that the money was forthcoming, the only alternative was to include it in the rates. As I stated earlier, I believe that action was entirely justified by the record; but I also recognize that Congress may decide that the CPS appropriation proposal is the one to follow in dealing with the remaining deficit.

Finally, there are a number of proposals submitted by the CPS which are important, but which do not warrant extended comment as a part of my oral statement. They are in the main discussed in the appendix. We do not address matters in which we possess no special competence, and defer to the wisdom of Congress as to whether such proposals should be enacted into law.

Specifically, I submit no comments with respect to (i) the level of the public service appropriation; or (ii) the proposed changes in the Service's organization, particularly the composition or elimination of the Board of Governors.

Another proposal is the elimination of Saturday deliveries. This is a matter which might come before the Commission; therefore, any comment on my part would be inappropriate.

Our appendix contains analytical comments concerning my support or opposition to proposals concerning (1) new statutory standards governing the closing of small post offices—which I oppose; (2) the addition of an additional statutory standard to be applied in mail classification cases related to the educational, cultural, scientific, and informational benefits of mail matter—which I support; (3) changes in calculating preferred mail rates—which is essentially an appropriations matter—and where I express no opinion; and (4) proposals for uniform maximum size and weight limits of nonletter mail—which I support.

Also, the CPS has suggested a relaxation of the private express statutes. The matter of implementing these statutes is not within the Commission's jurisdiction. Consequently, I express no views on this proposal. Similarly, I have no special views to present concerning CPS' proposed limitation on the permissible outstanding obligations for the Service's operating expenses which would be set at \$500 million.

This concludes my prepared statement. I would urge that the committee examine the appendix, which contains a number of comments on the CPS proposals. Time does not permit me to mention all of them here.

At the Commission we have also prepared a side-by-side comparison of the Commission's legislative proposals and present law, and I would be happy to make that available to the staff if it would be helpful to them.

Senator GLENN. We would appreciate that very much. After we read it, we will see whether to include it in the record.

Mr. DuPONT. Fine. That concludes my statement. I will be happy to answer any questions you have.

Senator GLENN. That is a very complete statement, Mr. DuPont. You have anticipated a number of questions we had planned to ask this morning. It is an excellent statement.

Going back to basics, I assume you still support the Rate Commission completely. The President indicated in past statements that he felt perhaps the Board of Governors of the Postal Service should take an important active role, and recommended the abolition of the Postal Rate Commission. Do you have any comment on that?

Mr. DuPONT. Yes. That statement to which you referred while the Postmaster General was testifying, I believe, came out of President Carter's campaign office in St. Louis in late October. I feel that statement was an error in many respects.

I might just say that while I worked on the Hill as minority member of the Senate Post Office and Civil Service Committee, I had to help draft some legislation, one of which was to recommend abolishment of the Postal Rate Commission.

Senator Fong asked me when a vacancy occurred at the Postal Rate Commission if I wanted to stay outside and throw rocks, or get inside and work. Here I am.

At that time it was said we had completed only two rate cases. We had completed three rate cases, and we had become involved in five classification changes, and one service change. The purpose of the establishment of the Rate Commission, if I may say so, was that Congress during reorganization decided they did not want the fox in the chicken coop. They did not want the ratesetting body in the Postal Service, and feared the Postal Rate Commission or the ratesetting body would be dictated by the Postal Service. So they moved for an independent body.

The first rate case took 17 months to consider, and the second took 23. The third rate case at which we sat without an administrative law judge, we completed in 9½ months. So I feel we have done what Congress intended for us to do.

If the Congress wants rates set on public policy, then I feel the Congress is better equipped to set rates.

If they want it based on costs, which was the hope in 1969 and 1970, I believe we have done that job. Ideally, I say that the Rate Commission—and I use this as an analogy, General Motors can tell its stockholders what it costs for each nut and bolt which goes into an automobile. I would like to be able to do that with postal costs, but because there is a certain amount of institutional cost that cannot be traced to the actual functions of the Postal Service, that kind of situation, I think, is purely ideal.

But we have moved from 46 percent in attributing costs in the first rate case to 60 percent in the second rate case. In assessing or looking at the costs this way, I think we have done a good job. Even if we were to be abolished, I think the submissions we have made to the Congress showing how rates can best be set on costs has been achieved. I don't think we have reached the end of the road, but we have come a long way, much further than in the 1960's.

Senator GLENN. You indicated in your prepared statement that you felt the Rate Commission should have final authority for setting rates. The GAO has recommended the Rate Commission's authority be clarified, and the Commission on Postal Service has specifically recommended that there be final authority to establish rates, subject to judicial review.

The alternatives to that are giving ratemaking authority either to Congress or the President. What do you think are the pros and cons of the Commission's efforts?

Mr. DUPONT. I believe, Mr. Chairman, as I stated in my previous answer, on public policy, if that is how the Congress and the President want to have the rates set, Congress is better equipped to handle that. The disadvantage is that you don't have the time.

You may get the expertise on the staff level, but the time is very extensive, if you want to set rates based on costs. Economic factors come in, statistical formulas are introduced. The adversary process that we go through where we assume we come out with the best rates involves the Postal Service coming in with a filing. In the last case we had 71 intervenors—coming in and examining and critiquing

the Postal Service's proposal; revenue need; the attribution of costs; and the rate design.

This adversary procedure, I believe, makes rates stand the crucible of fire, and in that respect I think we are the experts. We sit and hear the case *de novo*. We hear the defense firsthand.

If the proposal is made before your committee, I believe that the Congress should have veto power over our decisions. I think that, possibly, to take into consideration social effects of rates is a possibility, but the expertise of setting rates on costs, I think, is ours.

Senator GLENN. During your hearings, do you get into discussions of the impact on the economy? Have economists testified? What about the social effects on various groups and things like that? Do you get into any broader policy considerations?

It is difficult for me to say, "OK, we will give the Postal Service authority to run its business and retain a board of governors." If we then gave the Rate Commission sole authority to set rates, we would be cutting the Board of Directors out of any consideration of what the income is going to be. In a private company, this situation would be ridiculous.

We would be saying that the Board of Directors will make policy decisions and the Rate Commission will be setting the price for what is produced which the Board of Directors can't even consider.

I know we do this in government, and we are doing it in the new Department of Energy we are setting up. We are not putting a pricing function under the direct control, as the administration asked, of the new Secretary of Energy. In fact, I thought we were limiting him too much, and that we were setting up a paper tiger that wouldn't have the authority to do the job he had to do.

We fought a losing battle at this very table last week, in trying to give him more authority. Putting the pricing function under the Secretary would have allowed him to run a tight Department of Energy rather than having a committee up here do it. We are talking about the same principle here, only in a different Department.

If the Postal Rate Commission had autonomy in setting rates, what would the Board of Governors be around for?

I might add one other thing. It seems to me the Board of Governors provides a relationship where it considers things such as the broad state of the economy, and the administration's policy of wanting to move the whole country in a different direction that the Postal Service might be part of. That gets quite far afield from the rate-making structure as more closely defined.

What are your comments on that?

Mr. DuPONT. I feel this way, Mr. Chairman, that the philosophy that you have just stated, the question that you have just stated, was the question that was answered by the Congress in 1969 and 1970, and this is the reason it was established the way it is now.

Let me put it this way—12 percent of the Postal Service's operating costs come out of the General Treasury, 88 percent comes from the ratepayers, and it is the situation that the ratepayer should pay only that amount which their mail causes, and make a contribution to overhead. Therefore, the social considerations are shown in the hearing process that we go through, in that you have 88 percent of

the revenue coming from these people who are involved. That is a more proper way to go.

The social considerations are policy matters, and this is why I harp on the fact that rates should be based on costs rather than social considerations.

We have noncost items. These are factors that we must consider in deciding what rates are to be.

The Governors do not have the expertise. I am not privy to their deliberations when they are considering rates. They may take these things into consideration, social factors and the effect on the economy of the Nation as a whole, but I frankly do not believe that they do. I think the Congress takes it into consideration, and this is why I say if the Congress wants to have veto power over the rates we set, then that appears to be a compromise.

Senator GLENN. The 60-percent ceiling on attributable costs recommended by the Commission is obviously intended to reverse the December 1976 Circuit Court decision. Do you believe the court's finding can be reversed without a percentage figure? Isn't it true that unless a specific amount is imposed by law, another court decision could hold that costs are not being distributed adequately?

Mr. DUPONT. I do not believe so. I believe the law signed by the President directed that noncost factors be considered on an equal footing as attributable costs. This would reverse the Court of Appeal's decision sufficiently to allow us to move ahead and consider noncost factors in setting rates, rather than putting the emphasis on costs and putting the rest of the factors on the back burner, so to speak.

I believe that we can do this without going to the 60-percent cap that the Commission recommended. That cap, I think, if it were enacted, would be like telling the sun not to rise tomorrow, because if a class of mail causes a cost, no matter what the cap is, the cost is there; and if causality can be found, then that class of mail should bear that cost.

Now, the reason for the cap is to hold down rates and to preserve volume. I think you are doing this if you follow all the Commission's recommendations by increasing the amount of the public service subsidy.

To that, together with the emphasis that noncost factors are to be considered in ratesetting, would, I think, effectively reverse the Court's decision and the emphasis on costs.

Senator GLENN. On matters now before the Commission, I know you have to be very circumspect in what you say, but I would be glad to hear your viewpoints on the cost allocation questions. You apparently disagree with the Court of Appeal's decision which questions your reliance on cost variability for the purposes of assigning costs to different classes of mail. Is that correct?

Mr. DUPONT. Yes, sir.

Senator GLENN. What do you see as the consequences of the court's decision? Should it be sustained?

Mr. DUPONT. We have moved on our decisions very slowly, because in my opinion the Postal Service over the past 195 years hasn't got a handle on costs. They did not know during the 1960's when they came here what it cost to process a piece of mail. The Postal Service

has gotten better. They have become more sophisticated, but what the court's decision was—well, let me talk about one variability principle that we used to find out what classes of mail caused what costs.

We have adopted volume variability. That is, when a cost rises or falls at the same time the volume rises or falls, then we say that cost, because of volume changes and cost changes—that change means that class of mail caused the cost, because you see the relationship between costs and volume moving up or down at the same time.

The court decision said, "You should look at other factors cubic space and things of this type." We don't know—or using that theory—the costs do not move with volume. A truck has to go on a route whether it is half-full or completely full. The volume projections that the court alludes to were in our second rate case.

Our then administrative law judge made his decision as to what the cost is following, and the volume projections arrived at by the administrative law judge would have sent, we believe, rates much higher for second-, third- and fourth-class. I state in my statement that the volume—that what we need to do is to make sure that we keep volume, because volume means revenue, and until we get to the point where we are confident that our volume projections would result in rate designs, until we know it is solid and will not cause a precipitous drop in postal revenue, then we will move ahead into costs, into assessing that cost to a particular class of mail.

In the second rate case that the court decided on, the administrative law judge, for instance, in fourth-class rates, raised the fourth-class rate 67 percent above what the Postal Service recommended, but used the same volume projections, even though he sent the rate up 67 percent higher. He used the same volume projections and said that even at this rate the volume would remain the same.

We thought that was not correct. You cannot raise rates 67 percent and use the same volume projections. With the absence of projections, we could not adopt that new cost assessment. We have moved to 60 percent, and I feel the 60 percent is solid, because if you look at the history of the Postal Service since January 1, 1976, when the present rate structure came into effect, the 13-cent rate and the following rates, the Postal Service's financial condition has been as close to break even as you could come.

They have gone \$20 million in the red and \$20 million in the black, and in a \$14 billion industry that is as close as you can come, \$20 million either way. I believe our methodology is correct. It has proven to be successful because of the precipitousness in volume and revenue has not occurred, which we said would happen with the methodology that the court imposed.

Senator GLENN. The Commission has proposed a legislative freeze on the present four classes of mail. What is the current status of the Commission's classification case?

Mr. DUPONT. We are in the process of closing our four smaller dockets where we reviewed first-, second-, third- and fourth-class mail. We are writing a decision in each one of those cases now.

Senator GLENN. Each decision will be made and published separately?

Mr. DUPONT. Yes. We have a larger reform docket where the Postal Service is presently undertaking 10 studies. The first study in the report we should be getting in mid-June, of where the Postal Service has followed mail flow through the entire system, and with that we will be able to see what each class of mail, what processes it goes through.

Senator GLENN. When will those individual class reports be available?

Mr. DUPONT. We anticipate within a matter of 2 or 3 months. The records on three of them were closed earlier this month. The last record will be closed on May 31, and then we will be reaching our decisions probably by September.

Senator GLENN. What about the overall report you were talking about?

Mr. DUPONT. It is 3 years down the pike. This is a massive mail classification review that is very expensive, trying to straighten out, frankly, what many parties, including the Congress, have done for 195 years.

Senator GLENN. What about the reporting requirements of the Postal Service? Are they sufficient for the Commission's purposes?

Mr. DUPONT. That is an evolutionary process. For the present, yes. We will be getting into our rate case in July, and then we will test whether the requirement we placed on the Postal Service to give us certain information will help to expedite our hearings. We have asked for reports monthly, quarterly and annually, so that the parties know what the financial decision of the Postal Service is before a rate finding comes before us.

Hopefully that will help us expedite our cases.

Senator GLENN. As far as setting up an operation of gathering information, there is no additional legislation that would help you in this regard, as you see it now; is that correct?

Mr. DUPONT. That is correct, though it would help to have some endorsement by the Congress for that, because we have experienced some amount of difficulty with the Postal Service in getting agreement on what information they would submit to us.

Senator GLENN. I don't see how you can perform your function unless you get the full information needed to do your job.

If the hearing record will help you, I will be glad to make a statement to that effect now, and if you continue to have difficulties, let us know. We will take whatever action has to be taken. You can't be given a job and then be refused the information with which to do it.

You touched on the financial relationship between the Rate Commission and the Postal Service, and you made a rather strong statement about it.

I don't know whether there is any difference in what you seek than other commissions and boards we have in Government which are administered through different mechanisms. The NRC, whose budget runs through the executive branch of Government is responsible to much of the Congress directly, as responsible as it is to the administration. In fact, it is supposed to be an independent agency.

Has this caused you any problem? Have you had serious financial difficulties so far? If so, what are they?

Mr. DuPONT. No, sir, we have not. Our budget has run approximately \$2.7 million, in that area. Two years ago when we started setting up the periodic reporting system, the Postal Service was not being cooperative, and we had a change of Commissioners, and we reassessed the need for the information we wanted. We felt that we would ask for moneys in our budget to establish our own chart of accounts, which is a periodic reporting system.

So we included in our budget approximately \$741,000 to set up a system of accounts for regulatory purposes. The Governors rejected that, which frankly we anticipated, because we wanted to draw their attention to it. We got a letter back from them saying, "We reject this amount, but we will cooperate with you in setting up this periodic reporting system."

That has occurred. We have no further problems. We have frankly never had any financial problems in operating the Commission within the work force of approximately 85 to 90 people.

So we have had no problems, in answer to your question, Mr. Chairman.

Senator GLENN. Going to a different area, the law provided that not more than three Commissioners may be of one political party. What is the present makeup of the Commission in political terms?

Mr. DuPONT. We have four Commissioners sitting. There are two Republicans, one Independent, one New York Conservative. I was asked this question on the House side, and so let me bare the record, if I may, Mr. Chairman.

During the total years of the Commission we have had 11 Commissioners. I feel sheepish here, but I say I am not—the phrase in Latin is "Mea culpa." Well, I am not "mea culpa." I helped draft postal reorganization, and the intent was that we have a balance.

With the 11 Commissioners, we have had one Democrat, one Independent, one Conservative, and the rest have been Republicans. So that has been the record.

We have no role in appointing or in who appoints the Commissioners, Mr. Chairman.

Senator GLENN. You anticipate that lineup will be changed slightly with time?

Mr. DuPONT. Frankly, I would hope so to a certain extent, Mr. Chairman.

Senator GLENN. Senate confirmation is required, is that correct?

Mr. DuPONT. Yes, sir.

Senator GLENN. How long has that requirement been in effect, a year or two? I imagine it will serve to correct some of the imbalance that has occurred in the past.

Mr. DuPont, you anticipated some of the questions that we had prepared. Both your written and oral testimony were excellent.

We appreciate your being here this morning, and we may ask you to respond to additional questions.

[Additional questions submitted by Senator Glenn, with response and other material supplied for the record by Mr. DuPont follows.]

POSTAL RATE COMMISSION
Washington, D.C. 20268

Clyde S DuPont
CHAIRMAN

June 7, 1977

Honorable John Glenn, Chairman
Subcommittee on Energy, Nuclear
Proliferation and Federal Services
Senate Committee on Governmental
Affairs
United States Senate
3308 Dirksen Building
Washington, D. C. 20510

Dear Mr. Chairman:

I am writing in response to your letter of May 18, transmitting two additional questions to be answered for the record of your hearings on the Report of the Commission on Postal Service. I quite agree that, in view of recent developments, the questions you raise are highly relevant.

1. Procedures For, And Scheduling Of, Postal Rate Commission Action On Nationwide Service Changes. You have asked me to describe the procedures and time schedules we employ when the Postal Service requests an advisory opinion on a change in the nature of service under 39 U.S.C. § 3661, and, in particular, whether we are required to forward our opinion within a specified time. The basic procedural requirements are set out in § 3661, and two of them are of particular importance as regards scheduling. First, the Postal Service is required, by § 3661(b), to submit its request for an advisory opinion "within a reasonable time prior to the effective date of such proposal [for a service change]." Second, § 3661(c) requires the Commission to hold a hearing on the record under §§ 556 and 557 of the Administrative Procedure Act (5 U.S.C. §§ 556, 557). This is the same general type of hearing -- with cross-examination of witnesses and opportunity to present briefs -- as is held in postal rate and classification cases.

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Thus the statute does not provide any specific time limit in which the Commission must render an opinion.

The Commission's rules of practice contain a provision requiring that a request for an advisory opinion be filed "not less than 90 days in advance of the date on which the Postal Service proposes to make effective the change in the nature of postal services involved." 39 C.F.R. § 3001.72. It should be emphasized that this 90-day period is a minimum; the Commission encourages filing as early as possible. In our advisory opinion on the Service's proposal to abolish air mail, we requested that "whenever possible the Postal Service file its § 3661 request at least six months prior to the proposed implementation of the programs."^{1/} Similarly, in our opinion in Retail Analysis Program for Facilities Deployment, Docket No. N75-1 (April 22, 1976), at p. 69, we again stressed that the 90-day requirement is a minimum, and that filings further in advance would be desirable.

The 90-day minimum lead time established by our rules does not commit the Commission to render a decision within a 90-day time period. The requirements of an APA trial-type hearing, which, as noted above, we are required to observe, may make it impossible to do so.^{2/} Indeed, it is not likely that a single time limit could be usefully assigned to § 3661 cases. They may vary greatly in scope, complexity, and number of parties interested. (In this respect they differ from postal rate cases, which -- though extremely complicated -- deal with a rate schedule of known scope.)

1/ Changes in Operating Procedures Affecting First-Class Mail and Airmail, Docket No. N75-2 (September 3, 1975), at p. 4.

2/ The Commission has developed ways of expediting trial-type hearing procedures without sacrificing procedural safeguards, which contributed significantly to the 10-month schedule achieved in the third rate case.

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Thus the answer to your specific question is that there is no time limit prescribed for issuance of advisory opinions under § 3661. The Commission nevertheless tries to expedite these cases as far as possible, since an advisory opinion is of greatest usefulness when it is available before the planned action is taken. The cooperation of the Postal Service in filing early is, of course, of the greatest value (i) to interested parties being accorded a fair hearing and (ii) to the Commission in expediting § 3661 cases.

2. Rate-making By A Three-Member Board With Presidential Veto. Your second inquiry asks whether a three-member Commission, with its decisions subject to Presidential veto might not be a more efficient rate-making mechanism, and whether there are major drawbacks to such a procedure. As you point out, a board subject to Presidential review is provided for in the current bill to create a Department of Energy.^{1/}

In my May 16 testimony and the appendix thereto,^{2/} I discussed at some length the reasons why a three-member Postal Rate Commission would be less satisfactory than the present five-member panel. I will not reiterate that material here, except to stress the important point that continuation of our practice of having Commissioners preside in hearings (instead of performing only an appellate function) requires that we have enough members to deal with the workload. I believe this procedure is an eminently suitable and efficient one for an agency with a relatively small number of large and complex cases to decide.

The suggestion of a Presidential veto seems to me to fit poorly into the framework of postal regulation. As you point out, the Civil Aeronautics Board is subject to such Presidential review in international route cases. The

^{1/} S. 826, S. Rep. No. 95-164, § 404.

^{2/} At pages 11-12 of the testimony and 4-6 of the appendix.

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reasons for employing this mechanism in the international air carrier situation, however, are peculiar to that regulatory setting. As the Supreme Court stated in Chicago Southern Air Lines, Inc. v. Waterman Steamship Corp., 333 U.S. 103, 108 (1948):

. . . That [overseas] aerial navigation routes and bases should be prudently correlated with facilities and plans for our own national defenses and raise new problems in conduct of foreign relations, is a fact of common knowledge.

The Court went on to explain that the President's power to veto or modify CAB decisions on foreign routes rested in large part on the "powers conferred by the Constitution on him as Commander-in-Chief and as the Nation's organ in foreign affairs." *Id.* at 109. It recognized that in making air route decisions he could properly employ secret diplomatic and military information whose publication in an administrative record would be impossible. *Id.*, at 111.

This is a very different situation from the regulation of domestic postal rates and classifications.^{1/} The Presidential veto on CAB overseas route decisions is recognized as an anomaly in administrative law, and recommendations have been made that it be curtailed or eliminated.^{2/}

In the postal regulation area, Congress has consciously determined that interested parties should have the opportunity to participate in an on-the-record hearing (39 U.S.C. § 3624) and to seek judicial review of the ultimate decision (39 U.S.C. § 3628). In order to preserve the procedural safeguards the Act guarantees to the public, any Presidential review provision should require that the President's decision be based on the administrative record. I would question whether meaningful Presidential review of a record extending over many thousand pages of testimony could

1/ International rates are not subject to our jurisdiction, but are fixed by international agreement. See 39 U.S.C. § 407.

2/ See CAB Advisory Committee on Procedural Reform, Report (1975), p. 24. This Report also notes that the American Bar Association adopted a similar resolution in August, 1974.

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take place expeditiously. As you are aware, the Postal Service is adversely affected by delays in the implementation of new rates corresponding to its actual costs of operation. In view of the ready availability of court review -- which deals with the entire record and applies broad standards -- it seems doubtful that interposing review by the President would be productive.^{1/}

To the extent that your inquiry also covers the question whether the Commission should be placed within rather than remaining independent of the Postal Service (analogously to the Energy Regulatory Board "within the Department", which the Department of Energy bill proposes to create), I believe the two situations are wholly different. The Energy Regulatory Board would regulate public utility companies and wellhead sales of natural gas and oil -- organizations and activities outside the department. It would not -- with insignificant exceptions^{2/} -- regulate the Secretary of Energy or his activities. This Commission, on the other hand, has as its principal mission the regulation of Postal Service rates, fees, mail classifications, and services. To place this Commission -- which Congress in 1970 determined should be independent -- under the aegis of the Governors and Postmaster General would be anomalous from the standpoint of sound regulation.

1/ Under the system embodied in S. 826, the agency order is not final until Presidential review is completed. If the time period for his review were extended to permit full analysis of the record of a postal rate case, the Service would be unable to implement the new rates -- which might be badly needed -- during that time. Court review, on the other hand, does not delay the effectuation of the new rates. See 39 U.S.C. § 3628.

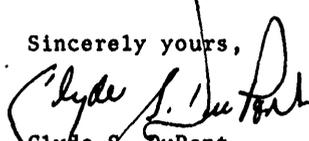
2/ The Energy Regulatory Board set up by S. 826 would have jurisdiction over certain Federally-owned power utilities which would also be under the ultimate supervision of the Secretary of Energy (e.g., the Southeastern Power Administration). These are entities whose rates are now regulated by the Federal Power Commission, to whose jurisdiction the Energy Regulatory Board would fall heir. However, I would note that even under S. 826 those Federal power marketing agencies are preserved as separate bodies within the Department of Energy [see S. 826, §§ 302(b), (c)]; thus the regulatory dialogue there would at least be between two co-equal entities of sub-departmental rank.

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For these reasons, I believe that the system about which you inquired does indeed have major drawbacks. In my view, the simpler solution recommended by the Commission on Postal Service -- final agency decision plus court review -- would be both more efficient and more suitable for the particular regulatory situation involved.

If I can supply any further information, please let me know.

Sincerely yours,



Clyde S. DuPont
Chairman

APPENDIX TO
CHAIRMAN CLYDE S. DUPONT'S MAY 9, 1977 STATEMENT
CONTAINING DETAILED DISCUSSION OF
LEGISLATIVE RECOMMENDATIONS BY THE
COMMISSION ON POSTAL SERVICE
AFFECTING THE POSTAL RATE COMMISSION

Introduction. This Appendix discusses in detail the legislative recommendations made by the Commission on Postal Service ("CPS") which directly affect the powers and activities of the Postal Rate Commission. The section numbers are those of the draft bill printed in Volume 1 of the CPS report, and the page numbers are also those of that volume.

1. Closing of Post Offices (§ 3, p. 85). The CPS draft bill would amend 39 U.S.C. § 404(b) to change the standards for closing a post office and to eliminate the as yet untried statutory mechanism for Postal Rate Commission review of Postal Service decisions to close or consolidate offices. The CPS proposal would appear to eliminate any consideration of economic savings resulting from a closing. [Compare present 39 U.S.C. § 404(b)(2)(D).] This seems too restrictive a standard; a plainly uneconomic office could be closed only if a majority of the patrons agreed or if the postmastership fell vacant. The standards of present § 404(b)(2) appear more realistic, while still requiring adequate protection for the public.

Elimination of PRC review can not be supported by any argument from experience, since the review mechanism has not yet been invoked by postal patrons. If the intent of the CPS bill is to eliminate any independent review of post office closings, it is not likely to succeed. An action can be brought in District Court^{1/} to enjoin the closing, and under 28 U.S.C. § 1331 no particular monetary amount in controversy need be shown. Review by the PRC seems likely to be cheaper, speedier, and simpler than a court action. This would be to the advantage of the public. The CPS recommendation therefore seems premature at best, and could have the effect of making public participation in the review process much more difficult.

2. Legal representation (§ 4, pp. 85-86).

The proposal of the CPS to allow both the Service and the PRC to appear in court by their own attorneys in cases arising under chapter 36 (i.e., regulatory matters) should be enacted. Both agencies have consistently supported it. At present, the Department of Justice must represent both agencies, and this arrangement has already led to one awkward situation where the Service and the Commission were on opposite sides.^{2/} If the CPS recommendation that PRC decisions be

^{1/} See Simon v. United States Postal Service, ___ F. Supp. ___, D.D.C. No. 76-0322 (1976).

^{2/} Associated Third Class Mail Users v. U.S. Postal Service, 405 F. Supp. 1109 (D.D.C., 1975), affirmed, ___ F.2d ___, D.C. Cir. No. 77-2227 (December 28, 1976).

final and subject only to judicial review (which the Service would have the right to seek) were adopted, the situation confronting the Justice Department would become virtually intolerable. The CPS amendment would correct this situation, as well as placing the PRC on the same footing as most other regulatory agencies.

If the CPS proposal to modify post office closing procedures is not adopted, and PRC review of such actions remains part of the Act, then the statutory delegation of self-representation authority should be correspondingly amended. These cases do not arise under chapter 36, and so would not be covered by the CPS language. References to § 404 should be added to the references to "chapter 36" [proposed § 409(d)(2)] and "this chapter" (proposed § 3605) in the CPS bill.

3. Professional Qualifications of PRC Members [§ 6(2), p. 86]. The CPS proposes to require that Commissioners be chosen "on the basis of their professional qualifications in postal affairs, law, economics, or utility regulation." Present law requires that nominees be professionally qualified, without specifying particular disciplines.

The list of relevant professional skills could be considerably expanded beyond those the CPS has enumerated. For

example, the original 1969 postal reorganization bill (H.R. 17070, 91st Congress, § 1251) called for expertise in "the legal profession, economics, cost accounting, engineering, management or postal rates." Even this list could be added to: finance, transportation, marketing, and other subdisciplines of accounting could be quite as useful as the skills listed.

Indeed, in view of the difficulty of predicting all the professional skills that might be needed, we would suggest a more flexible approach than that of the CPS: development of a comprehensive list of desirable skills which would then be made advisory but not absolutely binding on the President. He could thus appoint persons with unusual but plainly relevant expertise.

Under present law, the President has had this type of flexibility. Experience has shown that the Commissioners appointed in this way have successfully discharged the Commission's business, and have quickly assimilated the technical knowledge necessary to carry out their duties--including that of sitting en banc and presiding directly at evidentiary hearings.

4. Reduction of Commission membership from five to three [§ 6(b), p. 87]. The recommendation to reduce the Commission's membership to three is not a desirable one. While

it may appear to promote the "streamlining" of government, any such advantage would be canceled out by the adverse effects of the reduction.

The CPS' own recommendation that a broad range of professional skills be represented in the PRC would be more difficult to achieve if membership were reduced to three. Valuable diversity of geographic background among Commissioners would also be reduced. In addition, the PRC has experimented successfully with the practice of having Commissioners sit as presiding officers in hearings. If the scope of this practice were reduced by a reduction in membership, it might be necessary to make greater use of Administrative Law Judges--thereby sacrificing much of the theoretical "streamlining" advantage of the CPS proposal.

Moreover, there is no administrative symptom suggesting that reduction in membership would improve PRC efficiency. Experience shows that a 5-member Commission can and does dispose of its business expeditiously and well.

If Congress were to adopt the CPS proposal, however, a serious practical deficiency in it should be corrected. Under the CPS' scheme, the Commission would have a total membership of four for two years.^{1/} During that period, any matter on

^{1/} From October 15, 1978 through October 14, 1980 [§ 6(b)(4)].

which the vote was 2 to 2 simply could not be disposed of. This is especially serious in that the Commission expects to hear the evidence directly in future rate cases; thus there is no possibility of such cases being disposed of through affirmance of an Initial Decision by an equally divided vote. Proper expedition of rate cases--demanded by Congress in Public Law 94-421--could thus become impossible as a matter of law.

The only means of correcting this difficulty would appear to be to give the Chairman of the PRC a tie-breaking vote in cases where the Commission was equally divided.

5. Funding of the PRC Through Appropriations

[§ 6(c), p. 87]. The CPS proposes that the Commission should be funded through the appropriations process rather than by drawing on the Postal Service Fund with limited budget review by the Governors. The present system is admittedly somewhat anomalous, in that the regulated entity provides the regulators' budget, but in general it has worked satisfactorily. It is the view of the Commission that its independence is not compromised by the present procedure. However, if Congress perceives a potential problem of Commission independence, it can be better remedied by providing a neutral arbiter who would review any proposed reduction by the Governors.^{1/}

^{1/} The Governors are not authorized to veto or change any line item in the PRC budget. 39 U.S.C. § 3604(d)(1).

The most logical choice for such an assignment would be the Director of the Office of Management and Budget. This procedure would both assure the independence of the PRC and retain the simplicity of its budget process.

6. Changes to 39 U.S.C. § 3621 (§ 7, pp. 87-88).

There are several sub-issues raised by § 7 of the CPS draft bill, discussed herein seriatim.

A. The first sentence of the new § 3621 proposed by CPS would vest authority to change rates and fees in the PRC. This reflects the CPS' recommendation that PRC decisions be final; that proposal, and the reasons why it should be adopted, are discussed in detail in the main statement.

B. The elements of the revenue requirement which forms the basis of postal rates would be affected in a number of ways by the CPS bill. The bill would redefine the elements includable, place a limit of two percent on allowable contingency provisions, and prohibit the inclusion of any allowance for the recovery of past losses.

Present law provides, as an element of the revenue requirement, for "sinking funds or other retirements of obligations to the extent that such provision exceeds applicable depreciation charges." The CPS bill omits this item and thus presumably intends to prohibit sinking funds.^{1/} There does

^{1/} Sinking funds would be available for the retirement of operating as well as capital borrowings. See PRC Op., R76-1, pp. 32-34.

not appear to be any inherent disadvantage in the use of a sinking fund to retire past deficits represented by operating debt; indeed, the CPS itself implies that if revenues associated with the allowance for past-loss recovery had been applied to such a fund, the allowance itself would be less objectionable. See CPS Report, vol. 1, p. 71. Under these circumstances, it seems premature at best to prohibit the use of sinking funds for this purpose. Moreover, such a prohibition would tend to depart from the "break-even" philosophy which underlies the Postal Reorganization Act. The better course would be to leave the sinking fund available as a means of restoring the financial condition of the Service.

The CPS also proposes to prohibit the allowance of any sums for the recovery of past losses. This ban--coupled with a proposed appropriation of \$625 million to retire operating debt outstanding as of September 30, 1978--is apparently intended to "wipe the slate clean" and to require timely rate increases and economical operations in the future. It is by no means certain that the CPS proposal is workable, however. It is not unlikely, in the first place, that more operating debt will have been incurred by the end of FY 1978. The CPS appropriation proposal thus may be inadequate to achieve its purpose. Secondly, there is a distinct possibility of major

changes in the Service's cost picture in future years. For example, experimentation with electronic message transmission could cause temporary changes of considerable size. Under these circumstances it would seem preferable to allow postal management sufficient leeway to choose the most efficient financing mechanism.

Finally, the CPS argues in favor of limiting contingency allowances to two percent of operating expenses, depreciation, and debt service. This seems an unduly low limit; indeed, the history of contingency allowances recommended by the PRC in the past shows that--without any limit other than the statutory prescription of reasonableness--the amounts allowed have been no more than adequate. The Kappel Commission recommended an allowance of three to five percent. Moreover, the PRC has not adopted any particular figure as a rule of thumb. The need for, and amount of, a contingency allowance will be examined independently in each case.

C. As revised in the CPS draft bill, § 3621 omits any mention of establishment of mail classifications. The mechanisms for classification are incorporated elsewhere in the bill, and are commented on at Paragraphs 12-15, infra.

7. Initiation of Rate Cases [§ 7(2), p. 88]. The CPS revision of present § 3622(a) requires that the Postal Service, before bringing a rate case before the PRC, must find "that each such change would be in the public interest of this

and in accordance with the policies of this title." This provision--which is retained from existing law--apparently would perpetuate the rule of Associated Third Class Mail Users v. U.S. Postal Service, supra, that the Governors must review and approve in detail each rate request before it may be submitted to the Commission.

8. Rate-making standards [§ 7(2), pp. 88-89]. The CPS proposes a large number of changes in § 3622(b), the central rate-making provision of the Act.

A. As a basic rule of cost allocation, the CPS would revise the first sentence of § 3622(b)(1) to read:

Each class or subclass of mail or type of service shall bear those postal costs attributable to that class, subclass, or type because the costs vary with the volume of that class, subclass, or type of service.

It seems quite clear from the body of the CPS Report (see pp. 6, 7, 63-64) that this amendment is specifically intended to reverse the judicial interpretation placed on the Act in National Association of Greeting Card Publishers v. U.S. Postal Service, ___ F.2d ___ (D.C. Cir. No. 75-1856, December 28, 1976). In that decision, as the Report makes clear, the court adopted a construction of the Act which subordinates all of its other rate-making criteria to the objective of attributing costs on the basis of causation.^{1/}

^{1/} To achieve this end, the court showed a willingness to entertain rough or approximate methods of judging causation. [Footnote cont'd.]

The CPS recommendation would restore to their intended role in ratemaking the noncost factors used to assign institutional costs. In doing so, it would in effect institutionalize the methods used by the PRC in past rate cases, which are consistent both with the legislative intent and with the best interests of the mailing public. As the CPS Report points out (vol. 1, p. 63), the methods endorsed by the court would result in substantial rate increases for the classes of mail having alternative delivery systems available. Experience shows that volume in these classes is sensitive to rate increases. Thus, if volume in those classes declined, the heavy fixed costs of the Service would fall increasingly on first-class mail--the apparent short-term beneficiary of maximized cost attributions.

The Commission fully endorses the change proposed in the first sentence of § 3622(b)(1). It is suggested, however, that its meaning would be clarified by altering the definitional phrase to read: ". . .those postal costs which are attributable to that class, subclass, or type because the

[Footnote cont'd.] Indeed, it chided the Commission for an "allegiance to the goal of greatest possible accuracy," which it said "fatally flaws" the ratemaking approach used. Slip op., p. 41.

costs vary [etc.]."

B. Thus far the recommendation of the CPS is entirely in accord with the original intent of Congress and with sound ratemaking principles. The next alteration proposed to § 3622(b)(1), however, is not a desirable one. The CPS advocates two mathematical limitations on the exercise of the ratemaking method embodied in the first sentence of § 3622(b)(1):

- (i) An absolute ceiling of 60% on the proportion of costs that may be causally attributed; and
- (ii) A limit of three years on the period which may be considered to determine whether costs vary with volume.

Neither of these essentially arbitrary limits is necessary, or consistent with the regulatory functions assigned to the Commission. It is arguable that a limitation on the maximum level of attributions might contribute some stability and predictability to postal rates.^{1/} But stability in rates cannot realistically be pursued when costs are not stable.

^{1/} Even if this argument were accepted, it would still be preferable to provide a ceiling that could change from time to time to reflect the changing economic realities of postal operations. One possible method might be a periodic study (e.g., every four years), conducted by the PRC and submitted to Congress with a recommendation for the next four-years' limit on attribution levels. If not vetoed by either House, this limit would become the governing one until superseded by the next report.

It is not unlikely that the costs of the Postal Service will change significantly in nature as well as in amount in future years. For example, if the Service were to become actively involved in electronic message transmission, new categories of expenditures, with different causal factors, would make their appearance. Another example is suggested by the Postmaster General's prediction (Wall Street Journal, May 3, 1977) that potential savings from 5-day per week delivery (estimated at \$412 million) would not be fully realized for three years. These are specimens of the kind of change which a rigid limit on attributions would leave out of account.

It is also quite possible that--contrary to the accepted economic theory and underlying the present provisions of the Act--some classes of mail could, under the proposed 60 percent ceiling, be priced below incremental cost. When Congress prescribed "attributable cost" as a floor for prices, it did not have in mind that an arbitrary definition of that term might be employed to make the price floor less than incremental cost. Indeed, as the CPS Report itself recognizes (vol. 1, p. 60), Congress intended incremental cost to establish that price floor. Artificial limits on attributions, therefore, such as the 60 percent proposed here, would undercut the original intent of the Act.

Finally, it is clear that Congress intended attribution --like the other technical procedures of ratemaking--to be

performed by an expert body making judgments on the basis of an evidentiary record. Artificial limitations such as the 60 percent "cap" on attributions are inconsistent with this approach.

The time limitation on consideration of cost variability is open to the same objections. The determination of a reasonable planning cycle for variability analysis is as much a part of the Commission's expert function as the determination of variability itself. Moreover, the limitation of the period considered to three years would place an additional limit on attributions, since the longer the period taken into account the higher the level of cost variability apparent. It might be argued that the three-year period is appropriate as reflecting the length of the Postal Service labor contract. But that contract period is not immutable; rather it is subject to negotiation between the Service and the unions.

In summary, therefore, the amendment to the first sentence of § 3622(b)(1) is highly desirable, and should be favorably considered by Congress. The two numerical limitations on application of volume variability should be rejected.

9. Relationship between Appropriations and Ratemaking [§ 7(2), p. 88]. As in the present law, § 3622(b)(2) would govern the assignment of costs not attributed on the basis of causation. Subsections (2)(A) - (E) contain the standards which the PRC would be required

to observe in making these assignments; the CPS proposals in this respect are discussed below at Paragraph 10. Here, however, it is necessary to discuss one point in the preliminary portion of § 3622(b)(2).

The costs which are to be apportioned in accordance with the listed noncost factors are, under the CPS proposal, to be diminished by "an estimated amount for public service appropriations" before being assigned. This specific treatment of public service appropriations as a single deduction from unattributed costs raises a significant question. Section 3621 now requires--and the CPS bill would not change it in this respect--that income plus appropriations equal total estimated costs. If attributed costs are calculated as a portion of total estimated costs, and all remaining costs are then reduced only by the amount of public service appropriations before being assigned on the basis of the proposed § 3622(b)(2) factors, it is possible for some income items other than rate revenue and public service appropriations to be left out of account. These miscellaneous items would include Postal Service investment income, miscellaneous fees, and international mail revenues. The result of failing to account for these items would be to produce needlessly

high rates and excess revenues. Inasmuch as the appropriate deductions are made as a matter of course in rate cases under current practice, it is questionable whether the CPS amendment is needed at all.

10. Changes in Noncost Factors [§ 7(2), pp. 88-89]. The five paragraphs, lettered (A) through (E), of § 3622(b)(2) in the CPS proposal would make certain changes in the factors currently used to distribute institutional costs among the mail classes. One change which is probably not desirable is the elimination of present § 3622(b)(9): "such other factors as the Commission deems appropriate." There may be unusual circumstances which should be reflected in the assignment of institutional costs, and it would be desirable for the Commission to have clear authority to consider them. Likewise, the CPS proposes to eliminate present § 3622(b)(1): "the establishment and maintenance of a fair and equitable schedule." While the Commission would certainly attempt to meet this standard whether or not it was articulated, no good reason appears for striking it from the statute. The CPS has also removed from § 3622 the factor concerning degree of preparation by the mailer of mail matter; however, it has added this factor to the mail classification section (§ 3623), and it may well be that it can be better administered there. Simplicity of structure and "simple,

identifiable relationships" among the various rates are a requirement of present law [§ 3622(b)(2)]; this provision is removed by the CPS. It represents a worthwhile, if not paramount, value in ratemaking and probably should be retained. The CPS has added, as new § 3622(b)(2)(E), a factor concerning "the relative demand for each class or subclass of mail or type of mail service." This is a meritorious proposal, which is consistent with the Commission's use of relative demand elasticity as an important tool in assigning institutional costs.

11. Temporary Rate Provisions [§ 7(4), p. 89].

One comment should be made on the CPS' proposed subsection 3641(d), which provides that temporary rates established by the Postal Service under § 3641 may remain in effect for up to 150 days after the Commission issues its decision. The ancestor of this provision in present law was enacted on the theory that the Governors of the Postal Service required a reasonable time in which to consider (and possibly decide to remand for reconsideration) a recommended decision of the

PRC. By giving the PRC final decisional authority, the CPS draft bill makes this provision obsolete for its original purpose. It may be noted that the CPS' proposed new § 3624(d)(3) leaves it to the PRC to prescribe an effective date for new rates; thus this provision is inconsistent with the one allowing the Governors to retain a temporary rate in effect when the PRC-prescribed permanent rate is different.^{1/} The inconsistency, if inadvertent, should be corrected by omitting the revision of § 3641(d). Prescription of the effective date of new rates is a proper function of the regulatory agency. If the intention of the inconsistent provision is to the provision of an "extrajudicial stay" which the Governors may invoke, it is equally undesirable. Appellate courts can stay an order of an agency if certain showings as to its unduly harmful effect on the respondent are made. This should remain a judicial function, not a privilege of one party to the proceeding.

1/ The CPS would amend § 3641 to permit the Service to institute temporary rates "in accordance with the proposal under consideration by the Commission"--but the Commission may, of course, prescribe other rates than those proposed. In that event, the temporary and permanent rates would differ.

12. Classification Amendments: Legislative Freezing of Major Mail Classes [§ 8(a), pp. 89-90]. The CPS recommends that § 3623 be amended to require that there be at all times a separate class for (i) letters and other matter sealed against inspection, (ii) newspapers and other periodical publications, (iii) advertising and miscellaneous matter under 16 ounces and not required to use another class, and (iv) parcels and other items not required to use some different class. Congress, in 1970, did not envision such a limitation on future restructuring of the classification schedule. As the Kappel Commission Report (p. 136) indicates, some sweeping proposals for realignment of the traditional structure were before Congress at that time, and the statute adopted allows full latitude to explore them. If--as is quite understandable--the CPS desires to guard against the exclusion of any of the historic types of mail from the postal system through the adoption of a reformed classification schedule, it is not necessary to accomplish this end by refusing in advance to countenance any basic reorientation of mail classification. It can be made a binding requirement of the statute, or expressed as a general policy, that all those types of mail must continue to be accommodated by the system, whatever shape the future classification schedule may take.

13. Changes in Classification Standards [§ 8(a), p. 90]. The CPS has proposed certain changes to the classification standards of § 3623(c). As it did with respect to ratemaking standards, the CPS has omitted both the general "fair and equitable" standard and the general provision for the Commission to consider other factors not specifically enumerated. Both should be retained in the statute, for the same reasons mentioned in Paragraph 10 above. The transfer of the "degree of preparation" standard from the rate to the classification section has also been commented on above.

The omission of the "fair and equitable" standard is particularly unfortunate here because, unlike the situation with respect to rates, § 101(d) does not speak directly to classifications.^{1/} There is no apparent reason for this omission, but if Congress determines to remove the general standard from § 3623 it might be desirable to broaden § 101(d) to cover classifications as well as rates.

The CPS would also add to the classification criteria an "educational, cultural, scientific, and informational value" standard. Congress added this criterion to the rate provisions

^{1/} Section 101(d) reads: "Postal rates shall be established to apportion the costs of all postal operations to all users of the mail on a fair and equitable basis." One--but not the only--aspect of fairness and equity is addressed with reference to classifications as well as rates in § 403(c), which forbids undue discrimination.

in 1976. These considerations are a traditional element of mail classification legislation enacted before 1970. While they are difficult to quantify, participants in classification proceedings can be encouraged to overcome the difficulty with appropriate evidence.

14. Initiating Mail Classification Proceedings [§ 8(a), p. 90]. The CPS would add a new subsection 3623(d) to the effect that "[t]he Postal Service or the Commission may propose changes in the mail classification schedule." The Commission now has, and has used, authority [under § 3623(b)] to initiate mail classification proceedings on its own motion. It is important that any amended § 3623 clearly preserve this authority; however, the proposed § 3623(d) could conceivably be read as meaning that the PRC may propose changes only in the context of a proceeding initiated by a Postal Service filing. To avoid such a construction, which does not appear to be what the CPS intended, it might be well to add a second sentence to the new § 3623(d): "The Commission shall institute proceedings, in accordance with § 3624, upon such proposed changes."

15. Temporary Mail Classifications--Institution by Postal Service [§ 8(b), pp. 90-91]. Under this proposed amendment, the period between the filing of a Postal Service classification change proposal and the possible institution

of temporary classification changes by it (the PRC not having yet issued a decision in the premises) would be enlarged from 90 to 180 days. This change would not accomplish any practical result except to give the public additional notice of potential temporary classifications. While theoretically the probabilities of a PRC decision issuing before temporary classifications can be imposed is increased, it is in fact unlikely that in a controverted case of any complexity a decision would be rendered in 180 days. The proposed change does not reflect any administrative problem existing today, since the Postal Service has not placed any temporary classifications into effect in advance to PRC decision. The change therefore seems unnecessary.

16. Changes in PRC Decisional Process--Rate and Classification Matters in Common Docket [§ 9(a)(1)]. The CPS proposal to require--unless the demands of expedition and fairness dictate otherwise--that related rate and classification matters be dealt with in the same docket seems unnecessary. It is inherent in the power of a regulatory agency to arrange its docket and conduct its business efficiently either to separate or to combine such related matters. The Commission shares this power, and the fact that such related matters have seldom been combined in one docket reflects the demands

of expedition and fairness--that is, the exceptions provided for by the CPS draft bill would, if experience is a guide, tend to outweigh the rule. This is, of course, particularly true in rate cases, where a statutory time limit has been imposed.

17. Nine-month Rate Case Deadline [§ 9(a), p. 91].

The CPS recommends that the time limit of 10 months on decision in rate cases, established by P.L. 94-421, be reduced to 9 months. This reduction in an already close schedule would seriously interfere with the rights of the parties to present, cross-examine, and rebut evidence and to present legal argument--all of which rights are (quite properly) preserved in the CPS bill. The gain, if any, to the Postal Service would be relatively minor, and the CPS report does not appear to advance any reasons for the reduction.

18. Finality of Decision [§ 9(a), pp. 91-92]. The

CPS proposes several amendments of a technical nature to §§ 3624, 3628, 3662, and 3684, to effectuate its proposal to make PRC decisions final. In addition, of course, it would delete § 3625 in its entirety. The CPS amendments appear to be technically sound and adequate to accomplish the general change intended.

19. Preferred Mail Rates [§ 10, p. 92]. The CPS'

proposal to cause preferred mail eventually to pay full rates

(including institutional cost components) rather than rates reflecting only attributable costs, as presently provided, is not one on which the Commission would normally comment--as it involves essentially a question of appropriations policy. However, one technical question should be raised. It is apparent (although the CPS did not specifically so state) that the gradual elimination of the preferred subclasses is intended to begin with the end of 16-year phasing as currently provided for in § 3626(a)(1). The CPS bill apparently assumes that the terminal date will be July 5, 1987, since § 10(b) declares that the effective date of the amendment is July 6, 1987. However, the end of the current 16-year phasing schedule will be July 6, 1988, since the effective date of the first rate decision (which is the key date for determining the end of phasing) was July 6, 1972. The CPS bill therefore appears to contain a presumably unintended one-year incursion into the currently applicable phasing schedule.

20. Size and Weight Limits [§ 11, p. 93]. The CPS proposal to amend § 3682 appears to be intended to make uniform the maximum size and weight limits for non-letter mail; it would apply the 100-inch/70-pound limit to all such items and not merely to those meeting the requirements of present § 3682(b). The amendment would probably tend to make parcel

post service more widely available, with a beneficial effect on volume in that highly competitive class. A potentially misleading locution in the CPS' proposed subsection 3682(b) should be corrected: the proposed bill states that the "Postal Service may establish size and weight limits for letter mail" in the manner prescribed for mail classification cases under subchapter II. This is a near-reproduction of existing language; but as the CPS would make PRC decisions final, omitting the Governors' review, it is inconsistent to speak of the Service's "establishing" these limits. The substitution of "Commission" for "Postal Service" in this sentence would cure the defect.

21. Changes in Mail Service [§ 13(b), pp. 93-94].

This proposed change would substitute informal rulemaking (under 5 U.S.C. § 553) for the present requirement of formal, on-the-record proceedings in cases under § 3661 involving changes in the nature of service. It does not seem that if the Commission found evidentiary proceedings actually needed for part or all of such a case, they would be positively forbidden by the direction to use the less formal procedures. However, it would be preferable to allow the PRC the necessary

administrative flexibility to adopt the best mode of procedure. This could be accomplished by making the applicable language read:

The Commission shall conduct a proceeding under Section 553 of title 5 (or, if it finds the requirements of fairness necessitate so doing, under sections 556 and 557 of title 5)

22. Miscellaneous Provisions. Two relatively minor amendments proposed by the CPS require little comment. The CPS would amend § 3624(d) to specify matters that must be addressed in PRC opinions, the CPS's list essentially reflects the PRC's present opinion-writing practice. The only new item is a requirement that the effective date of new rates or classifications be specified. This reflects the CPS's recommendation that PRC decisions be final.

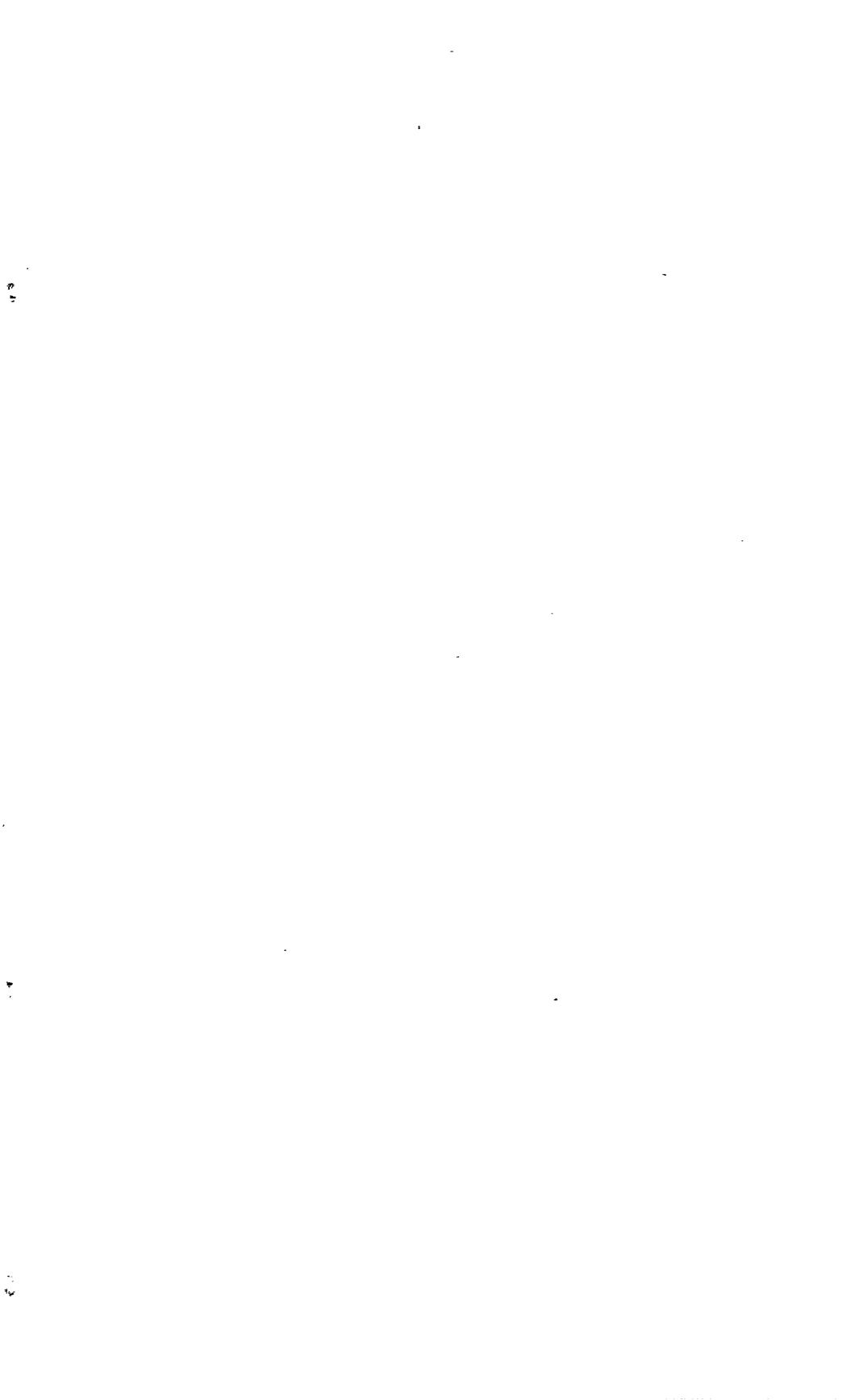
The CPS also would require [in § 3624(e)] that the Commission decision be printed by the Public Printer within 10 days of its issuance. This also reflects present law and practice. While it might be more economical--in view of the fact that under the CPS bill Commission decisions would be final--to employ the Commission's own print of its decision, the matter is essentially one for the discretion of Congress.

In this connection it might be of assistance to the public if a printed (rather than microfilmed) edition of the entire record were required to be prepared by the Public Printer, as was the practice in earlier PRC rate cases.

Senator GLENN. This Friday, May 20, will be the next meeting. Representatives of the various labor organizations will be here as witnesses at 10 o'clock.

We will stand in recess until then.

[Whereupon, at 12:14 p.m., the subcommittee recessed, to reconvene at 10 a.m., Friday, May 20, 1977.]



EVALUATION OF THE REPORT OF THE COMMISSION ON POSTAL SERVICE

FRIDAY, MAY 20, 1977

U.S. SENATE,
SUBCOMMITTEE ON ENERGY,
NUCLEAR PROLIFERATION AND FEDERAL SERVICES
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 9:35 a.m., pursuant to notice, in room 3302, Dirksen Senate Office Building, Hon. John Glenn presiding.

Present: Senator Glenn.

Staff present: Leonard Weiss, staff director; Walker Nolan, chief counsel; Daniel Doherty, professional staff member; and Gary Klein, minority counsel.

OPENING REMARKS OF SENATOR GLENN

Senator GLENN. The hearing will be in order.

I did not have the opportunity to really know Stu Filbey, the president of the American Postal Workers Union, who died earlier this week. I do know that Mr. Filbey was considered by those who knew him well to be a man of strength and conviction, a good leader, and a steadying influence. He will be missed, not only by the APWU, but by postal workers in general and by his many friends, including many here on Capitol Hill.

I think it proper that we pay our respects to the memory of Stu Filbey here today, then proceed with our business. I'm sure that would have been his attitude, too. Unfortunately, because of Mr. Filbey's death, the officers of the APWU cannot be present here today. The record, however, will be held for Mr. Patrick Nilan's testimony,¹ and we will endeavor to hear the union's answers to our questions.

It is somewhat unfortunate that the situation prevents APWU officers from being in attendance, because it was the president of its largest local who was quoted in Wednesday morning's Federal Diary column in the Washington Post as saying that the idea of 5-day mail delivery is a "strikeable issue."

While a strike of postal workers is not unprecedented, it remains illegal, a fact which makes such a statement controversial indeed.

Controversy on the issue of the Postal Service appears to be unavoidable, and perhaps that isn't such a bad thing. If we were to avoid controversy we would have little chance of solving present

¹ See Statement of American Postal Workers Union, p. 191.

postal problems, let alone those which will surely ensue from wider use by the private sector of advanced communications technology—developments that the Commission on Postal Service has warned “portend disastrous consequences for the Postal Service.”

The easiest way out, and the one that has usually been followed with respect to the Postal Service and its predecessor, the former Post Office Department, is to throw more money in the pot. That alone, however, can't solve the problems.

Nor is the question of 5-day delivery of mail the only recommendation of the Commission on Postal Service to engender disagreement and controversy.

This subcommittee intends to be thorough in considering the recommendations of the study commission and other ideas put forth by persons with knowledge and experience to offer. Our witnesses today, representing postal workers—both those organized into bargaining units and what I would call the grassroots managers and supervisors—qualify as knowledgeable and experienced.

This morning we would like to have a roundtable discussion. We will refer questions and comments back and forth from one person to another. All the witnesses can come to the table now and give the statements one after the other. Then we will proceed with a discussion period. I think we can accomplish more by this method.

J. JOSEPH VACCA, PRESIDENT, NATIONAL ASSOCIATION OF LETTER CARRIERS; JAMES J. LaPENTA, Jr., DIRECTOR, LABORERS' INTERNATIONAL UNION; FEDERAL-PUBLIC SERVICE DIVISION; JOE GONDOLA, LEGISLATIVE CHAIRMAN, NATIONAL ASSOCIATION OF POSTMASTERS, ACCOMPANIED BY FRANK L. MIKLOZEK, EXECUTIVE DIRECTOR; EUGENE B. DALTON, PRESIDENT, NATIONAL LEAGUE OF POSTMASTERS; DON LEDBETTER, PRESIDENT, NATIONAL ASSOCIATION OF POSTAL SUPERVISORS, ACCOMPANIED BY MAURICE TWOMEY, EXECUTIVE VICE PRESIDENT; LESTER F. MILLER, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION, A PANEL

Senator GLENN. We have with us today Mr. Joseph Vacca, president of the National Association of Letter Carriers. Mr. Vacca, I believe you are accompanied by Mr. Tony Huerta and Mr. Jerome Waldie, is that true?

Mr. VACCA. Mr. Chairman, are we all going to sit up at the same time? I assumed as much. Mr. Huerta is not with us today. He is a legislative director but his mother has passed away and he is down in Florida.

Senator GLENN. We also have Mr. James LaPenta, Jr., director of the Laborers' International Union; Mr. Joe Gondola, legislative chairman, National Association of Postmasters; Mr. Eugene B. Dalton, president of the National League of Postmasters; Mr. Don Ledbetter, president, National Association of Postal Supervisors; Mr. Lester F. Miller, National Rural Letter Carriers' Association.

We welcome you to our hearings this morning. We look forward to your testimony. If your testimony is lengthy, we would appreciate

a summary, however if you prefer to give the full statements, that's fine. We would like to save as much time as possible for discussion and questions this morning.

As we ask of all our witnesses, we hope that you might respond later to additional questions the staff or other committee members may wish to submit for inclusion in the hearing record.

Sometimes, when we read over the hearing transcript, additional questions come up. It would be appreciated if you could respond to additional questions from staff or other committee members.

Mr. Vacca, we welcome your testimony.

Mr. VACCA. Thank you, Mr. Chairman. My statement is brief and I will, therefore, read it all for continuity's sake.

Senator GLENN. Fine.

Mr. VACCA. My name is J. Joseph Vacca. I am the president of the National Association of Letter Carriers, AFL-CIO, a postal union of 230,000 members who deliver the mail to every resident in this vast Nation.

We deeply appreciate the opportunity to appear before you today to express our views on the report of the Commission on Postal Service and our suggestions as to how this vital service might be improved.

The change that could best assure the elimination of management deficiencies which have contributed to the decline of the USPS would be the appointment of the Postmaster General and Deputy Postmaster General by the President with confirmation by the Senate. This would translate to a meaningful degree of accountability and proper concern for service.

These institutions, the Office of the President and the U.S. Senate, are responsive and accountable to the people. Their concern for a high level of service would be far better reflected in their selection of the top managers of USPS than has been the case under the profit orientation of the Board of Governors.

The numerous management deficiencies that have contributed to the present financial crisis and low level of service cannot be overlooked. The list is depressing and monotonous: the bulk mail system, the freeze on hiring which led to the absolute breakdown of one Christmas delivery season, the abandonment of the accelerated business collection delivery (ABCD) program calling for same day delivery of business mail, the reduction of street collection boxes and the reduction in frequency of collection for those remaining, and the proposed elimination of 6-day deliveries.

I purposely do not overemphasize the particulars of these management failures because I consider them part and parcel of the business-like attitudes that the "breakeven" concept imposed on the Postal System. Once the decision was made to emphasize profit over service, the managers of the system were selected according to their single-minded devotion to profit. Each of these management failures resulted in a further reduction of service.

If the Postal Service is to fulfill its constitutionally mandated purpose of service, it will be necessary to replace the management attitudes of profit over service that are pervasive in the present USPS administration by restoring the President and Congress to the selection process of top management of the USPS.

This appointment and confirmation process eliminates even further any role for the existing Board of Governors.

A recent illustration of the necessity of obtaining greater sensitivity as well as accountability on the part of the Postmaster General was his startling action involving the reduction of mail delivery to 5 days a week.

As you are aware, Congress created the Commission on Postal Service last year ordering it to study the service and to report its recommendations for improvement of service to the Congress and the President.

After a 6-month study, the Commission publicly released its report and recommendations. Prior to the Commission's appearance before the Congress to formally present its study, and on the very next day after publicly releasing its contents, the Postmaster General invited the presidents of the four exclusive postal unions to meet with his representatives on the following Friday to discuss the reduction of delivery days.

I immediately responded to the Postmaster General that his action in beginning implementation of that particular and selective recommendation was premature and unwise, and I declined to participate.

I further stated the position of the NALC was unequivocal and firm and that we would oppose any further reductions in patron service—of any kind—including reduction to 5 days delivery.

My view was not an isolated reaction to this display of insensitivity to patron needs and to the role of the USPS in terms of accountability to the Congress and the President. The House Post Office and Civil Service Committee strongly asserted its own unhappiness with this precipitous and unwise move of the Postmaster General by sending him a letter from Chairman Nix, signed by all Members from both parties, except three who were unavailable, expressing similar sentiments and urging that he take no further action on any of the recommendations of the Commission pending their review by Congress and the President.

Even the Chairman of the Commission, Mr. Freeman, in testimony before the Hanley subcommittee, responded to a question as to his views on this action by the Postmaster General, describing it as "dismaying" and "embarrassing."

And you, too, Mr. Chairman, wrote the Postmaster General warning that "such a cutback to 5-day delivery would be premature before Congress has had an opportunity to consider its merits."

One might have excused this lapse in judgment on the part of the Postmaster General were it to have ended after the response from the unions, the Congress, and the Chairman of the Commission.

But the extent of the lack of accountability and insensitivity was dramatically displayed only a few days later when the Postmaster General sought and received the permission of the Board of Governors to file a request with the Postal Rate Commission for "reductions in service," clearly referring to the 5-day delivery standard.

The Postmaster General emphasized his independence from Congressional views on Monday of this week when he responded to your question as to what he would do about implementing the 5-day reduction if the Postal Rate Commission "advisory opinion" was negative

and if, at the same time Congress had not completed its review of the issue. "I'd go ahead if we concluded we should move on this issue."

A recitation of this dismal series of recent events is necessary to illustrate the extent of the attitude of present USPS management that it is not accountable to the Congress or to any of its extensions, such as the Commission on Postal Service or the Postal Rate Commission, nor does it intend to be in the slightest dissuaded from any of its policies no matter how concerned the Congress might be as to their wisdom.

In addition, this latest incident dramatically demonstrates the key failure on the part of USPS management, namely, a persistent lack of sensitivity to patron service.

Finally this incident is compelling in demonstrating the lack of usefulness of the Board of Governors. As it has been in the past, so it remained, namely, an obedient servant of the Postmaster General.

Accordingly Mr. Chairman, the recommendation of the Commission on Postal Service opposing Presidential appointment of the Postmaster General and abolition of the useless Board of Governors, directly ignores the most significant failure of the Postal Reorganization Act, namely, an over-emphasis on the part of management with profits and a neglect amounting at times to intentional destruction, of service to our patrons.

We believe, Mr. Chairman, that the issue of 6-day delivery standards should be once and for all settled by enactment of those minimal standards into law thus placing them beyond the tampering of an unresponsive postal management. And, if Postmaster General Bailer is to be believed, and we think he should be, such statutory protection should be in place before January of 1978.

We believe the recommendation of the Commission to increase the subsidy to USPS to 10 percent of the previous year's USPS budget, is an improvement over the existing inflexible formula of 10 percent of the 1970 budget. But we also believe it, too, is inflexible and insufficient to permit the USPS to render the service its patrons deserve and require.

The basis of the Postal Reorganization Act was a "break-even" concept, and certainly experience has amply demonstrated the failure of that concept. The inflexibility of the present subsidy language has distorted the service response of the USPS to the point where "service," once the primary objective of the mail system, is now relegated to speeches on the part of management but is conspicuously absent from their policies.

We support the approach contained in H.R. 6520 introduced by Charles Wilson of California, which sets no precise formula to compute the subsidy, but which causes Congress to determine whether the gap in revenue shall be closed by rate increases or subsidies or a combination of both.

The NALC, however, desires to emphasize our concern that the integrity of the collective bargaining process, so successful under the otherwise-defective Postal Reorganization Act, in no way be compromised. We believe the strong language assuring this result contained in H.R. 6520 is important. But we also underline the intention of NALC to constantly monitor the effectiveness of the prohibition against interference with the collective bargaining process.

The Commission has recommended a relaxation of the vital protection to a nationwide delivery system that is embodied in the private Express Statutes. Though the Commission gives "lip-service" to the necessity of maintaining the postal monopoly, it deprives that sympathetic view of validity by accompanying it with a proposal that the monopoly be suspended to provide private couriers with competitive opportunities under certain "limited" conditions.

We believe there can be no such a thing as a "flexible" monopoly and that any relaxation invites the ultimate elimination of the monopoly and the assured destruction of the Postal Service.

Though the Commission properly castigated the USPS management for its failure to invest in research and development to ready itself for a major role in electronic communications, it sidestepped the essential need for control of this new communications media by USPS.

We believe, and I have so testified before the Commission, that we stand in danger of losing, literally, the Postal Service as we now know it unless we involve ourselves in this electronic revolution. The heart of the mail system is found in first-class mail involving financial transactions and messages. Both EFTS and EMTS have already made huge inroads into that essential volume of mail and the future diversion of first-class mail by these electronic systems is predictably staggering in percentages of total volume.

Unless USPS not only involves itself in this method of transmitting funds and messages, but, in fact, becomes the arbiter of the system, there will be little left of the nationwide mail system that has been such a vital part of this Nation's growth and unity.

The USPS is properly situated in the communication system of the Nation to be the governmental agency that assigns the proper roles in the electronic communications revolution. Such an eminent position would enable the USPS to assure that the beneficiaries of the postal system, the patrons, are, in fact, the beneficiaries of the technological revolution now upon us.

But such attitudes are absent from present USPS management. It could appear to a disinterested observer that the lack of interest of USPS management in this issue was a deliberate policy to phase out the Postal Service and to deliver what is left to the private sector for profit.

I was particularly struck by the questions you asked the Postmaster General concerning his quote in the Wall Street Journal that involvement of USPS in this fast developing field would be "predatory" to the private sector. Throughout his testimony, it was plainly evident that no matter how much criticism was leveled at his inaction in this vital field, that he would persist in such inaction because of a deeply held commitment to the principle that the private sector must be protected from competition from the USPS.

That lack of desire on the part of postal management to compete with the private sector in service to postal patrons has already lost the major part of the once thriving parcel post business. That continued lack of desire in terms of electronic communications effectively will seal the doom of the Postal Service and its final parceling out to private delivery and communication systems.

In closing, Mr. Chairman, let me express my appreciation and that of the members of our union for the promptness with which you have begun your examination of the problems of the Postal Service and for the thoroughness with which you have conducted your inquiry thus far.

As you are aware, we were among those who were disappointed in the abolition of the Senate Post Office and Civil Service Committee. We were alarmed that our problems would not receive the attention we believe they deserved, given the other assignments of your new subcommittee. Those fears do not now seem justified and we commend you for the grasp you have shown so early of the complex problems confronting this Nation's postal system.

Senator GLENN. Thank you, Mr. Vacca.

As to your last paragraph, I can assure you that we didn't exactly ask for this jurisdiction either. As I told you directly in our conversations in my office some time ago, we are going to do the best job we can. We feel it is important for the country.

We have started off quickly after finally getting what budget we have. It is not as great, I am sorry to say, as that of the previous committee. We are working hard and it will require the best cooperation of all of us. We appreciate all of you gentlemen being here in that same spirit.

Mr. LaPenta?

Mr. LAPENTA. Thank you, Mr. Chairman.

I have submitted to your committee a comprehensive statement I would like in the record.

Senator GLENN. Your full statement will be included in the record.

Mr. LAPENTA. The subparts dealing with the Commission on Postal Service, the Postal Reorganization Act of 1970, collective bargaining and productivity, the Postal Reorganization Act Amendments of 1976, perspectives on recent developments in the Postal Service, some dialog in the statement about the Postal Service, whether it is a business or a public service, and some statements about postal economy and efficiency.

As to recommendations in my comprehensive statement, they are as follows:

There is a recommendation on a public survey, a recommendation on restoration of postal service, a recommendation on improvement of postal funding, organization and management and a section on realistic and adequate funding, a section on organization and management and recommendations for legislative changes.

Mr. Chairman, I represent the Laborers' International Union of North America, AFL-CIO. The union has 600,000 members; 100,000 are in the Federal, public, and postal sectors.

As to the Commission on Postal Service, it was around only 6 months, appointed by a President, a Senate leader, and a Speaker no longer in office, gave recommendations almost identical to a U.S. Postal Service staff study published last year. Obviously the Commission was not independent.

Radical postal reformers on the Commission, the Postmaster General, his staff, and high-priced consulting firms, and the Postal Board of Governors are using the Postal Reorganization Act of 1970 and the Commission charter as the vehicles to give postal business to

private contractors. The Commission's recommendations, like the Postal Service's dismal record under Postmaster General Bailar means higher postal rates, less postal service, a continuation of self-defeating policy implementation of the Postal Reorganization Act. This is not mismanagement. This is a well conceived and orchestrated plan to scrap the U.S. postal system.

They are:

1. The same people who gave us less postal service at more cost—not more efficiency and more service at the same cost as they promised Congress if it enacted the Postal Reorganization Act in 1970, and are asking now for more tax dollars without major changes in their managing of postal affairs.

2. The same people who studied the Postal Service to death—A.D. Little-Kappel Commission 1967.

3. The same people who have it in for mail recipients—77 million American households—and who propose to rip off these householders with a vengeance by cutting their mail delivery from 6 days to 5 days, also forcing them to leave their homes and walk to the curb or to cluster boxes to get their mail.

4. The same people who gave us:

(a) modular constructed computerized bulk mail centers that mangle your packages—cost: \$1 billion;

(b) automatic lettersorters that misdirect your mail—cost: \$2 billion;

(c) and motorized delivery routes that waste costly gasoline—cost: \$1 billion.

5. The same people who now say all this mechanization, 70 percent, and motorization, 84 percent, has limited efficiency and productivity gains in the future.

6. The same people who overcharge first class mailers \$1.5 billion to pay for a bulk mail center system that doesn't process a first-class letter, yet complain that it costs one-half billion dollars to operate rural Americans 30,000 post offices and postal facilities.

While the study was underway the present postal administration engaged in an unfair, unsubstantiated fear campaign against Congress alleging politics will return to the U.S. Postal Service.

The Postmaster General stonewalls the Congress. He refuses to move the Postal Service into the telecommunications era, ignores the recommendations of the subcommittees of the House Post Office and Civil Service Committee to research and develop the options that can be taken.

Postmaster General Bailar is not amenable to suggestions from Congress because of a lack of sophistication and knowledge about the way Congress works. He is a follower of political philosophy that disdains Government services and seeks to give Government business, in this instance profitable postal business, to private contractors.

Statements of the Postmaster General on postal research and development policy are that the U.S. Postal Service is budgeting one-half of 1 percent for research and development. The communications industry meanwhile is budgeting 5.2 percent.

He is not kidding. Look at the facts. The capital investment associated with the U.S. Postal Service is \$1,500 per employee.

Senator Glenn, I don't think you would have gotten to the Moon or orbited around the Earth if that kind of capital investment had been put into the programs you have been involved in.

The capital investment associated with the U.S. Postal Service is \$1,500 per employee. Negligible when compared to the following:

A. T. & T.-----	\$70, 000
Agriculture-----	35, 000
Manufacturing-----	25, 000

The Postmaster General admits he failed to capitalize on the former Post Office Department's driving a superior technical product—the telegram—out of the market by the first-class letter. Why? Present postal managers disdain as obsolete the first-class letter, and that is the answer why the mailgram was not developed systematically as an in-house postal product.

Overcapitalization of the postal system, mechanization, and a lack of competitiveness of present postal managers in the parcel market resulted in the field left almost exclusively to United Parcel.

This nonpolicy of the Postmaster General means the death of the Postal Service within 5 to 10 years.

This "business scenario" means the failure of the Postal Service. The Postal Service will be left with nonprofitable rural delivery; low volume, highly subsidized second-class mail consisting of country newspapers and nonprofit publications; highly subsidized third-class mail of the charitable fundraising variety; subsidized fourth-class mail of large, hard-to-handle parcels that cannot be processed by mechanization; and agricultural products.

Postmaster General Bailar is carrying out his principal aims to "wind the postal service down" and "not to do anything as traditional postal service becomes obsolete."

By 1985 he would reduce mail delivery to 3 days a week; and close 30,000 rural and small local postal facilities. During this phaseout he would charge the American people higher postal rates—as much as 27 cents—and demand from Congress higher subsidies. All this means less service at more cost.

The treatment of the Postal Service under Nixon, Ford and Postmaster General Bailar during the past 8 years was not a more efficient postal service giving more service at the same cost that we were promised by the Postal Reorganization Act of 1970. We have seen instead a 6-cent stamp rise to 13 cents. We have postal patrons doing postal work (self-service) as street collection boxes are eliminated; window services shut down; post offices closed. Worksharing has been forced upon mail users by regulations requiring ZIP code, sequencing, et cetera. The Postal Service levels of service have yet to return to the levels of 1968.

We have seen our Postal Service—a constitutional service—our Nation's first national service agency—called a business, "Postal Service, Inc." and traditional postal services (door delivery) developed into cheaper "product line" concepts of industry (cluster boxes) and postal patrons and postal workers herded into adopting these new postal services whether they like it or not.

Postmaster General Bailar's political decisions, first of all, usurp congressional rights; and secondly, dooms the Postal Service to obsolescence.

Postmaster General Bailar must be removed and the Board of Governors of the U.S. Postal Service abolished by swift action of the Congress. If you do not act, putting the Postal Service out of business and putting postal workers out of work (more than 600,000) will be the political mess you will inherit in 5 to 10 years as the telecommunication revolution takes over the Postal Service's most profitable service, first-class mail, consisting of business correspondence and transactions.

Senator GLENN. Thank you, Mr. LaPenta.

[The prepared statement of Mr. LaPenta follows:]

PREPARED STATEMENT OF JAMES J. LAPENTA, JR., DIRECTOR, FEDERAL-PUBLIC SERVICE DIVISION, LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO

Mr. Chairman and Members of the Committee: I am James J. LaPenta, representing the Laborers' International Union of North America, AFL-CIO, Mail Handlers' Division. Our Union has 600,000 members of which 100,000 members are in the federal, postal and public sectors.

A—BACKGROUND

1. Commission on Postal Service

The U.S. Postal Service has once again been studied to death by a Commission appointed by a President, Senate leader, and a Speaker no longer in office. The Commission on Postal Service rubber stamped much of the U.S. Postal Service Staff Study of last year. It is obvious the Commission was not independent of the U.S. Postal Service. In blunt words they (Commission) were brainwashed.

The radical postal reformers in the present postal administration and their high priced consulting firms like A. D. Little Co. gave us the Postal Reorganization Act of 1970—Postal Service, Inc.—and now are proposing their 1977 version.

They are:

(a) The same people who gave us less postal service at more cost—not more efficiency and more service at the same cost as they promised Congress if it would pass the Postal Reorganization Act in 1970.

(b) The same people who studied the postal service to death. (A. D. Little-Kappel Commission—1967).

(c) The same people who favor mail users (business) over mail recipients (77 million American households), and who propose to rip off these householders with a vengeance by cutting their mail delivery from 6 days to 5 days, forcing them to leave their homes and walk to the curb or blocks away to cluster boxes to get their mail.

(d) The same people who gave us: (1) modular constructed-computerized bulk mail centers that mangle your packages, (cost—\$1 billion); (2) automatic letter sorters that misdirect your mail, (cost—\$2 billion); (3) motorized delivery routes that waste costly gasoline, (cost—\$1 billion).

(e) The same people who now say all this mechanization (70%) and motorization (84%) will not produce more efficiency or increase productivity as the postal service will have to remain labor intensive.

(f) The same people who overcharge first class mailers \$1.5 billion to pay for a Bulk Mail Center system that doesn't process a first class letter, yet complain that it costs ½ billion dollars to operate rural Americans 30,000 post offices and postal facilities and suggesting they all be closed.

(g) The same people who are now asking for more of your tax dollars without any changes in the present postal management system-Postal Service, Inc.

While the study was underway the present Postmaster General engaged in an unfair, unsubstantiated fear campaign against Congress alleging politics will return to the U.S. Postal Service.

2. The Postal Reorganization Act of 1970

In 1970, the Postal Reorganization Act was enacted and provided for a transition period of up to one year.

In July, 1971, the full provisions of the law became operative.

The basic provisions encompassed four broad categories:

(a) Capitalizing and modernizing the service, changing it from labor intensive to capital intensive.

(b) Setting up a nonpolitical, independent establishment providing continuity of management; running the USPS as a business on a breakeven basis—phasing out subsidies by 1984.

(c) Establishing a Postal Rate Commission setting rates and classes of mail in a fair and equitable manner free of political and other pressures.

(d) Using collective bargaining—rather than Congress or the White House—in determining postal workers' pay, hours, and working conditions.

Three valid questions arise as a result of enactment of the Reorganization bill—(1) What Happened to the USPS? (2) What Was the Reaction? (3) What did This Mean to Postal Workers?

(1) *What Happened to the USPS?* The Postal Reorganization Act of 1970 did not work. Three provisions failed: (a) capitalization; (b) continuity of management; and, (c) postal rate setting. Only collective bargaining did the job for which it was intended. As a result of mistakes in overcapitalizing, Postmasters General and top staff changing frequently, Postal Rate Commission's 49 month total time of three rate increase considerations, inflation sharply increasing payroll, fuel, energy and transportation expenditures, the USPS's \$1.7 billion surplus (equity) on hand when it became an independent government agency in 1960 was reduced to zero. The recession added its impact and as a result mail volume declined.

Thus, by October 1, 1976, the cumulative operating deficits amounted to \$3.4 billion and \$2.1 billion was borrowed to keep USPS afloat. Since the Postal Reorganization Act became law, USPS has spent \$4.5 billion more than it received from postal revenue, congressional appropriations and interest on investment income.

(2) *What Was the Reaction?* All of this brought on the worst possible USPS management response—panic and threat—aimed at postal employees, Congress, major mail users, and the White House. This caused a major uproar when the USPS proposed: (a) cutting mail delivery to five days; (b) closing 12,000 rural post offices; (c) consolidating 2,000 urban post offices; (d) excessing employees; and (e) changing their work schedules, tours and days off. Dissension between management levels and the disruption of service developed everywhere.

When the public reacted to these "political hot potatoes," the White House called hysterically for repeal of the postal monopoly and proposed private business take over postal business. The President stonewalled the Congress; stubbornly refused to go along with congressionally initiated legislation providing \$4.5 billion over three years for relief of the USPS's financial mess. A number of Congressmen jumped on the bandwagon, seeking legislation to turn back the clock by repealing the Postal Reorganization Act.

(3) *What Did This Mean to Postal Workers?* Work schedules, and work assignments of postal workers were arbitrarily changed. The postal mess stung the Congress, the White House and the USPS management and they became obsessed with seeking a scapegoat. They charged that pay increases gave postal employees 24 per cent more pay than GS-4 and GS-5 federal employees, and postal job security went beyond normal protection with a "no lay-off" clause. This makes postal workers noncompetitive and nonproductive, complained the White House.

Major mail users sought alternate sources for delivering their mail, magazines, newspapers, bills, checks and advertising circulars. The USPS management, in a doomsday release, predicted mail volume would continue declining regardless of economic recovery.

Mail users wrung a concession from the USPS, getting lower rates (discounting) for presorting and bringing their mail to postal facilities. This contracting out of postal work and declining mail volume brought on more excessing of postal employees, moving them around in a game of musical chairs from one postal facility to another. Fifty-one thousand regular jobs were eliminated by hard attrition.

They have read and heard from the news media that all of the inefficiencies mentioned in this paper, and then some, were the fault of the unionized postal worker.

3. *Collective Bargaining and Productivity*

With passage of the Postal Reorganization Act and establishment of the new U.S. Postal Service, postal management acquired the full authority to bargain collectively concerning all matters involving working conditions and pay for its employees. The new management of the Service were largely figures from the

industrial world,¹ not surprisingly, these entrepreneurs from the private sector beefed up their labor relations department and began what appeared to be an aggressive bargaining process with their union counterparts. One clear outcome of this great clash of wills was substantial and continuing gains in postal pay for top management itself. These increases have made postal employment a real plum—for management employees, not only in relation to similar work in industry, but even in relation to other work in the Federal Government.

But what of those postal workers not protected by the shelter of cronyism; those who sat on the short side of the collective bargaining table? They came away from encounters with management with the same feeling that the beautiful young virgin captured by pirates in 1940s-style movies must have felt upon her release. The union-represented postal employee has been lectured on responsibility, but saw little or no responsibility from postal management.

They heard that they were not entitled to the incomes they and their unions had won at the bargaining table.

They heard the complaints from disgusted mail users, mail receivers and mail rooms of business organizations across the nation. They failed when they tried to pass them on to an uncaring and unlistening management.

Even the casual, but careful observer, could see through this smokescreen of propaganda. This observer would know that the real question must be directed toward this new postal management, if the truth about USPS is to be meaningfully developed. What gains have been achieved by this management through the give and take of the bargaining process? What gains have had any positive effect on productivity envisioned in the PRA?

Gains in the 1973 contract, for example, were conservative compared to most contract settlements of that period, while cost of living adjustments amounted to \$1,310 per employee over the life of the contract (two years). This increase was not unique to the Postal Service; 58 per cent of labor contracts for groups of more than 1,000 employees provided for COLA, and many of those are of the uncapped variety. Many corporations in addition yielded major wage hikes during 1973 and 1974 as unprecedented inflation bloated the overall economy.

Before the Act, from 1960 to 1970, the starting wage for postal clerks and carriers increased by 63 per cent while the Consumer Price Index climbed only 34 per cent. Relative to consumer prices, these increases were even slightly more generous than those since postal reform.

The 1975 contract between the Postal Service and its unions will result in wage increases significantly lower than those of most major industries over the next few years.

Given such an outlook, the problem for the Postal Service—as with any industry looking at continuing wage increases in the future—is how to obtain long-range productivity increases to off-set or counteract inevitable wage increases.

What of the pay guidelines clearly spelled out in the Act regarding pay comparability? What ever became of the Act's provision that declares the postal workers' pay guidelines should be, according to the Act: "that of those workers in the private sector doing similar or equivalent work."

Again, the record tells a different story.

The new contract bargained with the United Parcel Service gives UPS employees doing work comparable with that of USPS employees \$7.76 per hour retroactive to August 1; \$8.26 May 1, 1977; and \$8.76 on May 1, 1978.

As noted in a December 27, 1976 article in the Washington Star newspaper:

"By contrast, a rank and file postal employee currently starts at \$5.97 per hour; achieves \$7.21 after eight years service.

"Under the postal contract, starting pay will go to \$6.27 next July, and top pay to \$7.51. And those rates still will be in effect when the UPS people achieve their \$8.76 in 1978.

"At that time, the difference between UPS pay and top postal pay will be \$1.25 per hour."

The new UPS contract also improves fringes such as providing ten holidays to nine for USPS employees.

¹ Following appointment of Mr. Theodore Klassen, ex-vice president of American Can Co., as Deputy Postmaster General, a significant number of appointees to important postal management jobs were also from American Can. These and other appointments raise the question of whether the new Postal Service no sooner disposed of political patronage than it substituted cronyism on a wide scale. Also, there is evidence to suggest that many of these appointees were paid substantially more in their new postal jobs than they had been in industry—and that they might have been bought a lot cheaper than they were.

Thus, the PRA provision of pay comparability has been honored more in breach than in observance.

A comparison of Postal Service labor agreements to private industry in 1975, reveals that the average adjustment in wages was 10.2 per cent in the first year, and 7.8 per cent per year over the life of the contracts in private industry. For the same period figures for Postal Service settlements are 5.06 per cent and 3.9 per cent respectively.

Clearly, postal workers' settlements have not been responsible for the financial problems of the USPS. Cost of living inflation, bloated by unbridled prices and profits are one culprit. Steep price rises in fuel and energy, uncontrolled overtime costs, continuous and often abrupt changes in top management, and a Rate Commission that delayed a rate increase for two years are the causes of postal insolvency.

When you compare postal worker productivity in selected high-mail volume countries, you find:

MINUTES OF WORKTIME REQUIRED IN SELECTED COUNTRIES TO EARN THE COST OF LETTER POSTAGE

	Minutes	Seconds
Australia.....	3	37
Belgium.....	1	56
Canada.....		54
France.....	2	57
Japan.....	3	50
Netherlands.....	2	16
Sweden.....	2	13
Switzerland.....	1	15
United Kingdom.....	4	36
United States.....	1	22
West Germany.....	2	12

Look at an analysis of the efficiency of ten selected countries, comparing revenue expense and operational data with similar data for the Postal Service: The U.S. handles from 5 to 56 times more letter mail; the U.S. handles more letters per postal employee; the U.S. covers a larger geographic area; the U.S. currently has a lower mail stamp price than all of the foreign countries but one.

Another measure of efficiency is the pieces-per-employee per year handled by the United States compared with postal administrations in ten other countries. Here, the United States ranks first with 127,019. The complete ranking follows:

Australia.....	79,300
Canada.....	113,823
France.....	44,317
West Germany.....	54,941
Great Britain.....	55,608
Italy.....	42,677
Japan.....	105,417
Netherlands.....	96,996
Switzerland.....	105,211
United States.....	127,019

4. *The Postal Reorganization Act Amendments of 1976*

Congress, meanwhile, went into action. Starting in July 1975 the House Post Office Civil Service Committee reported H.R. 8603, providing for amendments to the Postal Reorganization Act; debated the bill September 29 and October 30; and passed the measure November 3, 1975.

On January 21, 1976 the Senate filed Senate Report 94-966 to accompany H.R. 8603, and debated the bill on August 23 and 24. The bill passed on August 24, 1976.

The House conference report was filed August 31, 1976; debate began in the Senate August 31; debate finished in the House September 10; and passed September 24, 1976.

P.L. 94-421 amended P.L. 91-375 of 1970—The Postal Reorganization Act. The Postal Reorganization Act Amendments of 1976 39 USC, 101 does the following:

The bill retains existing law relating to the permanent appropriation of postal revenues to the postal service and the existing law on authorizations for public

service appropriations, revenue foregone, and certain incidental expenses. The conference substitute also includes an authorization for two appropriations of \$500,000,000 each. The authorization for \$500,000,000 shall be made for the purpose of retiring the accumulated operating deficit incurred by the Postal Service as of September 30, 1976, and the authorization of \$500,000,000 to be used to retire the accumulated operating indebtedness for the fiscal year 1977.

The bill provided that during the period beginning on the date of enactment of the new appropriation and ending on the date the report of the Commission on Postal Service is filed, the Postal Service shall not increase any rate of postage or any fee for any postal service, shall provide services to all patrons in all areas at the same level, and of the same type, as were being provided on July 1, 1976, and shall not close any post office except in the case of very small communities where patrons of the office give their consent to the closing.

The bill contains new language that parcel post rates shall not benefit from the appropriation of funds to the Postal Service to an extent which would result in the establishment of parcel post rates at levels more than ten per cent below the levels which would be established if no appropriations for public services and for the purposes described in the new section 2401(d) were made.

The bill included a provision adding a new factor to be taken into account by the Postal Rate Commission in recommending postal rates. This new criterion is the educational, cultural, scientific, and informational value to the recipient of mail matter.

The bill provided that certain publications would be entitled to mail at second-class rates notwithstanding recent administrative efforts by the Postal Service to withdraw such mailing permits from these publications. Included in the provision were college and university course catalogs, periodicals relating to continuing legal education published by an educational institution or a non-profit organization, and looseleaf publications relating to law and public policy.

The bill allows publications of a state fish or wildlife agency to get nonprofit rates.

The bill contained a provision making the rates applicable for books mailed between schools and libraries applicable to the lower rates that books receive when mailed by a publisher or distributor to a school or library.

The bill included a provision requiring the Postal Service to give public notice of its intent to close or consolidate a post office 60 days in advance; to give the public an opportunity to express its views on the plan; to comply with specific criteria in making such determinations, and to issue a final decision 60 days before an office could be closed or consolidated. A postal patron of such a post office would be entitled to appeal the decision to the Postal Rate Commission.

The bill adopted language establishing a seven member Commission—three appointed by the President and two each by the President pro tempore of the Senate and the Speaker of the House. The language required that one appointee of each House be a member of the Postal Service work force. The Postmaster General and the Chairman of the Postal Rate Commission were retained as ex-officio members without a vote.

The general responsibility of the Commission to study postal problems was retained. However, the Commission was also required to study, issue recommendations specifically on public service aspects of the Postal Service.

The conferees stipulated that the Commission should not study areas relating to matters covered under Chapter 12 of Title 39, United States Code, collective bargaining in USPS.

The bill required the Commission to report to the President and Congress by March 15, 1977.

The battle did not end and it was obvious the future had not been decided for a beleaguered USPS.

The bill did little, indeed, next to nothing, for the USPS and its problems, other than to give postal management an emergency injection of cash that was far short of what was needed. The problems of capitalization and technological change; the Private Express Statutes; selection of top management; setting of postal rates and the questions of definitions of what is public service and how is it to be paid were squelched and left for the next President and the 95th Congress.

The bill surrendered to the dictates of a possible White House veto. Senator Fong (R-Hawaii) the spokesman for the White House, during debate, kept repeating over and over the ridiculous Ford White House solution to postal problems, holding that the USPS doesn't need postal rate increases or Congressional appropriations because the USPS hasn't borrowed the full \$10 billion it is allowed to

borrow under the Postal Reorganization Act. Borrowing is all that is needed to keep the ailing and failing postal service together—pay its operating costs and fund its capital spending—said an unrealistic Senator Fong. This is like bailing out a sinking boat—putting as much water back in as you are taking out.

5. Perspectives on Recent Developments in Postal Service

Compare this situation with the reduction in service in the postal service of 1970-1977. Thousands of post offices are closed, yet the public wants its post offices. Delivery routes are being eliminated, yet the public wants delivery of its mail. Jobs are being eliminated. (More than 63,000 postal jobs have been abolished in the last two years and a proposal for a cutback in 400,000 jobs is recommended in one of the postal service's alternative schemes for making the postal service more businesslike. This at a time when more than seven million Americans or seven per cent of the work force are officially unemployed and unable to gain employment. In reality, there are at least ten million persons who are willing to work, but unable to find jobs, including those who have given up looking because of the nation's malignant overall economy.)

In 1968, the public was largely satisfied with its postal service. In 1976, the public is greatly dissatisfied. Clippings related to postal service obtained from newspapers all across the nation reveal that high numbers of complaints are received for poor service, high postage rates and management unresponsiveness to public needs and wants.

In recent years, services that were once performed by the post office have been given back to the public to perform for itself. Thousands of street letter boxes have been eliminated, requiring the customer to perform miles of mail transportation for the post office, in order to get his mail collected. Collection schedules at letter boxes have been vastly restricted, again requiring the public either to use its own transportation to take mail to distant central collection points or to allow its mail to lie overnight in collection boxes for pick-up late the following morning. (In the face of energy shortage and rising fuel costs, is it really a saving for each of us, duplicating our neighbor's efforts, to contribute these services independently, or should the Postal Service perform the same service for all at once?) And whatever happened to the postal Directory Service, by which special units in post offices deciphered hard-to-read or incomplete addresses on mail for their cities, so that this mail could be delivered, instead of being coldly stamped, "Return to Sender"? Now, such mail must be returned, often clear across the country, to be re-addressed and re-mailed by the originator.

Now, if all citizens were strong, healthy people, each with an automobile, each highly organized so that he completed all his letterwriting by the Postal Service's 5 p.m. curfew, and each with clear handwriting or a typewriter to address his or her envelopes from a perfectly kept address book, these wouldn't be serious problems at all. Unfortunately, many of us do not have all these qualities all of our lives. Is the postal service only for those who do, or can we afford some measure of humanity in our public service?

In 1950, residential communities received two deliveries of mail a day; today they receive one. Business areas received three deliveries a day; today they receive one. In the near future, it may be none. For it is more economical not to hire employees to deliver mail at all, but to require the public to obtain its mail at central delivery points.

To further illustrate the deterioration in service, there were 70,064 post offices in 1895; 51,206 in 1924; 32,002 in 1970; and 30,500 in 1976. These reductions were made as the nation's population increased concurrently. And there are plans to reduce even this number substantially by closing thousands more rural or so-called "unprofitable" units.

6. The Postal Service—Business or Public Service?

Fundamental to any effective effort to put the nation's postal service² on a proper course is the need to abandon the mythology that has crept into the thinking of those of both political parties who, over the years, have sought to manage or affect the management of this service. The principal element in that mythology is the notion that the postal service is a business and that it could and should be run on either a financially profitable or at least a break-even basis, according to the forms and methods of private enterprise.

² As used here, the term Postal Service, when capitalized, means the organization. When not capitalized, postal service means the function of providing mail and related postal services.

During the years immediately preceding passage of the Postal Reorganization Act of 1970, this myth was so firmly and widely held that it literally became the excuse by many, who were responsible for managing postal affairs, to abandon any serious effort at management and to occupy themselves bewailing the unmanageability of the Postal Service. This was a convenient dodge for some time. And the myth was, likewise, the excuse for postal reformers to pursue only the most radical alteration in the organization's structure and policies and to exclude other, less drastic, but nonetheless workable, alternatives from consideration.

The Postal Reorganization Act of 1970 embodies this myth, albeit rather ambiguously, and leaves its application in the hands of a "Board of Governors," nine out of 11 of whom are nominally bipartisan in political orientation. (The original nine of 11 were appointed to staggered terms of up to nine years, with the advice and consent of the Senate—by Mr. Nixon. These, in turn, selected the Postmaster General, who, together with the Board, selected the Deputy Postmaster General. And both of these constitute the other two members of the Board.)

The ambiguity of the Act arises from the fact that it seems to say that the costs of postal service will be paid by its senders but then adds that certain "public service" costs, for purposes not clearly specified, will continue to be paid for by appropriation by the Congress. (The appropriation was to start in FY 1972 as 10 percent of the old Post Office Department FY 1971 appropriation and was to diminish by FY 1984.)

The reason the Act does not specify clearly which elements of postal service are public service and which are not is that it cannot. Many of the elements of postal service that might appear to some to be purely a public service are so controversial that the Congress doubtless avoided the conflict inherent in identifying them. Many such elements are so interwoven with elements that could conceivably be considered "business" elements as to be inseparable.

Postal service today is no less a public service than in 1829, when, after considerable struggle and deliberation, it was changed from being a revenue-raising arm of the Treasury Department into a cabinet-level department in its own right, dedicated to the service of handling the nation's mail, a major element of our communication system, and a vehicle to insure the Constitutional guarantee of a free flow of information.

The postal service must extend to every citizen, regardless of whether he or she lives in a tiny village, where service is highly uneconomic, or whether he or she lives in a large city, where unit costs of mail collection and delivery are relatively low and are more likely to be equalled or exceeded by revenues. This service must reach every citizen, not because each citizen can afford to pay the true cost of each such service, but because we as a people want ourselves, as a matter of public policy, to have this service in order to enhance our lives and livelihoods and to preserve our liberty. This is the difference, if there is one, between a business and a public service. And, so long as the "business" of postal service remains the function of an agency in any way responsive to the will of all the people, this service is, effectively, a public service in its entirety.

No commercial enterprise would be apt to touch the kind of business represented by the village post office. Yet today's U.S. Postal Service, until stopped by Congress temporarily, acting under the illusion of the business myth, is curtailing just these sorts of services and many more—and doing so despite the fact that the Reorganization Act insists that effective postal services be insured to residents of both urban and rural communities, and that no small post office shall be closed solely for operating at a deficit.

Of course postal management rationalizes these moves by pinning the closures on needs other than, or in addition to, operating deficits and by arguing that equivalent or better alternate services are available or were substituted in place of those that were cut. The quality of the alternate services, however, often leave much to be desired. For example, a rural route may be extended to customers whose small post office was closed. Buying services from a rural carrier has many limitations, including the fact that the customer—including the aged and the handicapped—must meet the carrier out on the road at the time the carrier passes and transact his business in the midst, sometimes, of a pouring rain or falling snow.

Why is it that a service that is needed and wanted by our citizens must be profitable or must pay for itself almost solely out of income derived from the sale of that service. And what, exactly, does the term "pay for itself" mean anyway? In a day when a whole range of "private" industries either receive direct

government subsidies, live off government contracts, get tax writeoffs and tax shelters, and sometimes pay less back in taxes than some wage earners, the term "self-supporting" is indeed illusive. Perhaps we would be wiser to ask only whether a firm (or government service) receives enough income to pay for its costs and stop making a sacred cow of one source of income for one government agency! In this light, the Postal Service would pay for itself, if its combined income from sales and appropriations equaled its expenses—as, in fact, it always has.

In FY 1977 the Department of Defense was appropriated nearly \$110 billion; the Department of Health, Education and Welfare received over \$120 billion; the Labor Department was given more than \$11 billion; and the Department of Housing and Urban Development got in excess of \$30 billion. These agencies are considered essential, and they perform invaluable services. But they do not impact on all communities and all citizens alike, as does the Postal Service, which received \$1.5 billion in FY 1977—along with a barrage of criticism for being inefficient, because some of its costs are paid for from taxes. By these standards, the Postal Service might be cheap, if its appropriation were \$10 billion! And how much of its own bill does the Defense Department pay for?

Do only the users of services performed by the Labor Department, Agriculture, HUD and HEW pay for those services? In many instances, the user pays little or nothing and, in others, such as Aid to Dependent Children, the user is herself paid as part of the service. (We could solve our school problems overnight, if they were solely user-supported. There just wouldn't be any.) No, it is recognized and accepted that these are essential services and that, if only the users paid for them, the cost would be exorbitant.

The same is true of the services performed by the Postal Service. If only the users of a specific postal service are required to pay the entire cost of that service either the price of many such services will rise or the services will be curtailed, both—as has, in fact, happened. And as prices rise and/or services are curtailed, the volume of mail and other postal services eventually declines, because users cease to use the services. As in the case of unsubsidized public transportation systems, this leads to further service curtailments and the vicious circle is again drawn as further riders cease to use the service.

In FY 1976, volumes of mail dropped for the first time since World War II. This decline occurred despite predictions of continued increases. If this trend of increased prices and decline in volumes is allowed to continue, the result is likely to be an acceleration of the process, for there are many fixed costs, such as buildings, equipment, vehicles, etc., which must be amortized. But this amortization will be charged to a much smaller volume of services which must inevitably result in another rise in price. This increase in price and decline in volume will also be coupled to a reduction in postal employment. One wonders how a public policy that produces such an outcome can be countenanced in the face of an unemployment rate that, today, is 8.1 per cent.

In 1970, there were 741,216 postal employees servicing a population of 204,900,000. These employees were located in every community and, by and large, they contributed substantially to the welfare of the community in terms of purchases, taxes and civil participation.

Today, there are 678,949 postal employees servicing a population of over 213,600,000. Many communities that included postal employees in their citizenry no longer have them. This reduction in employment has taken place as a direct consequence of the premise that postal service must pay for itself and the users of the service must pay for the service. And the reduction is not a consequence of increased efficiency and greater productivity; it is a result principally of giving the public less.

7. Postal Economy and Efficiency

Is this indeed economy or is it short-sighted deception of self and others? Has the public really asked that these services be curtailed or have many of these changes been undertaken unilaterally and often surreptitiously by postal managers seeking solely to cut costs without increasing efficiency? Efficiency, after all, is only increased by increasing the amount of output (service) for a given amount of input (cost). What has been achieved in the Postal Service is the creation of less service for less cost—and sometimes for the same or greater cost!

From the standpoint of the pure ratio-of-input-to-output view of efficiency, any machine or organization that is responsive to human needs and wants is probably less efficient in the narrow definition of that word than one that is not. Much of

the "efficiency" introduced into the Postal Service over the past several decades has been of this order. The product has been a lack of responsiveness to the public's needs and wants and a lack of responsiveness to the human needs and wants of postal employees (at least in matters other than pay, and some would include pay, as well).

Postal management has rather consistently attempted to rationalize postal processes and services into straight-line forms that are, first of all, cheap and then to herd the public and postal employees into conformance with these forms. We have discussed a number of these cost-cutting service curtailments. In the field of employment, the process has often taken the form of centralizing large volumes of mail at huge central locations, employing large numbers of employees at each location and then directing these employees impersonally and in gangs as if they were cattle. In this circumstance, it is not at all certain that even the narrow, energy-conserving concept of efficiency has been served. The dehumanizing treatment of employees in the large mail-processing facilities produces its own kinds of inefficiencies in the form of increased errors, and a variety of other forms of irresponsible behavior. In smaller work units, where human relationships can be more personalized and where work processes and products are more comprehensible, these losses tend to be minimized, and employees tend to be more responsive to both management and the public. These advantages of the small, decentralized postal operation may well outweigh those of the large centralized operation, which has been the trend in postal organization and facilities construction for many years.

A more recent variation on this theme has been the centralization of mail processing in facilities employing a number of machines, as well as many employees. The high water mark of this trend, perhaps, is the establishment of 21 Bulk Mail Centers for the sorting and routing of bulk mail within and between large areas of the country. The centers have machinery and processes designed especially to handle mail in bulk—sacks of mail, parcels, etc. All such mail going between service areas of these centers moves from the post office of origin to the area Bulk Mail Center and from that Center to the Center in the destination area where it is transferred to the destination post office. Bulk mail moving within an area goes from post office of origin to the area Bulk Mail Center and then to the post office of destination.

In theory, the Centers can handle bulk mail more expeditiously, because of their specialized character, and they cut out rehandling of cross-country mail, because the mail is shipped direct from a center in one part of the country to a center in another part, with no handling in between. In fact, the bulk mail centers have been less than successful, producing delays and damage to parcels they handle. Some of the delay appears to be due simple to jam-ups caused by the huge volumes handled; some is due to the need to ship mail in and out of these centers, when it moves within an area, rather than simply shipping it directly from the post office of origin to the post office of destination. These enormously expensive expensive experiments have been less than successful, and, under pressure of complaints and inquiries from many sources, postal service management has begun to acknowledge it. During the recent USPS strike, for instance, the UPS was forced to reactivate 100 unused bulk facilities in order to handle parcels.

It should be noted here that the postal service remains a highly labor-intensive industry, despite much investment and more hoopla by postal management and others over nearly three decades in relation to mechanization and automation of postal processes. The fact is that postal work that has been mechanized has yet to reach an optimum efficiency. Missent and misdirected mail in mechanized operations is much higher than in manual operations. And the impact on postal productivity of that which has been mechanized is either negligible or highly suspect.

When railroads were in their heyday and beyond, much inter-city mail was carried and then sorted while in transit by an arm of the postal service called the Railway Mail Service (RMS). Specialized crews of postal employees rode specially equipped railroad cars called Railway Post Offices (RPO's). Mail was picked up by the RPO's at cities and towns along the line (often without stopping, by the use of special devices mounted on the cars) and was then sorted by the RPO crews and dropped off at the destination further down the line or at a rail transfer point, where it was carried further by other transportation. Cross-country mail was carried in bulk in large storage cars. Both the RPO's and the storage cars were part of fast-moving passenger trains.

The RMS was legendary for the efficiency of its service and for the productivity and esprit de corps of its RPO crews. This was doubtless due, as suggested above,

to the fact that the operating units were small and encouraged more effective human relationships and more coherent and comprehensible work processes and work goals. The RPO crew knew, for example, that the mail for Americus, Ga., had to be sorted and ready to put off in Americus by the time the train passed through, and the only way this could happen was for the crew to work together to make it happen. This sort of motivation doesn't often happen in huge, modern facilities—postal or otherwise.

Because railroads would not always schedule passenger trains convenient for mail transportation schedules, and because of the dwindling passenger traffic following World War II, the Railway Mail Service was slowly abandoned, and other modes of mail processing and of air and surface transportation were substituted. With the difficulties being experienced in the Bulk Mail Centers and in other manifestations of centralized mail processing, and with the gradual re-emergence of rail passenger service (thanks to Federal Government intervention and subsidy), it is puzzling to note that the Postal Service has shown no evidence that its management is considering re-establishing this highly effective service or anything resembling it.

The same narrow view of efficiency discussed above has also been paramount for many years in the postal management's systems of production measurement, and control. Each of these systems has revolved entirely around two elements—man-hours expended and mail volumes processed. The result of this has been that the systems ignore, as if they didn't exist, many items of cost and of productivity that are not measurable in these terms. Consequently, the true, overall cost/benefit relationships in postal operations are lost sight of. For example, only the cost (in man-hours) and not the benefit of employee training is recorded in these systems—with the result that such activity has often been minimized as "wasteful" and no measure of its true value to the organization and the public is seriously attempted. The list of similar examples is large.

The "postal service as a self-supporting business" myth derives part of its appeal from the notion that requiring managers and employees to make a profit or break even will promote efficiency. It hasn't happened. Presumably, the theory is that managers and employees, looking over their shoulders at the financial charts and the competition, will work harder, find a better way, etc. We've seen some of the fruits of this magic, and it consists largely of unpalatable service cuts. And postal managers doctoring their mail count under vigilant pressure to increase their output. Also, unless and until the Private Express Statutes, that give the postal service a legal monopoly on letter mail, are repealed—a possibility that even now finds little Congressional favor—there is no competition for much postal service. And I simply do not believe that the Federal Government is going to abandon the mail service because it doesn't break even because the public would not stand for this kind of rape!

The fact is, however, that efficiency in the postal service can be achieved, and often is, without this tired nonsense. It is quite possible that the postal service is and has been highly efficient, when we take into account what all we want it to do, in addition to making money. For example, for many years it carried out a function that was a "well-known secret". It carried out a very substantial, costly and, in some ways important mission that was imposed on it since its inception—the mission of political patronage. This mission (moved down the street by the previous Administration to the Justice Department) was considered a vital link in the political process by which Presidents and others got support they believed they needed. This was a reality, and the Postal Service paid dearly for it in terms of efficiency. Yet the performance of this mission, into which untold amounts of time, energy and talent were diverted, was never measured as part of the Postal Service's "output" when assessing its productivity and efficiency.

The Postal Service, until proven otherwise, may very well be as efficient as most other large enterprises when all is taken into account. This is not to say that postal efficiency and productivity cannot be improved on, for they doubtless can. But this task must be approached with a broad and honest view to what, exactly, is wanted from this Service and what, in reality, is already happening. And this will not be achieved by the miraculous, overnight conversion of the organization into a "business" establishment.

B—RECOMMENDATIONS

1. Public Survey

In order to help insure that service restoration and improvement is carried out on the basis of current needs and priorities and to demonstrate a genuine

faith in the will of the people, the public itself should be enlisted in the decision-making process. First, a complete catalog of service cuts over, perhaps, the past 25 years should be compiled. This should be made available to the public as part of a large-scale, open-ended opinion survey, in which the public is invited to express its preference for restoration of past services, as well as for new service improvements that members of the public could themselves suggest. This data should then be made part of the planning process, which would, of course, include estimates of cost, manpower and other resource requirements.

Planned improvements could then be laid out in a proposed schedule, taking into account such matters as expressed public priorities, cost, implementation time and other factors, and these plans could be exposed for public comment and suggestions before being acted upon. The many implications of these plans should also be given public exposure and should include impact on postage rates and/or taxes, employment, etc. Implementation of plans should be undertaken only after very positive outreach efforts are made to actively involve all segments of the public in the planning process and only after public response is taken into serious account.

2. Restoration of Postal Services

Beyond simply creating jobs, restoration and improvements in services would protect consumer rights of the public that have been eroded by years of unilateral cutbacks in postal service and would also restore some measure of confidence in the integrity of government by showing each citizen tangible benefits, in place of years of rhetoric and empty promises culminating in nothing, that were poured out for decades by postal manager.

3. Improvement of Postal Funding, Organization and Management

Probably all of these recommendations will cost money to put into effect. And the Postal Service will have to be organized and managed in ways and by people that will insure that the changes are made and have reasonable opportunity to be effective. The changes may not, in the net, cost as much as might first be imagined, and all new costs may not need to be incurred immediately. Similarly the changes may not require radical changes in organization or require them all at once. A careful, thoughtful approach—but not one consisting of endless studies—appears appropriate. Also, any substantial changes involving postal finance and organization need to be planned in coordination and in relationship with broader studies and plans concerning the entire Government.

4. Realistic and Adequate Funding

There may or may not be just so much money to go around, but there certainly are many variables that can be looked at in connection with how much of it can and should go to the Postal Service. The national government and the nation are heavily into a military economy. Real reductions here may well permit diversions of funds to postal service or other peaceful government pursuits. However, displacements of money and manpower created by military cuts will also have to be dealt with. Ex-employees of military contractors may well join the unemployed waiting at the gates of the post office for new jobs, unless other changes in the economy are also made to accommodate them.

Employing the unemployed, however, should not require all new revenues, in order to write their paychecks. Many are on unemployment compensation and welfare rolls. Many who become discouraged long enough split from their families and create the occasion for ADC payments. Some of this funding may be recoverable. Realistic tax reform can also increase federal revenues as well.

Also, postal rate studies should be made or looked at anew to see if downward adjustments of some or all rates might help optimize, rather than minimize, mail volumes and usage of postal services at a possible increase of net postal revenues. The full impact of rate reductions, in terms of stimulus to the economy and increased tax revenues resulting from this, should be considered in such studies. And, above all, these studies should not bind themselves to the "user pays all" principle of the business myth.

If the economy is revitalized and total public service concept adopted, realistic and adequate funding can be made available.

5. Organization and Management

The Congress, right now, is taking some new looks at what it created through the Postal Reorganization Act. Bills have been introduced and given serious debate that would remove the Board of Governors from their role in directing

the Postal Service, make the Postmaster General once more a Presidential appointee, restore the entire Postal Service to its former or a similar place in the federal structure. These deliberations need executive direction by the President. They are not receiving it now. They have not received it during the past two years.

Sober thought needs to be given to whether and to what degree the problems of the Postal Service are due to its structure or the people who populate the structure—particularly at the top. This would include consideration of how amenable top postal management might be to instituting changes suggested by the Chief Executive, if they, for once, received such suggestions. It would also include a look at the degree to which the President might begin immediately to change the character of the Board of Governors and the Postal Rate Commission through new appointments, which are his prerogative. Initial appointments of Governors range from one to nine years, even though subsequent appointments are for nine only, so that turnover on the Board is staggered. Appointments of Rate Commissioners are for six years and were, likewise, staggered.

Regardless of whether large organizational changes appear needed and feasible down the road, some change may be immediately possible through Executive action.

When organization studies are made, they should be done in close collaboration with Congress, which already has a head start in that direction. Further congressional support would be necessary for any significant organizational shifts. However, it may be necessary to ask it to hold off on changes now under consideration, so that the new administration will have reasonable opportunity to develop its own views and make them known.

Whatever is done in regard to organization, it is important that nothing is done that would encourage a return to the political patronage practices of the past and that something is done to discourage the substitution of cronyism that appears to have found its way into personnel appointments in the present and near past. It may or may not have been necessary to have nearly removed the Postal Service from the Federal Government to stamp out political patronage. There surely has been some use of patronage in every Federal agency, but a few weeds can be tolerated anywhere. In the postal service, of course, they were rampant. One wonders whether such a drastic change for the Postal Service was not an overkill. A close look should be taken, therefore, to see whether it might not be feasible to make the Postal Service, organizationally, more responsive to Executive and Congressional direction, without restoring the spoils system. (And, if there is concern for the patronage that arose in all agencies in recent years, a hard look might also be directed toward the U.S. Civil Service Commission, whose main function is protector of the merit system. The Commission may well have some inkling of a few stolen apples itself—or at least turned its back while some disappeared.)

Wholesale changes in the postal management's philosophy, style and habits in relation to economy, efficiency and productivity should be a first order of business in bringing about needed improvements in postal management and greater responsiveness to human wants and needs of both the public and postal service employees. An unhealthy traditional approach to all these matters has grown up in the Postal Service over many years and permeates everywhere—and it is a weakness and blind spot apparently shared with many of the new managers who joined the Postal Service from industry during the Nixon-Ford Administration. And it is, at once, their Achilles heel. This is an approach, philosophy or attitude that can best be described as stinginess. It is illustrated somewhat by some of the earlier references to recent practices related to efficiency, productivity, centralized mail processing, mechanization, and other aspects of postal service management or mismanagement. It seems basically to stem from a fallacious belief that "people are no damn good"; that, if an employee or customer can get away with something, he or she will try; and that things, including money, "the system", etc., are more important than people. The attitude is contagious, and it has come from the top. It must be changed from the top.

New methods of productivity measurement and manpower control need to be developed and installed whose character does not embody and reflect these old attitudes and is not essentially punitive. New approaches to service efficiency and economy need to be invented and implemented that do not simply involve "giving 'em less" or having the customer do the work himself ("self-service") and contracting out to the big mail user ("work-sharing"). New approaches to

the use of machines should be used (they are already known), in which the machine is the servant of the worker, and not vice-versa. No operator, for example, should have to pace himself to the mechanically-timed movement of a letter-sorting machine, simply because management has decided that the worker cannot be trusted to set the pace of the machine he supposedly runs.

These kinds of changes and the belief that human beings and their inherent desire to do right and do well can, over time, transform the Postal Service and bring about the kinds of creativity, productivity, efficiency, responsiveness and responsibility that have so long eluded the cheap, narrow approaches to management that have been the pattern not the past.

The Mail Handlers Division of Laborers' International Union of North America believes that this kind of service can be translated into reality. This can be done if the kinds of past approaches to management are translated from their present stagnation to socially beneficial orientation—beneficial to postal service workers and the general public alike. We believe this program can be effected, and indeed, must be effected and most quickly. To that end, we offer the following synopsis of our major recommendations. We believe they comprise a workable program—short on rhetoric and stressing action to bring about the productivity, efficiency and realistic postal service outlined previously in this paper.

6. Recommendations for Legislative Changes

(1) *Abolish the Board of Governors.*—This body has simply acted as a rubber stamp for the Postmaster General and top postal management. Its history has proven as noted in this paper that the Board has had no positive effect on managing postal affairs. The Board has not been responsive to the needs of the patrons or employees of the USPS; nor has it been responsible to any reviewing body such as Congress or even to oversight by the President or any member of the Executive Branch of government.

(2) *Abolish the Postal Rate Commission.*—Ironically, Congress established this Commission to regulate certain functions of the Postal Service so that red tape and congressional tape setting would be eliminated. Instead, there has been a marked increase in red tape and bureaucracy. The USPS should itself propose rates, subject to review and approval by the executive and legislative branches.

(3) *Presidential Appointment of the Postmaster General.*—This vital position should be filled by a Presidential appointee, subject to the advice and consent of the Senate. This would eliminate any opportunity for arrogance on the part of the Postmaster General and furnish incentive to provide postal service rather than lip service.

(4) *Status quo for private express statutes.*—It is our belief that these statutes should remain unchanged at the present time until the question is resolved as to whether or not it will be extended to cover the Postal System's role in telecommunications as noted below.

(5) *Establish a realistic role for the USPS in the burgeoning telecommunications revolution.*—In this area, the question is whether USPS is going to be a competitor, a regulator or a service organization in this field where technological strides in communications are advancing at a minute-by-minute pace. Congress must act and act quickly because within five to fifteen years, 70 to 80 per cent of the Postal Service's first class mail—its most profitable business—will otherwise no longer be performed by the Postal Service.

(6) *Definition of USPS public service as contrasted with a market economy service.*—Public service in the postal system must be clearly spelled out along the lines described in Section II C of this statement which begins on Page 9 as duties rather than favors from a business-oriented agency. These functions are those that would not be provided in a so-called "market economy" a philosophy which is embraced by the present top USPS management, and is spelled out in their staff study which urges allowing the Postal Service to atrophy over the next decade and quietly pass its functions to private business. The Postal Service must adapt anew the Constitutional and real reason for its existence; namely, to provide service as a matter of policy to all of its patrons; namely, the American public.

(7) *Long-range public service planning.*—Once Congress decides what public service is and defines it specifically it must then decide to fund these services.

Senator GLENN. Mr. Joe Gondola, legislative chairman, National Association of Postmasters.

Mr. GONDOLA. Chairman Glenn and members of the subcommittee, I am Joseph Gondola, postmaster of Clifton, N.J., and legislative

chairman of the National Association of Postmasters of the United States.

Assisting me in representing the thinking of our NAPUS membership is Frank Miklozek, NAPUS executive director, the former postmaster of Terre Haute, Ind.

I have the privilege of speaking for approximately 27,000 postmasters, and I am sure that on this occasion—our first opportunity to speak before you as chairman of the subcommittee which has jurisdiction over postal affairs—each postmaster would join me in expressing to you our appreciation for this chance to speak out on the future of our Postal Service.

On behalf of middle management, I extend to you our best wishes and ready assistance in your important and difficult task of exercising oversight of the U.S. Postal Service.

You have requested our reaction to the report of the Study Commission on Postal Service. Thus I am compelled to express our disappointment and frustration toward this report for which we at one time held such high hopes.

NAPUS strongly supported the legislation which created the Commission on Postal Service. In testimony before the Senate Post Office and Civil Service Committee, in April of 1976, NAPUS President John C. Goodman stated:

We firmly believe that serious consideration should be given to the recommendation of the Postmaster General that a Commission be established to explore and define the public service aspects of the U.S. Postal Service. We would hope and expect that this Commission's findings would better enable a real value to be assigned to this important facet of postal service.

Naturally, we were extremely disappointed to read the Commission's conclusion "that a 'shopping list' of public services should not be tied to the appropriation of funds."

I consider this reluctance to accept the responsibility of tying dollar value to public benefits a basic failure of the Study Commission. After 6 months and over \$700,000, the Commission's report is little more than a rehash of stale ideas hurriedly dashed off.

In all fairness to a few of the Commissioners, most notably Commissioner Paul Krebs, I must add that the bold efforts of a few were diluted by the compromising interests of others.

In testimony last December before the Study Commission on Postal Service, I expressed certain objectives which I believe postmasters consider essential to a viable future for USPS.

Summarily I stressed a "service first" concept, i.e., no further cut-backs in service; the need for increased appropriations from Congress, changes in the USPS governing structure, including a Presidentially appointed Postmaster General and the abolishment of the Board of Governors; an autonomous Postal Rate Commission; the retention of the Private Express Statutes with no erosion to their present meaning; and a more aggressive stance in increasing revenue which inherently demands greater emphasis in research and development of electronic communication.

My reasoning for each of these objectives is outlined in the testimony of NAPUS before the Study Commission. If you desire elaboration on these points, I will be happy to do so at the conclusion of my prepared statement.

Postmasters concur with Members of Congress and postal workers in strong opposition to the Commission's report's overriding concept of less service for more money; nor can we accept the continuation of the present management structure.

The insensitivity and inofficious actions of the present top management of the U.S. Postal Service are no longer characterized in isolated incidents. Truly, irresponsible disregard for the morale of middle management has become the rule rather than the exception.

From flagrant lack of consultation to communication department flacks' refusal to communicate with representatives of middle management, this unacceptable attitude of one echelon of management toward another attests to the necessity to restore some vestige of accountability to the Postmaster General and his associates.

From the arrogant ignorance of the wishes of Congress to the oblique harassment of individuals who testified before the Study Commission, this total disregard for professional propriety spells out the hellbent intent of the present USPS top management to substantively diminish service to the American public and to ultimately destroy its credibility with Congress and its constituents.

Chairman Glenn, members of this subcommittee, in some respects you have been handed the "mission impossible"—that of seeing that the service functions efficiently, reliably, and fully—and at reasonable cost; but, unlike in that once popular television series, the various instructions for the mission do not self-destruct. We must add this Commission report to the burgeoning files of "solutions" to our problem-ridden Postal Service.

In summation, let me say that I am saddened that I must sit before you and present such harsh criticism of the current direction of postal management—ironically a management of which normally I would be an integral part. But the time for quiet discourse has passed; NAPUS sees no alternative but to express disappointment in the Commission report and disillusionment with current Postal Service management and their objectives to destroy full service.

Concentration must be placed upon ways to improve and enlarge service rather than on ways to diminish or eliminate service. Only with the support of the Congress, the administration and ultimately the public will the U.S. Postal Service regain the position of reliable mediator and valued public servant.

Should the USPS be allowed to continue its present course, disregarding the public interest, reducing service and raising rates, this Nation's bond of communication will ultimately be destroyed.

Senator GLENN. Thank you, Mr. Gondola.

Mr. Eugene Dalton, president of the National League of Postmasters.

Mr. DALTON. Thank you, Mr. Chairman.

I am Eugene B. Dalton, president of the National League of Postmasters and Postmaster at Baldwin, Ga.

I have with me today the immediate past president of our organization, Mr. Kenneth Jennings of Powell, Tenn., and our legislative representative, Robert Dowd from Comstock, Mich.

It is indeed an honor for our organization to appear before you today.

I will briefly summarize the views of the National League of Postmasters on the recent recommendations of the Commission on Postal Service and then answer any questions the members of the committee may have.

We agree with the Commission that the Postal Service should advance further in the field of electronic communications for mail. This is vital if we are to maintain our most profitable business—that of first-class mail. USPS must establish a foothold in this ever-increasing area.

We also concur that post offices should not be closed merely to reduce costs. Patrons who receive their mail at small, rural post offices are deserving of the same services as those provided in large cities and should not become the targets of postal economists who are trying to achieve a break-even state within the Postal Service. We agree wholeheartedly that the most important objective the Postal Service must achieve is reliability of service.

I might inject at this point that this is very lacking in our service today.

Those responsible for the Postal Reorganization Act understated the importance of maintaining the public service aspect of the Postal Service. Too much emphasis was placed on the Postal Service becoming a self-sustaining enterprise. We do not feel that this will ever be possible and therefore a percentage of the annual budget should be appropriated by Congress to eliminate indebtedness.

We do, however, disagree with the Commission's recommendation that the Board of Governors be preserved and that the Postmaster General and Deputy Postmaster General continue to be appointed by and serve at the pleasure of the Governors.

Direct Presidential appointment of these top postal officials would return a large measure of accountability to the Congress and the American people. It would also eliminate the problems that have resulted from the communications gap which exists between the President and the Board.

The Postal Rate Commission should be preserved. However, Congress should have the final authority in rate and classification proceedings.

We do not feel that sufficient savings would result in a cutback to 5-day delivery to justify such a move. This cutback in service, coupled with elimination of night mail processing, as recommended by the Commission, would only place additional burdens on customers in rural areas.

Like the other postmaster organization, I was very much displeased and disappointed that the middle field management had no person on this study commission to begin with. You are looking before you today at the people who make the Postal Service work, who are mandated to carry out the policies that are established by Postal Service, yet we had no voice as far as any recommendation was concerned for the saving of money to the American people without a reduction in service.

Unlike the other postmaster organization, we did not support the Commission study because like the distinguished Senator from South Carolina, we felt that a blue ribbon commission got us into the mess

we are in today, to begin with, and our fears have been brought to realities in that this commission's report has not solved any of our problems we face today in the Postal Service.

In conclusion, I would like to remind the committee that the original intent of the Postal Service was to provide a public service which the American people could depend on. It is imperative that service to the customer once again becomes our main objective.

Mr. Chairman, I have other things I would like to inject in the record at a later date. I will be most happy to answer any questions your committee might have and once again we appreciate your taking the opportunity, of your taking your time to hold these hearings.

Senator GLENN. We will welcome that for the committee record and you can send it at your convenience. We normally hold the committee record open for 10 days, and then close at that point so we can get our records in final form.

Mr. DALTON. I think some of it may be entered in the question-and-answer session.

Senator GLENN. Very fine.

Senator GLENN. Next is Mr. Don Ledbetter, president, National Association of Postal Supervisors.

Mr. Ledbetter?

Mr. LEDBETTER. Thank you, Mr. Chairman.

My name is Donald N. Ledbetter, president of the National Association of Postal Supervisors. I am accompanied today by Maurice J. Twomey, our executive vice president.

Our association is composed of approximately 36,000 supervisors and other managerial employees of the postal field service, with members in all 50 States, Guam, Puerto Rico, and the Virgin Islands.

Our members are employed in post offices, branches, stations, motor vehicle facilities, maintenance units, airmail facilities, bulk mail centers, and in all other mail handling installations in the field service.

We are pleased at our first opportunity to appear before your subcommittee, Mr. Chairman, since you took on the responsibility for postal matters. We wish for you the same measure of success in this undertaking that you have enjoyed in your other endeavors.

Our association is not only interested in the usual self-preservation goals common to any union or employee organization, Mr. Chairman, but more than that, our members are interested in providing service to the American public. And we believe that so strongly we don't see how the Postal Service could justify its continuance unless it is based on service—good service. We are talking about the traditional postal service to which the American public had become accustomed prior to recent years.

And that kind of service was not achieved by studying a profit and loss sheet. It was achieved by managers who had as their primary goal good service. And they knew that if the service was terrible, complaints would go to the White House and to the Congress. And if the White House got enough complaints, there might be a new Postmaster General.

At the least the people knew he would get the message. Today they can't be sure. After all, the Postmaster General is now appointed by a Board of Governors, who were elected by no one—and who answer to nobody.

The Commission on Postal Service recommends continuance of the Board of Governors and their authority to appoint the Postmaster General.

We feel very strongly that the Board of Governors should be abolished and that the Postmaster General should be appointed by the President and confirmed by the Senate. If that is done, we believe that many of today's ills in the Postal Service would be eliminated.

When postal reform was being debated in 1970, I heard Senator Bellmon of the Senate Post Office and Civil Service Committee say that he found as Governor of Oklahoma that boards of directors were nothing more than figureheads. He said they came together once in a while merely to rubberstamp whatever programs the chief operating official of the particular institution placed before them. Senator Bellmon proved to be an excellent prophet as he predicted that the Postal Service's Board of Governors would do no more than that. And he was right.

Mr. Chairman, I suggest that you get the Board of Governors to submit to you a list of the vetoes they have exercised over the Postmaster General's programs and proposals since the Board was established. This would no doubt give you some idea of the Board's effectiveness.

And you might also get the Postmaster General to list for you the services that have been eliminated or reduced in the past 6 years. It's no wonder so many people are concerned about the future of the Postal Service. Most everything about the service has been reduced but its price.

Prior to postal reorganization, it took almost 40 years for the price of mailing a first-class letter to go from 3 cents to 6 cents. Under 6 years of postal reorganization, it has jumped from 6 cents to 13 cents and the Postmaster General is quoted as having said this week that it will probably go to 15 cents or 16 cents by early next year. All that with curtailments of service, Mr. Chairman, and with more to come.

The Commission on Postal Service has recommended a reduction in delivery days from 6 per week to 5 per week. Mr. Chairman, postal reorganization was supposed to be a panacea for postal problems. As we see it, the application of private industry techniques has brought little more than higher prices for less service.

Our association is opposed to the recommended reduction in delivery days as it is just another reduction in service. If this is permitted, the next step would probably be a reduction to 3 days a week.

The Commission on Postal Service wants to legalize the processing of today's mail tomorrow in order to save the costs of night differential pay which goes to employees who work on night tours. Mr. Chairman, when people become willing to eat stale bread, the bakers will shut down their ovens at night. And when people become willing to receive all their mail a day late, the post offices can shut down at night, too. I don't really expect to see that happen very soon.

No, the elimination of mail processing at night and the elimination of Saturday deliveries are not remedies. They are merely symptoms of the ills encountered by the industry types who thought it would be easy to make the Postal Service self-sufficient.

As long as the Service is truly a service, Mr. Chairman, it's going to take congressional appropriations to keep it that way. The only real question in our opinion is, "How much?"

No one seems to have the answer as to what proportion of the Postal Service budget should be allocated to public service, but most will agree that the costs of public service must be covered by annual appropriations approved by Congress. We have no crystal ball into which to look for a magic number, but we recommend that an amount no less than 20 percent of the postal budget be appropriated for public service costs.

As for the type of services to be provided as a public service, we believe that any part of the traditional services provided by the Postal Service which does not pay its own way should be considered public service. This would not only include rural delivery service and small town post offices, but also some of the other services which used to be provided by urban post offices, stations and branches.

In order for the Postal Service to provide its traditional services—in fact, for the Postal Service to even survive—no change or relaxation of the private express statutes should be made. Some people are advocating repeal of the statutes. They say, "Turn the Postal Service over to private enterprise. That will bring efficiencies and better service, too." This simply is not true.

Private enterprise is interested in one thing primarily, and that is a profit. Private enterprise—if given the opportunity to handle first-class mail—would cull the unprofitable areas quickly. Congress would be faced immediately with having to appropriate ever greater sums of money to provide postal services for millions of Americans considered to be in the unprofitable areas by private mail companies. The Commission on Postal Service, of course, has recommended only a partial relaxing of the statutes. We believe that a change such as the Commission has recommended would be a foot in the door, however, and what would follow would be to the disadvantage of the American people.

We appreciate very much the opportunity to present our views to the subcommittee and will be glad to answer any questions you may have.

Senator GLENN. Thank you, Mr. Ledbetter.

Next is Mr. Lester F. Miller, president of the National Rural Letter Carriers' Association. Mr. Miller.

Mr. MILLER. Thank you, Mr. Chairman.

My name is Lester F. Miller, president of the National Rural Letter Carriers' Association, an organization representing nearly 70,000 regular, substitute, auxiliary, and retired rural letter carriers. I am accompanied today by Vice President Clifford E. Edwards.

Now with your permission, I shall attempt to abbreviate my prepared statement by omitting certain portions of it.

Senator GLENN. Thank you. The entire statement will be in the record.

Mr. MILLER. Thank you.

We welcome the opportunity to appear before your committee to express our views on the recently released report of the Postal Service Commission. We commend you for scheduling early hearings on this report to hear the views of those who are interested in the future of one of the oldest and most important Government services, the U.S. Postal Service.

There are several recommendations in the report which give us great concern. The recommendation to reduce the level of Postal Service by reducing mail delivery to all addresses from 6 days to 5 days a week is most disturbing to us. We believe the service should be improved rather than reduced. There have already been too many reductions in service to meet the unattainable goal of self-sufficiency.

Any reduction in the number of days of delivery per week would likely affect the people we serve more than any other group. Unlike urban dwellers, a vast majority of rural postal customers must rely upon the rural carrier for the delivery of the daily newspapers and market reports. The rural carrier's arrival is awaited with anticipation each day by many rural customers. Any reduction of current service levels would prove very unpopular and meet with much opposition from rural people. Farmers take their rural delivery service very seriously.

Implementation of the 5-day week would eventually deprive regular and substitute rural carriers of a certain amount of their present employment. Such a plan would eventually result in less delivery routes and less employment for rural carriers and other delivery employees.

I might interject at this point that a very conservative estimate would indicate that in our craft we would probably lose the equivalent of 3,500 positions.

At a time when unemployment is a national problem, it seems inconsistent for the Government to be considering the reduction of an essential Government service which would create more unemployment to add to the present problem.

We predict the savings of 5-day delivery would be far less than have been estimated. The volume of mail to be handled would be virtually the same and only the delivery trip would be eliminated if a 5-day schedule was adopted. It would place a double volume of mail on the carrier to be cased and delivered on Monday. This would cause disruption to his schedule for several days of the following week. When a holiday occurs on Monday, as it does eight times this year, it would create an almost impossible situation to handle 3 days of mail in one delivery trip. During those weeks, mail could be curtailed most of the week until the backlog was finally delivered.

The reduction of mail delivery from 6 days to 5 days a week certainly seems inconsistent with the recommendation that the Postal Service should make dependability of timely delivery its primary service objective. Elimination of 1 day of delivery and curtailment of mail on many of the remaining days certainly does not lend itself to dependability of timely delivery.

Furthermore, in spite of the so-called Nielsen Survey, we do not believe that the American people will be pleased with a reduction in service at the same time that postage rates are being increased and additional appropriations are being made. The Congress would be placing itself in an unfavorable position if it allowed such a situation to occur.

We believe the Congress should establish minimum delivery standards for the U.S. Postal Service below which service levels could not be reduced. A decision as important as that of frequency of

delivery—5 or 6 days—should not be made by anyone other than the elected representatives of the people themselves, the Congress.

We also agree with the concept of the Postal Service Commission report to appropriate a specific percentage of postal expenses incurred in the preceding fiscal year to maintain public service in the Postal Service. Obviously the Congress must determine the amount of that percentage. We strongly recommend that an adequate amount be appropriated to retain the present 6-day delivery service.

The fixed amount of \$920 million annual subsidy provided in the Postal Reorganization Act to compensate for public service costs has proven inadequate. Inflation has decreased its actual value and the amount was probably too low in the beginning. The proposed 13 percent, as provided in Mr. Rademacher's and Mr. Krebs' dissenting views, is far more realistic.

There would seem to be much validity to the proposal that the Congress should appropriate \$625 million to eliminate the present Postal Service accumulated indebtedness incurred for operating expenses. This would place the Postal Service in a sound financial situation. With the Congress adopting a percentage formula of financial support for the public service costs of the Postal Service, we believe the U.S. Postal Service would then be in a position to operate with reasonable postage rate increases, which would keep the service competitive with other modes of communication. Actually, when one considers the Government appropriation as payment for public service costs, the remainder of the Postal Service can then become self-supporting.

Another recommendation which we consider very dangerous is the proposal to permit private carriage of time-value letter mail if the Postal Service is not prepared to offer generally comparable service. This proposal, coupled with the 5-day delivery recommendations, will cripple the Postal Service.

The Postal Service Commission asserts that "a general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nationwide service obligations."

However, we consider the limited relaxation, as noted above, all that is needed to cause a "crack in the dam" which will eventually lead to disaster. Any weakening of the Private Express Statutes, which grants the Postal Service a monopoly on first-class letter mail, is a threat to its very existence.

Without the monopoly, private firms would skim the cream, delivering letters in the profitable areas and leaving the unprofitable delivery in remote areas to the Postal Service.

Loss of the first-class monopoly would mark the beginning of the end of universal postal service that we have come to take for granted. Rural America, whom we serve, would have much to lose if the Private Express Statutes were weakened or repealed. Rates for transcontinental delivery and rural delivery would become prohibitive.

Implementation of 5-day delivery would leave the door wide open for private firms to provide delivery service under the conditions set forth in the Commission recommendations to lower the bars on the Private Express Statutes. The Postal Service has the capability of providing any level of service desired. It should be encouraged,

yes, even required by the Congress to provide a class of service which would make it unnecessary or undesirable for private carriage of time-value letter mail.

We strongly support the recommendation of the Commission that "the Postal Service should immediately pursue opportunities to provide services which utilize existing electronic communications. . . ."

As reported by the Commission, first-class mail faces major competition from developing electronic communications systems. With its comprehensive collection and delivery system, it seems only logical that the U.S. Postal Service should become involved in electronic communications. It could prove to be the eventual salvation of the Postal Service to offset the inevitable decline in first-class mail volume.

There are those who may say the U.S. Postal Service should not compete with private enterprise in this new field of communication. We believe the Postal Service has every right to compete for business to maintain a major role in the communications field.

We feel the same way about the parcel post business. The U.S. Postal Service should have no qualms about competing aggressively to recover lost parcel business. Any statutory restrictions on parcel post should be removed. The limit of 40 pounds for parcels between first-class offices, unless mailed to or from a rural route customer, is utterly ridiculous. It should be removed and the 70-pound limit apply universally.

We agree with the Commission report that the Postal Rate Commission should be preserved and given final authority in rate and classification proceedings, subject only to judicial review.

We are less enthused about the Commission's recommendation to retain the Board of Governors. We have supported the present structure of the Postal Service because partisan politics has become less of a factor in promotional opportunities and because it afforded a more favorable climate for collective bargaining.

In the past 5 years, many inequities were corrected and numerous gains were achieved for postal employees in the area of salaries and fringe benefits. In fact, during the past year, the National Rural Letter Carriers' Association was able to resolve a most difficult problem regarding the pay system of rural carriers through negotiations with the Postal Service which we were unable to resolve by legislation. Having participated in three labor contract negotiation periods and two special ones since 1970, we believe in collective bargaining. Thus, in those two areas the present structure has worked well.

However, we are inclined to agree with those who believe there should be more accountability to the Congress and the President. As an example, we do not believe the Board of Governors should have the authority to effect such a drastic reduction in the level of service as 5-day delivery, which it is now proposing to implement.

We feel very strongly that only the Congress should make that determination. After all, it will be the Congress who will share the burden of the complaints of poor service if this drastic proposal is allowed to become a reality. If the Commission's recommendation to retain the Board of Governors is approved by the Congress, certain limitation of authority should be established by law.

On the other hand, if the Congress decides to abolish the Board of Governors and have the Postmaster General again appointed by the President, there should be certain statutory safeguards to—

- (1) protect collective bargaining in the Postal Service; and
- (2) to prevent partisan politics from again permeating throughout the service.

We shall trust the judgment of the Congress in making the decision on this important issue, but we would hope the concerns which we have expressed above will be taken into consideration in making the final decision.

Above all, Mr. Chairman, our greatest concern is to save 6-day delivery.

Thank you.

[The prepared statement of Mr. Miller follows:]

PREPARED STATEMENT OF LESTER F. MILLER, PRESIDENT, NATIONAL RURAL LETTER CARRIERS' ASSOCIATION

Mr. Chairman: My name is Lester F. Miller, President of the National Rural Letter Carriers' Association, an organization representing nearly 70,000 regular, substitute, auxiliary and retired rural letter carriers. I am accompanied today by Vice President Clifford E. Edwards. The rural letter carriers we represent serve over twelve (12) million families or over forty (40) million persons in rural and suburban areas and travel over two (2) million miles each day. We welcome the opportunity to appear before your Committee to express our views on the recently released Report of the Postal Service Commission. We commend you for scheduling early hearings on this Report to hear the views of those who are interested in the future of one of the oldest and most important Government services, the U.S. Postal Service.

The Report should prove helpful to the Congress in evaluating the need for Postal Service legislation. However, we believe each recommendation must be carefully analyzed to determine its merits. There will likely be many different views on the recommendations in the Report. We have our own views and are happy to share them with you, Mr. Chairman, and other Members of the Committee.

There are several recommendations in the Report which give us great concern. The recommendation to reduce the level of Postal Service by reducing mail delivery to all addresses from six days to five days a week is most disturbing to us. First of all, we are always greatly concerned about any reduction in Postal Service to the American people. We believe the service should be improved rather than reduced. There have already been too many reductions in service to meet the unattainable goal of self-sufficiency.

Any reduction in the number of days of delivery per week would likely affect the people we serve more than any other group. Unlike urban dwellers, a vast majority of rural Postal customers must rely upon the rural carrier for the delivery of the daily newspapers and market reports. The rural carrier's arrival is awaited with anticipation each day by many rural customers. Any reduction of current service levels would prove very unpopular and meet with much opposition from rural people. Farmers take their rural delivery service very seriously.

Implementation of the five-day week would eventually deprive regular and substitute rural carriers of a certain amount of their present employment. Such a plan would eventually result in less delivery routes and less employment for rural carriers and other delivery employees. At a time when unemployment is a national problem, it seems inconsistent for the Government to be considering the reduction of an essential Government service which would create more unemployment to add to the present problem.

We predict the savings of five-day delivery would be far less than have been estimated. The volume of mail to be handled would be virtually the same and only the delivery trip would be eliminated if a five-day schedule was adopted. It would place a double volume of mail on the carrier to be cased and delivered on Monday. This would cause disruption to his schedule for several days of the following week. When a holiday occurs on Monday, as it does eight times this year, it would create an almost impossible situation to handle three days of mail in one delivery trip. During those weeks, mail would be curtailed most of the week until the backlog

was finally delivered. The only logical solution would be to provide auxiliary assistance to the regular carrier on the day following a Monday holiday. In fact, it may be necessary to provide such auxiliary assistance each Monday to cope with the double burden of two days' mail. This would certainly reduce the estimated savings of time and money on rural delivery. The other alternative would be to curtail mail for several days each week.

The reduction of mail delivery from six days to five days a week certainly seems inconsistent with the recommendation that "the Postal Service should make dependability of timely delivery its primary service objective". Elimination of one day of delivery and curtailment of mail on many of the remaining days certainly does not lend itself to "dependability of timely delivery".

Furthermore, in spite of the so-called Nielsen Survey, we do not believe that the American people will be pleased with a reduction in service at the same time that postage rates are being increased and additional appropriations are being made. The Congress would be placing itself in an unfavorable position if it allowed such a situation to occur.

We believe the Congress should establish minimum delivery standards for the U.S. Postal Service below which service levels could not be reduced. A decision as important as that of frequency of delivery—five or six days—should not be made by anyone other than the elected representative of the people themselves, the Congress.

We agree wholeheartedly with the dissenting views of Commissioner James H. Rademacher and Commissioner Paul J. Krebs on five-day delivery and the level of public service appropriations. We concur that an additional three (3) percent of Postal expenses incurred in the preceding fiscal year be added to the ten (10) percent already recommended by the Postal Service Commission. This is a small price to pay for complete Postal Service.

We also agree with the concept of the Postal Service Commission Report to appropriate a specific percentage of Postal expenses incurred in the preceding fiscal year to maintain public service in the Postal Service. Obviously, the Congress must determine the amount of that percentage. We strongly recommend that an adequate amount be appropriated to retain the present six-day delivery service.

We have supported additional appropriations for the Postal Service from the time it became evident that it could not become self-sufficient and still fulfill its public service obligations. We believe the American people consider the public service rendered by the Postal Service as important, if not more important, as other Government services and are willing to pay for that service.

The fixed amount of \$920 million annual subsidy provided in the Postal Reorganization Act to compensate for public service costs has proven inadequate. Inflation has decreased its actual value and the amount was probably too low in the beginning. The proposed 13%, as provided in Mr. Rademacher's and Mr. Krebs' dissenting views, is far more realistic.

We suspect that there is a greater degree of public service rendered by the U.S. Postal Service than is currently believed. The rural delivery service is a part of that public service cost. It could never become self-supporting if it was dependent upon the revenue generated on the rural route. Rural customers are basically recipients of mail rather than senders of mail. We contend, however, that the recipient of mail is just as important as the mailer, even though it is the mailer who generates the revenue. There could be no complete mail service without deliver service to every patron in this land.

Obviously, such deliveries are most costly due to the distances involved and the many miles of travel, but the rapid expansion of rural delivery after its inception in 1896 played a major role in the history and development of Rural America. No one is appreciative of mail delivery service than those who reside in rural areas. No job in the Postal Service is more rewarding than serving as a rural carrier.

Therefore, there would seem to be much validity to the proposal that the "Congress should appropriate \$625 million to eliminate the present Postal Service accumulated indebtedness incurred for operating expenses". This would place the Postal Service in a sound financial situation. With the Congress adopting a percentage formula of financial support for the public service costs of the Postal Service, we believe the U.S. Postal Service would then be in a position to operate with reasonable postage rate increases, which would keep the service competitive with other modes of communication. Actually, when one considers the Government appropriation as payment for public service costs, the remainder of the Postal Service can then become self-supporting.

Another recommendation which we consider very dangerous is the proposal to "permit private carriage of time-value letter mail if the Postal Service is not prepared to offer generally comparable service". This proposal, coupled with the five-day delivery recommendations, will cripple the Postal Service.

The Postal Service Commission asserts that "a general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nation-wide service obligations". However, we consider the limited relaxation, as noted above, all that is needed to cause a "crack in the dam" which will eventually lead to disaster. Any weakening of the Private Express Statutes, which grants the Postal Service a monopoly on first-class letter mail, is a threat to its very existence. Without the monopoly, private firms would skim the cream, delivering letters in the profitable areas and leaving the unprofitable delivery in remote areas to the Postal Service.

Loss of the first-class monopoly would mark the beginning of the end of universal Postal Service that we have come to take for granted. Rural America, whom we serve, would have much to lose if the Private Express Statutes were weakened or repealed. Rates for transcontinental delivery and rural delivery would become prohibitive.

Implementation of five-day delivery would leave the door wide open for private firms to provide delivery service under the conditions set forth in the Commission recommendations to lower the bars on the Private Express Statutes. The Postal Service has the capability of providing any level of service desired. It should be encouraged, yes, even required by the Congress to provide a class of service which would make it unnecessary or undesirable for private carriage of time-value letter mail.

We strongly support the recommendation of the Commission that "the Postal Service should immediately pursue opportunities to provide services which utilize existing electronic communications . . ." As reported by the Commission, first-class mail faces major competition from developing electronic communications systems. With its comprehensive collection and delivery system, it seems only logical that the U.S. Postal Service should become involved in electronic communications. It could prove to be the eventual salvation of the Postal Service to offset the inevitable decline in first-class mail volume.

There are those who may say the U.S. Postal Service should not compete with private enterprise in this new field of communication. We believe the Postal Service has every right to compete for business to maintain a major role in the communications field.

We feel the same way about the parcel post business. The U.S. Postal Service should have no qualms about competing aggressively to recover lost parcel business. Any statutory restrictions on parcel post should be removed. The limit of 40 pounds for parcels between first-class offices, unless mailed to or from a rural route customer, is utterly ridiculous. It should be removed and the 70 pound limit apply, universally.

We agree with the Commission Report that the Postal Rate Commission should be preserved and given final authority in rate and classification proceedings, subject only to judicial review.

We are less enthused about the Commission's recommendation to retain the Board of Governors. We have supported the present original structure of the Postal Service because partisan politics has become less of a factor in promotional opportunities and because it afforded a more favorable climate for collective bargaining.

In the past five years, many inequities were corrected and numerous gains were achieved for Postal employees in the area of salaries and fringe benefits. In fact, during the past year, the National Rural Letter Carriers' Association was able to resolve a most difficult problem regarding the pay system of rural carriers through negotiations with the Postal Service which we were unable to resolve by legislation. Having participated in three labor contract negotiation periods and two special ones since 1970, we believe in collective bargaining. Thus, in those two areas the present structure has worked well.

However, we are inclined to agree with those who believe there should be more accountability to the Congress and the President. As an example, we do not believe the Board of Governors should have the authority to effect such a drastic reduction in the level of service as five-day delivery, which it is now proposing to implement. We feel very strongly that only the Congress should make that determination. After all, it will be the Congress who will share the burden of the complaints of poor service if this drastic proposal is allowed to become a reality. If the Commission's recommendation to retain the Board of Governors is ap-

proved by the Congress, certain limitations of authority should be established by law.

On the other hand, if the Congress decides to abolish the Board of Governors and have the Postmaster General again appointed by the President, there should be certain statutory safeguards to—(1) Protect collective bargaining in the Postal Service, and (2) To prevent partisan politics from again permeating throughout the Service.

We shall trust the judgment of the Congress in making the decision on this important issue, but we would hope the concerns which we have expressed above will be taken into consideration in making the final decision.

Above all, Mr. Chairman, our greatest concern is to save six-day delivery! Thank you.

Senator GLENN. Thank you very much, Mr. Miller.

As we ask questions and develop different lines of questioning this morning, if I am addressing my question to a particular person and someone else has a comment they wish to make, just signify and let me know of your interest. We will pass the questioning around, giving us more of a round table discussion.

Mr. Miller, you were last to testify this morning. I would like to follow up one of your last remarks here about preventing partisan politics from again permeating the service.

Your particular area of concern is that in the old Post Office Department appointments and so on were made with political considerations.

How does one have a nonpolitical political department? Every one of you gentlemen has recommended we go back to Presidential appointment of the Postmaster General. At the same time, some of you have cautioned against a politicized department. You can't have it both ways. How are you going to have it?

Mr. MILLER. If you notice, I didn't exactly recommend that, as did most of the other gentlemen. I left this up to the judgment of the Congress as to whether or not the Postmaster General be appointed by the President or by a Board of Governors.

Now if a Board of Governors is retained, then I believe the Postmaster General should be appointed by that Board of Governors. If the Congress determines that the Board of Governors is ineffective and unnecessary, then obviously the Postmaster General would and should be appointed by the President.

Senator GLENN. Maybe I misstated your views. You did not recommend Presidential appointment of the Postmaster General, is that correct?

Mr. MILLER. That is correct. I did not take a firm stand on whether the Postmaster General be appointed by the President or by the Board of Governors.

Senator GLENN. I am sorry, I didn't mean to include you in a general statement.

If we go to a Presidentially appointed Postmaster General, how would you suggest we prevent complete politicization as existed in the old Post Office Department where Postmasters were politically appointed, rural carriers were politically appointed, by and large, and the post office was generally politicized from top to bottom.

Do you see the move away from that as bad, or do you think we should return to that setup?

Mr. MILLER. I don't believe it would be in the best interests of the Postal Service to return to the complete politicization of the Postal Service. If the President appoints the Postmaster General, I think some restrictions should be placed upon what level the politicization should be allowed to occur.

Senator GLENN. That is difficult to do. If we appoint a Postmaster General, so that he will be politically responsive to the people, he should be able to appoint top to bottom people he wants. That would politicize the Postal Service again.

Mr. MILLER. That is why we did not come out strongly in favor of the President appointing the Postmaster General.

Senator GLENN. How do you make that cutoff?

Mr. LaPenta?

Mr. LAPENTA. Senator Glenn, first of all, in commenting about politics in a general sense, let's be realistic. There is politics in everything we do. You and I can start a small athletic club in the neighborhood and before long you and I are going to be competing for who's going to be elected the president of that little group. There is politics in religious organizations, fraternal organizations, et cetera. Politics is a way of life in America, and I think it is a good way of life, a positive and a constructive way of life.

There is plenty of laws on the books to stop corruption in politics and things of that matter, generally speaking.

Specifically, the facts of the matter are since the Postal Reorganization Act, due primarily to collective bargaining and because of collective bargaining forcing the Postal Service, for example, appointing of postmasters from within, promotion from within, we have depoliticized the Postal Service, through collective bargaining the rural letter carriers have got substitutes of record appointed who were their own political appointees as they in turn were political appointees by Congressional sponsors. This has been, for all intents and purpose eliminated by collective bargaining agreements.

Having the Postmaster General again appointed by the President of the United States, I see no reason why we have to bring the kinds of politics that we have experienced in the past, whereby we appointed postmasters and appointed rural letter carriers—why that has to return.

Now as to the politics of appointment by the Postmaster General and his top staff, I see nothing wrong with the Postmaster General appointing people who are going to do his, who have his views, who have his thoughts, might feel his own political persuasion.

I see nothing wrong with that at all. The facts of the matter are we have had nothing but corporate politics in the Postal Service for the past 8 years, and we substituted corporate cronyism for the politics that we had prior to 1970.

Senator GLENN. How far down the line would you go with political appointments?

Mr. LAPENTA. I would go down the line to those persons who are going to sit in very sensitive policymaking decisions.

Senator GLENN. Would you go to local postmasters and letter carriers?

Mr. LAPENTA. Let me repeat again that has already been depoliticized and there is no possible way I can see that coming back based on the options that we have at the collective bargaining table. The

collective bargaining table and collective bargaining has brought to the Postal Service, along with the merit system which we still have, the opportunity for real equalities and equity and it has eliminated favoritism and cronyism in the vast body of the Postal Service.

Senator GLENN. Mr. Vacca?

Mr. VACCA. Mr. Chairman, I don't believe that the Postal Service will become any more politicized than any other agency of Government that the President appoints the head of. Mr. LaPenta is correct, collective bargaining is the equalizing balance for that politicization, and I would recommend that the Congress consider collective bargaining in other Federal institutions within the Government as well.

Senator GLENN. Both of you gentlemen put heavy stress on what could be termed a depressing and monotonous list of management failures. Mr. Vacca, you indicated these failures were part and parcel of the break-even concept imposed on the Postal system. Is it correct that the version of Postal Reorganization enacted in 1970 was largely imposed as a result of bargaining between postal unions and the executive branch?

Mr. VACCA. I didn't get the question, Mr. Chairman.

Senator GLENN. Isn't it true that the version of Postal Reorganization we got in 1970 was largely imposed as the result of bargaining between postal unions and the executive branch?

Mr. VACCA. I don't think I would consider it bargaining, Mr. Chairman. I think there was some cooperation between the two.

Senator GLENN. Didn't you endorse the act in 1970? Didn't your unions endorse the concept of the act?

Mr. VACCA. Yes, when they insured the collective bargaining provisions of the act.

Senator GLENN. Did you at that time endorse the breakeven concept?

Mr. VACCA. Mr. Chairman, we didn't speak to the breakeven concept at the time.

Mr. LAPENTA. I happen to be privy to a number of things that went on during that particular point in time, Senator Glenn. Let me give you the scenario very quickly, if I may, or if you like, I could put it in the record.

The facts of the matter are that when the postal strike occurred in 1970, there were a number of unions who, of course, were supporting the concept of collective bargaining in the Postal Service, but they were not supporting the concept which we ultimately got passed, namely the break-even concept and, in fact, most of us were supporting Congressman Dulski's bill which would have kept the Postal Service as an executive branch, and not made it an independent Federal establishment, but would have given postal workers collective bargaining. In the give-and-take that followed the strike and the serious situation that resulted as the strike went on, in the interest of the country, we made certain commitments and did certain things normally we would not do in order to resolve that industrial dispute.

That is another point I would like to make about all of this talk about postal strikes and the misconceptions particularly that Congress has about striking. The facts of the matter are in America, and I have been in the union business for over 30 years, American workers don't strike because they are revolutionaries and want to overthrow the Government; they strike because they want improvements in their

wages, hours and working conditions, and that has been historical in this country, and that is what happened as far as the Postal workers were concerned.

They were not trying to overthrow the country. So many times when there is this whisper and this rumor that if something happens, there is going to be another postal strike, we get immediately people lining up and placing this stigma in postal workers, that they don't deserve, that label they are some kind of revolutionaries, because they are talking about engaging in an illegal strike, they are going to overthrow the Government.

Senator GLENN. Do you think the present Postmaster General really wants to do away with the Postal Service?

Mr. LAPENTA. I am personally convinced that this is a political conspiracy of the Ford administration. I have here a Wall Street Journal article of April 29, 1976, whereby he suggests that the Postal Service seek loans in order to keep the Postal Service operating. Mr. Ford said he doesn't intend to back current Congressional proposals to increase further Postal Service subsidies.

Senator GLENN. How is that a political conspiracy? Those are pretty harsh words. I would like you to expand on that to let me know what your thinking is and to bring out all the facts.

You say it was a political conspiracy by a former President because he asked for loans or didn't want subsidies from the Government. How was that a conspiracy?

Mr. LAPENTA. I am not talking about an illegal conspiracy, I am talking about a political concept and, yes, I do use harsh words because if you look at the record, that record shows that he gave little, if any, attention to the Postal Service during the period when it was in a crisis and we were trying to propose changes to the Postal Reorganization Act of 1976 which could have taken the Postal Service out of the quandry and out of the difficult deficit situation that it was in.

Furthermore, he charged the U.S. Department of Justice, a Department which certainly the record in the past years hasn't been too fine of a record, he charged them with the task of developing a study about the postal monopoly.

Now why would you want to study the postal monopoly if you are not going to give postal service, profitable postal service, to private contractors? That is why I use these harsh words that there has been a conspiracy developing. I think there has been.

Senator GLENN. Do you think Postmaster Bailar is part of this conspiracy?

Mr. LAPENTA. I think he is a political follower of the belief that Government should not be in any kind of business that is profitable, so therefore, he is a willing or unwilling part of this political conspiracy.

Senator GLENN. Would any of the rest of you gentlemen care to comment?

Some of Mr. LaPenta's comments, which I noted during his testimony are that we are trying to give the postal business to private contractors, orchestrate a plan to scrap the system, predict the death within 5 to 10 years, and that the principal aim of the Postmaster General is to wind down the Postal Service and not to do anything.

Those are very harsh words indicating you really believe there is a conspiracy afoot to do away with the Postal Service as we know it. Is that correct?

Mr. LAPENTA. I believe it is, sir.

Mr. VACCA. Mr. Chairman, whether by accident or by design, the Postmaster General's actions are going just in that direction.

Senator GLENN. Do you believe it is by design?

Mr. VACCA. I would have to think it would be because he did not oppose the Commission's recommendation on relaxing the private express statutes which states that where the Postal Service could not make service available to businesses, that private couriers should be given that work.

Now that, coupled with the elimination of the night work and the elimination of the sixth day automatically makes a period of time that they cannot make service available to the public and automatically private couriers would be carrying business mail.

Senator GLENN. Do you believe this is a conscious conspiracy as Mr. LaPenta indicates?

Mr. VACCA. I believe the words "conscious conspiracy" are harsh, however, I have to agree with Mr. LaPenta and it is not the first time I have said it, either. I have said it in testimony before other hearings that there is, obviously, some type of plot to turn the Postal Service over to private industry.

Senator GLENN. Mr. Gondola?

Mr. GONDOLA. I would not characterize it, Senator, as a plot, but I think the overriding philosophy that the Postmaster General possesses certainly is going to lead us in that direction. I think the classic example of that now in a timely fashion is the attitude he has taken towards electronic transmission of messages in the mail. We are spending two-tenths of 1 percent of our budget on research and development in this tremendously vital area and studies indicate that we may lose 40 percent of our first class profitable volume to that medium and yet he sits back and says, well, if private industry can do it better, we ought not to be in that business. We are in the communications business and it seems to me this is a natural adjunct where we should be involved.

Again, I am not characterizing it as a plot, but I think philosophically his attitude is one that will lead us to hell in a handbasket, quite frankly.

Senator GLENN. The President indicated in his campaign he wanted to make the Board of Governors an operating board and not just a ceremonial function, and perhaps do away with the Rate Commission.

Do you think that will work under the current system, Mr. Dalton?

Mr. DALTON. Mr. Chairman, first of all, we speak of political patronage and so forth. Let's look at the makeup of the Board of Governors. They are appointed by the President. How much more political can you get? No, sir, I do not think it will work.

I know that they are confirmed by the Senate, as far as that is concerned, but these people are named by the President.

Senator GLENN. They are, that is true.

What is the length of tenure on the Board, do you know?

Mr. DALTON. It is a staggered term, and we have some that are going off, there are some vacancies at the moment, on the Board of Governors. No, sir, I don't think that is the answer to it as far as the Board of Governors is concerned.

You still have the political overtone there.

Getting back to the question that was previously asked, we are faced today with a more vicious type of politics in the Postal Service than at any time in the history of the Postal Service since the Civil Service came into being putting postal employees under Civil Service. We have local managers now—

Senator GLENN. You are saying we are more politicized now?

Mr. DALTON. Very definitely so. Not partywise.

Senator GLENN. Can you give us some examples of that?

Mr. DALTON. Yes, sir. We have MSC managers today who make the present recommendations to fill postmaster positions. If you look at the number of postmaster positions that have been refilled since postal reorganization versus the number of promotions from postmasters, it is a very, very low percentage and the majority of these people have come within their section who have filled these postmaster positions. A typical example of which I do have the facts to back it up, MSC manager picked up three rural routes from one office, moved them into another office in order to get enough qualified people from within that office to get the one he wanted appointed as postmaster.

We were able to stop it up here because we got word of it through postal headquarters. These are some of the shenanigans going on in the merit selection basis we have today so you still have this.

As Jim LaPenta pointed out, if you started a little league baseball team, pretty soon you have the buddy-buddy system going on in it. Politics is a way of life.

Senator GLENN. You were able to stop that particular one. Are there others that you were not able to stop?

Mr. DALTON. Without the records, Mr. Glenn, it is extremely hard to say. In other words, they say we selected the best qualified person, and without the records where we can prove it depends upon the selection board as to who is selected for that, but at the present time the only people named submitted to the selection board are the three names furnished by the MSC. They do have the power to throw out those three names and ask for more, but how many times does this happen if they only get the records on three people?

Senator GLENN. Is there an appeal process if someone feels he is not dealt with fairly?

Mr. DALTON. There is none, sir. That is one of the fallacies of the selection process. I would like also to say for the record that our organization was one organization that bitterly opposed the Postal Reorganization Act as its concept was. This does not mean that we are ready to throw the baby out with the bathwater at this time, but we feel there must be some amendments to the present Postal Reorganization Act if we are to survive.

I would like to go one step further on something Jim LaPenta said. Leave "plots" or any other word out of it, let the record speak for itself. In the Congressional Record of 1969 and 1970, Senator Ralph Yarborough stood on the floor of the Senate and to the best of my recollection these were basically his words, "I hold in my hand a plan smuggled to me by high officials of the post office department which shows that by 1986 the Postal Service will be done away with."

He had that in 1970. We are just about up to date on that plan. I do not have a copy of the plan for the record.

Senator GLENN. Do you feel the current management of the post office really has as its objective to do away with the Postal Service?

Mr. DALTON. I think the record speaks for itself, yes, sir, that is my opinion.

Senator GLENN. Do you think they are trying to do away with the Postal Service?

Mr. DALTON. Yes, sir.

Senator GLENN. Do the rest of you gentlemen feel that way?

Mr. Miller?

Mr. MILLER. I have never looked upon it in that fashion. I feel that their philosophy differs from those that we gentlemen have here as far as competing for business in the parcel post business. For instance, I feel they should compete aggressively for parcel post business and I think they should also compete aggressively for electronic communications.

We are in the communications business and if we can render the service to the American people, we should be doing it. Their philosophy perhaps differs from ours.

Senator GLENN. Do you feel they are trying to do away with the Postal Service, Mr. Ledbetter?

Mr. LEDBETTER. I cannot go along with Mr. LaPenta's statement, but I would like to give an example of two incidents that have happened.

Senator GLENN. Let me poll all of you.

Mr. GONDOLA. Again, as I mentioned, Senator, I would not characterize it as a plot—

Senator GLENN. I didn't say "plot." The statement was made that they are trying to do away with the Service. Do you agree with that?

Mr. GONDOLA. I think they are attempting to dismantle it. Here is a Wall Street Journal article of May 9.

Senator GLENN. Mr. Vacca, do you agree with that?

Mr. VACCA. We do have postal management sitting here. I would say top postal management; yes.

Senator GLENN. I promised to come back to Mr. Ledbetter.

Mr. LEDBETTER. Several years ago, when Winton Blount was Postmaster General, I was one of a few organization leaders invited into his office one day to be briefed on his plans for the bulk mail centers. He had Harold Faught, his Assistant Postmaster General to give the briefing. They had charts and graphs galore to show how the United Parcel Service had taken away most of the parcel business from the post office, and the purpose as outlined to us at the time was to recapture that business that the post office had lost to this private parcel company.

Last year, when Congressman Wilson's subcommittee was holding hearings on the operation of the bulk mail centers, Assistant Postmaster General Brower, who had been the head of the bulk mail centers, testified in response to a question that there was no idea at all of recapturing or recovering any business from United Parcel.

He said, "We are not in the business to compete with private enterprise." Here we are with these 21 bulk mail centers geared up and ready to handle millions of parcels, and we don't have the parcels to handle to make the bulk mail centers pay for themselves.

Senator GLENN. What I was developing, which came as somewhat of a surprise to me, I must admit, is that four out of six of you feel the Postal Service has set out consciously to do away with its own service in this country.

Making a poor management decision is quite different from saying the management of the Postal Service is setting out to do away with this service to the American people and do away with the service they represent.

That is what we have developed this morning exactly. That is the point I was making. There is a difference between bad management decisions and setting out to destroy the Postal Service of this country.

I was developing that line of thought and that is the reason I differentiate between the two.

Mr. VACCA. What Mr. Ledbetter said is not different. There is more to the story. Mr. Brower made the statement—

Senator GLENN. The only way it would be different would be if they made these management decisions with an intent to do away with the whole service, I would agree that is a little different story.

Mr. VACCA. Let me finish and you might see the point I am trying to make. That is, that Mr. Brower made that statement. However, Mr. Dorsey of the Postal Service made the statement that we are going to be competitive and get that business back.

Then, before a hearing in testimony with Mr. Brower and Mr. Dorsey sitting together, I believe Congressman Wilson asked him the question, "There is a difference of opinion?"

And Mr. Dorsey said, "Yes, I did make that statement about competitiveness, however, I was incorrect; our policy is as Mr. Brower says it is."

Somebody must have straightened him out that our policy is not competitiveness.

Mr. DALTON. Mr. Chairman, just as an illustration, Mr. Gondola touched on this; the article in the Wall Street Journal, we know there is a study being made right now to abolish 17,000 post offices throughout rural America at a net savings, according to their figures of \$490 million. Yet, I hold in my hands a survey of a study made in one district involving three sectional centers on missorting of the discount mail that the customers are getting right now on the presort discount that it was carried on; the findings in this one particular district were carried on nationwide, the Postal Service is being cheated out of half a billion dollars by these people, yet no study is being made nationwide on this.

We are only looking at cutting out post offices. This tells me that somewhere down the line we are talking about doing away with the Postal Service.

Senator GLENN. Straighten me out on this.

Mr. DALTON. Large mailers on second- and third-class stuff and first-class stuff are allowed a discount if they presort and bundle according to the three- and five-digit zip code. A survey was conducted out of one district involving three sectional centers where the team came in and broke these bundles down and the mailers are cheating the U.S. Postal Service, on an estimate nationwide, out of half a billion dollars a year.

I have the names of the people, the manufacturers and the mailers, who made these mailing. They would put 10 good letters on top and the rest might be going to an entirely different zip code getting the presort discount, while all of this had to be worked manually.

I say, if we want to keep the Postal Service, we should be looking into areas of saving money, and this could be accomplished without any additional machines or personnel, without making a single in-house change or adding additional transportation.

This survey was conducted by the district manager, Mr. C. B. Boler, Oklahoma District.

Senator GLENN. Have they taken action to correct that?

Mr. DALTON. Yes, sir. But what happened, according to the statements made by this gentleman, when they notified where this mail was entered, which has to make the correction, they were told that these big mailers are too poor. They were not going to alienate them and tell them they would not accept that mail.

Senator GLENN. Has this situation been corrected now in the post offices you have listed?

Mr. DALTON. It cannot be corrected here. This is not where it was entered. This was only the receiving point where it was broken down.

Senator GLENN. Has it been corrected?

Mr. DALTON. That I cannot answer.

Senator GLENN. Can you furnish this committee with that information?

Mr. DALTON. I certainly can.

[The information requested and subsequently supplied follows:]

NATIONAL LEAGUE OF POSTMASTERS OF THE UNITED STATES,
Washington, D.C., May 25, 1977.

Mr. DAN DOHERTY,
Dirksen Senate Office Building,
Washington, D.C.

DEAR DAN: Enclosed please find copies of the information regarding the loss of revenue on pre-sort mail that Senator Glenn requested.

The survey was conducted in the Oklahoma District under the supervision of Mr. Chuck Bolar, District Manager in Oklahoma City, and involved incoming mail at three Sectional Centers. If the loss of revenue within the Sectional Center is indicative of errors made nation-wide, the Postal Service is losing one-half of a billion dollars.

It is our belief that if the same amount of manpower and time were devoted to correcting such inequities, it would be more profitable than abolishing small Post Offices.

Our organization will be most happy to furnish any additional information you require, upon your request.

Sincerely,

EUGENE B. DALTON, *President, NLP.*

Enclosures.

REVENUE PROTECTION AND IMPROPER MAKE-UP OF BULK RATE MAILS

If we have to process mail that should have been processed by a customer, we incur additional costs. This is unfair to other customers, who, ultimately, will have to absorb the loss.

This involves not permitting any customers to secure rates lower than they are entitled to.

The regulations are meant to apply to everyone, on an equal basis. We cannot tolerate their selective application.

WILLIAM F. BOLGER.

Greatest single dollar savings and service improvement program available today, without:

Spending a single dollar for equipment or facilities.

Making a single inhouse change or adding additional transportation.

Fiscal year 1976

Second and third class:

Pieces.....	32, 025, 471, 000
Revenue.....	\$1, 829, 714, 000
Revenue/pieces.....	\$. 057
Percent of total volume.....	35. 7
Percent of total revenue.....	17. 0

Make-up requirements for bulk rate

Third.....	Minimum	10—5-digit, or, 10—3-digit, or, 10—State Nothing ¼ sack as direct
Second.....	Minimum	6—5-digit, or, 6—3-digit, or, 6—State Nothing ¼ sack as direct

Possible makeup as received at origin

<i>Mail makeup</i>	<i>Sack or Container</i>
5-digit direct	5-digit
5-digit direct	3-digit
5-digit direct	State
5-digit direct	DIS origin
3-digit direct	3-digit
3-digit direct	State
3-digit direct	DIS origin
State	State
State	DIS origin
No makeup	DIS origin

Estimates are that 98 percent of all bulk rate mailers are found to have improperly prepared mail for one reason or another and that, 80 to 90 percent of bulk rate mail is improperly prepared.

COST OF IMPROPER MAKEUP

The Postal Service pays twice for improperly prepared bulk rate third class.

First, the mailing customer is paid a discount through lower rates for presorted mailings.

Second, the Postal Service must pay again when employees must perform the mailing customer's duties.

One-half billion dollars?

Improperly prepared second and third class bulk rate, February 2, 1977 through March 14, 1977

<i>Firm or publication name:</i>	<i>Percent of error in makeup</i>
Fingerhut.....	79
Do.....	52
Do.....	84
Do.....	68
Do.....	49
Do.....	32
Do.....	85
Do.....	59
Do.....	70
Do.....	50
Dp.....	25
Do.....	57

*Improperly prepared second and third class bulk rate, February 2, 1977 through
March 14, 1977—Continued*

	<i>Percent of error in makeup</i>
Do.....	58
Do.....	58
Do.....	81
Do.....	100
Do.....	100
Do.....	80
Sports Illustrated.....	100
Do.....	100
Do.....	100
Do.....	100
Do.....	100
Do.....	40
Golf Magazine.....	59
Belsons Machinery Co.....	100
Margrace Corp.....	70
Owl Photo—National headquarters.....	100
Readers Digest.....	74
The Toy Shop.....	100
Sunset House.....	59
The Hamilton Mint.....	100
Westview Boy's Home.....	61
Speigel, Inc.....	30
Readers Digest.....	100
1st Christian Church, Cleveland, Ohio.....	100
Vic Mason Co.....	83
Sentinel Record.....	10
Flagship News (American AL News).....	100
Walt Disney Music Co.....	100
American Law Institute.....	100
Smith-Kline French Lab.....	100
OSU Today.....	100
American Bar Endowment.....	100
Medical Record News.....	100
Department of the Army.....	100
Fullhospel Businessmen.....	100
Montgomery Ward & Co.....	40
Michigan Bulb Co.....	100
Consumer Reports.....	68
Habond Corp.....	100
Columbia Records & Tapes.....	91
Television Digest.....	100
New York University.....	100
American Medical Association.....	100
Consumer Report.....	100
Realtor Estate Group Insurance.....	85
Sunset House.....	88
J. C. Whitney.....	80
Sears & Roebuck.....	72
Columbia Records & Tapes.....	46
Statesman National Life.....	54
Columbia Records & Tapes.....	46
American Bible Society.....	40
T.V. Guide.....	100
Do.....	100
Columbia Records & Tapes.....	76
Family Fashions.....	73
Do.....	89
T.V. Guide.....	30
Do.....	66
Current, Inc.....	37
United States Purchasing Exchange.....	63
Time.....	15
Sears & Roebuck.....	40

*Improperly prepared second and third class bulk rate, February 2, 1977 through
March 14, 1977—Continued*

	<i>Percent of error in makeup</i>
J.C. Penney, Inc.....	45
Heath Co.....	100
Scene.....	71
Authur Intel, Inc.....	9
Sambo Restaurants.....	100
Computer World.....	87
Science News.....	34
Publishers Weekly.....	36
Donnelley Marketing.....	90
Southern Heights Christian Church.....	25
Instrument Society of America.....	25
Credit Bureau.....	94
American Association of Retired Persons.....	60
United Equitable Insurance Group.....	71
Montgomery Ward Auto Club.....	76
Bankers Life & Casualty.....	76
Columbia Records & Tapes.....	82
National Retired Teachers Association.....	67
Colonial Penn Insurance Co.....	56
National Geographics Society.....	49
National Headquarters.....	69
American Bible Society.....	60
Home Center Magazine.....	68
Colonial Penn Life Insurance.....	61
Better Homes & Gardens advertising.....	68
Tandy Leather Co.....	100
Army Reserve.....	80
TX Association of ASCS County Employees.....	100
The Cordell Beacon.....	46
Clarendon Press.....	100
New Age Magazine.....	100
Grayarc Co., Inc.....	100
Harrison House.....	100
Faith in Action.....	100
1st Free Will Baptist Church.....	100
Southside Times.....	100
American Hairdressers Association.....	33
Consumer Reports.....	100
Amway Corp.....	100
Consumer Reports.....	100
Bradford Exchange.....	100
True Story.....	100
Quill Corp.....	100
Jensen Tools & Alloys.....	100
Commercial Car Journal.....	100
The National Inquirer.....	100
Rudder Power & Sail.....	100
Outdoor Life.....	100
Motor Boating & Sailing.....	100
Wolverine Sports.....	100
Tras-L-Life.....	100
U.S. General.....	100
Flogg Brothers.....	100
Lakeland Nurseries.....	100
Paralyzed Veterans of America.....	100
Habond Company.....	100
Rich's Machinery Co.....	64
Northeastern University.....	51
Belmark, Inc.....	100
Grolier Enterprises.....	100
American Management Association.....	100
Old Village Shop.....	78
Body Forum.....	100
Shepler's.....	100

*Improperly prepared second and third class bulk rate, February 2, 1977 through
March 14, 1977—Continued*

	<i>Percent of error in makeup</i>
Northeastern University.....	75
Journal of Accounting.....	100
V.F.W.....	100
Disabled American Veterans.....	100
Life Insurance Selling.....	100
General Electric Co.....	100
Ford Motor Co.....	100
People's Weekly.....	88
Permit 201—Cleveland, Ohio.....	100
Progress Magazine.....	100
2nd Presbyterian News.....	100
Roaman's.....	100
Northwestern Mutual Insurance.....	100
Official Distribution Center.....	75
Modern Plastics.....	66
Washington Education Services.....	100
Oklahoma Business.....	35
American Advertising Co.....	100
Old American Insurance Co.....	100
Sunset House.....	100
Fountain Supplier.....	100
Clothes.....	100
Publishers Central Bureau.....	100
Soaring Society of America.....	100
The Toy Shop.....	100
Philharmonic Fanfare.....	100
Atlantic Richfield.....	91
The Carpenter.....	66
AMOCO Oil Center.....	75
T.V. Guide.....	100
Oklahoma State University.....	100
The Defender.....	100
Holiday Gifts.....	38
Science News.....	100
Southern Living.....	47
Dillard's, Inc.....	20
Do.....	20
Paralyzed Veterans of America.....	100
John Blair Menswear.....	17
American Association of Retired Persons.....	10
J.C. Penney Co.....	14
Columbia House.....	13
Air Safety Foundation.....	23
Skateland.....	15
Globelife.....	15
Smithsonian Institution.....	6
Scientific American.....	32
John A. Brown Co.....	38
Watertown News.....	100
St. Johns Medical Center.....	61
Lee Wands.....	100
Jesnel Art, Inc.....	100
Brookstone Co.....	100
Spencer Gifts.....	100
Do.....	100
DMAC.....	100

Senator GLENN. Do any of you gentleman have information of this type? Is there any additional information along this line we can look into from this end?

The Postmaster General testified on Monday his problems were much like those faced by public administrators in all fields. In the local area, Montgomery County Council was approving a new budget, that provides for raises of 4.2 percent for employees, including 13,000 school employees, who had negotiated a contract with the school board for a 6-percent raise. Does it concern you or your members that postal employees could face the same situation in the future if the Postal Service's independence and relative control over its own finances were going to be rescinded? How could you effectively bargain with an agency under those circumstances?

Would anyone care to comment on that?

Mr. LApENTA. Well, insofar as bargaining is concerned, again, when you talk about bargaining in the Postal Service or bargaining in the public sector, you have to be realistic, and I think public sector unions have been realistic.

Now, when we sit down and bargain, we have to recognize that there is a budget cycle that goes on either concurrently or at a different time with our bargaining, our negotiations, and that in a sense, at least I for one have never considered that we bargained in a strictly bilateral sense. I have always felt that we bargained in the public sector in a trilateral sense. We have to take in the wishes of the elected officials whether it be a county council or a city council or a school board or the Congress of the United States.

I would think that if the Congress were to treat us in good faith as they tried to do in 1970, certainly, as they make an effort to correct the deficiencies of the Postal Service as they are today, they would at the same time give us that consideration and would protect collective bargaining.

We on the other hand have demonstrated our good faith. In 1975, our collective-bargaining package was half of what the collective-bargaining packages were in the private sector. The private sector, in 1975, the first-year contracts were 10.2 or 10.3 percent; our first-year contract was 5.7; the second and third year of the private sector contracts were 7.2 or 7.3 percent; ours was about 3.5 or 3.6

Senator GLENN. How much have your wage scales increased since the Postal Service was instituted?

Mr. LApENTA. Our wage increases since 1970 have been 67 percent, but let me show you and, again, demonstrate what I call good faith—when you take the period of the 1960's under Presidents Kennedy and Johnson, our wages went under 64 percent.

So we didn't go crazy at the collective bargaining table; we didn't hold the Postmaster General hostage; we demonstrated sobriety and expertise at the bargaining table and came up with packages that were below the national averages because we wanted to preserve and protect the Postal Service, but at the same time we had a commitment to our membership that we had to bring their wages forward and we did.

Senator GLENN. That would come to 120-percent wage increase since the 1960's?

Mr. LApENTA. About 16 years.

Senator GLENN. What has the average been for the country?

Mr. LAPENTA. The manufacturing industries have been less than that, but don't forget, in prior years, Postal workers never had any wage increase at all from 1940 to 1960, Mr. Vacca could speak to that better than I.

They overrode two vetoes in the fifties, I think, they overrode two presidential vetoes.

Mr. VACCA. The point of 67- and 64-percent increase in wages; in the 67 percent, since the Postal Reorganization Act only proves one thing; that that section of the Postal Reorganization Act is successful, the collective bargaining section is successful, because it asks for comparability for postal workers with private industry.

While we are not comparable at the present time, as far as I am concerned, it only shows how bad off we were, if it had to be raised that much. Not only that, Mr. Chairman, but collective bargaining in the public sector is not unknown in State and municipals; this is just the first time it is in Federal, and we will make it work.

That is why we want it to be contained in any legislation that comes out of this session of Congress or this Congress to make sure that collective bargaining is in this bill.

Senator GLENN. I understand we are going to have a vote on the Floor. I will have to run over there for a few minutes. I would like to continue this if you gentlemen could bear with us this morning.

Since we are on the subject, one of the real deficiencies I saw in the Commission report was that it did not look into wages, salaries, and labor costs in a business that has 80 percent of its budget wrapped up in labor costs. To me, that was as unrealistic as anything I could think of.

That only leaves 14 percent outside we are talking about.

We are talking about trying to make ends meet with the Postal Service, and, yet, we ignore 86 percent of what goes into the cost.

Maybe you should have another pay increase, maybe it should be half again as much as the people you represent are getting now. I am not saying what the level should be, but if anyone is trying to run any business in this country, including the U.S. Government, and ignores 86 percent of the operating cost, I just don't conclude that it has taken a realistic approach.

Does anyone have any comment, or do I just throw that out for free?

Mr. LAPENTA. First of all, let me say I appreciate what you say, Senator, and I think that shows your deep concern for the Postal Service, but, again, to give you some background on that, I don't think there was any attempt to keep secret the record of wage increases; the record is there.

Senator GLENN. I was not indicating there was. Apparently someone directed the Commission not to take into consideration 86 percent of the cost of the Postal Service.

I don't feel that was a legitimate exclusion. It should be considered.

Mr. LAPENTA. What I was trying to develop was the fact that everybody knew the whys and the wherefores of the postal increases. They knew that the law required postal workers be given pay comparability.

Don't get me wrong; there was differences of opinion particularly from our side. The record shows according to the people on the other side of the bargaining table that we have reached pay comparability and, of course, on this side of the table we said, no, we had not reached comparability.

So because the Commission was only in business for a short period of time, we and other people suggested that they would have become totally bogged down in the short period of time they were a commission, only 6 months, if they got into that study.

Senator GLENN. I have to run over to the Floor and vote. While I am gone, I would like Dan Doherty, who is on our subcommittee staff and has had a lot of experience in this field in the past, to continue with some of the questions we have.

I will return as fast as I can. I appreciate your forbearance.

Mr. DOHERTY. I think while we are on the subject the situation that pertains to supervisory personnel is something different and not involved in collective bargaining, and I am sure you have some information you want on the record concerning your consultation rights and that sort of thing.

Mr. LEDBETTER. I would like to have said a moment ago when the Senator asked the question about the pay situation and collective bargaining that we don't enjoy as supervisors, the luxury of collective bargaining in the Postal Service.

We have consultation rights under the Postal Reorganization Act, but much of the consultation is perfunctory. In fact so much so that we have been forced to go to court twice over the subject of pay.

We have two lawsuits pending at the present time with the Postal Service. One actually was settled last week, but is under appeal, and the Federal district judge did rule in our favor that the Postal Service had not provided reasonable and adequate differentials in pay for the supervisors as compared to the employees under their supervision.

The judge has directed the Postal Service to adjust the pay immediately.

Mr. DOHERTY. Is that being appealed, however?

Mr. LEDBETTER. It is being appealed. The Postal Service filed a request for a stay and have indicated their decision to appeal to the U.S. court of appeals.

Mr. DOHERTY. Under the current and recent policies of the Postal Service, what differential is there between supervisory personnel and the crafts?

Mr. LEDBETTER. The differential prior to this lawsuit and the action of the Postal Service in denying cost-of-living allowances to supervisors was approximately 25 percent.

That deteriorated down until just recently when it reached about 18½ percent. Under the court order, the raises directed by the judge will bring the percentage up as of May 7 to 28½ percent, but there is a craft increase already scheduled under the craft contract which takes effect in July that amounts to \$600 a year. The judge directed that the day following that craft increase, the differential established at that time shall be maintained in the future and that differential at that time will be approximately 24½ percent.

Mr. DOHERTY. Mr. Gondola, in your testimony, you spoke of harassment of individuals. Are you saying every individual postmaster who has testified before the commission, before Congress? Are you harassed; do you expect to be?

Mr. GONDOLA. I am not personally harassed, but we do have examples of postmasters who have been, for example; we have a situation here in the State of Georgia, where one of the presidents of that State chapter of NALC testified before the study commission

and shortly thereafter, as a matter of fact in a letter dated May 3 to the editor of the Oglethrope Echo, Mr. Ralph Maxwell, in Lexington, Ga., the Postal Service sent the letter to that editor advising him about the plight of the Postal Service, and so forth, and added in the press release the salary of the postmaster, and also the salaries of clerical personnel and letter carriers in that facility.

We think this is an attempt obviously to embarrass the postmaster, and to create an unfavorable attitude on the part of the public of the town of Lexington, and, quite frankly, that is a form of harassment.

Mr. DOHERTY. Who signed the letter to the newspaper?

Mr. GONDOLA. It is a letter out of the Office of the Postmaster General and it is signed by D. Jamison Kane, manager, press relations.

Mr. DOHERTY. How many more of those letters have you seen so far?

Mr. GONDOLA. Another one occurred regarding the postmaster who testified before the study commission in the State of Oklahoma.

Mr. DOHERTY. Have you seen such letters occurring where the postmaster had not testified or not taken part in public forum?

Mr. GONDOLA. No. Coincidentally, also in May with no specific date, a memorandum was sent to all regional general managers of communication and public affairs in which the indication is that beginning immediately, the following paragraph appropriately filled in must be included in all postmaster appointments and announcements, and I will read the paragraph, the blank post office has annual postal receipts of blank dollars, as postmaster Mr. or Ms. blank will earn blank dollars in salary and fringe benefits. He or she will be assisted by a staff of blank employees, and they indicate here when the postmaster is the only employee deletes the last sentence.

I think that is intended obviously to——

Mr. DOHERTY. Is it possible it is a policy to inform the public of the costs of the Postal Service?

Mr. GONDOLA. I think it is an attempt to embarrass the postmaster. But in the cases of the one in Georgia or the one in Oklahoma, they were just not recently appointed to their offices.

What they did is to testify before the study commission and point out some of the ills they face in managing their offices.

Mr. DOHERTY. I guess, Mr. Dalton, I would like to have you comment on this and, perhaps, Mr. Gondola would too, but the Commission on Postal Service has recommended that post offices not be closed except in those instances in which there was a vacancy or a changing condition or that postal patrons would so vote, which seems unlikely.

Do you agree with that particular recommendation?

Mr. DALTON. Personally, I agree with it if you want to add one other criteria to it. Let the postal customers of that community have the option of retaining their present post office. All the time in the past, all the surveys, all the letters that went out and everything else offered all kinds of alternate services, but never were they given the opportunity of retaining their present post office.

Mr. DOHERTY. The Postmaster General testifying here on Monday indicated that he had no intention, despite some recent news stories that have been cited here, that he had no intention of pursuing a wholesale closing policy. He indicated that the study referred to was

based on a small sample and it was done at the request of a member of the Board of Governors and was informational in the main.

Rather he indicated that closings would likely continue in his mind at a rate of about 300 a year, which is what they are budgeted for, in this fiscal year, and in the coming one, I believe.

Do you think that the level of 300 a year is historically valid? Is that a problem or is that, to your mind, too great a reduction in postal services?

Mr. GONDOLA. The interesting thing is they talk about the set number of offices that might be closed, and we can understand that, there may be population shifts or what have you and, logically, you cannot defend the retention of an office if it is not serving people.

They never mention the fact that they might establish post offices because of the same reasons and that is quite interesting.

But to get to the point that you raise, this sequence of events occurred, and I am somewhat suspicious about them, on April 18, we received a letter from the Postal Service headquarters providing us with an agenda for one of the meetings that we were to hold on April 26, and one of the agenda items they introduced was the personnel actions in connection with the discontinuance and consolidation of the post office.

This came out on April 18. It came out pretty much, I guess, around the same time that the crafts unions got their letter about 5-day delivery, and, of course, on April 21, Congressman Nix responded to that with a rather stinging letter to the Postmaster General.

After that letter of Congressman Nix, our office was called and we were told that particular agenda item would be deleted from the agenda of April 26.

I am just suspicious in nature, and I wonder whether the intent was to include that at that time and then withdraw it after Congressman Nix's letter.

Mr. DALTON. I would like to expand on something you brought up too, Dan. From a personal conversation with Mr. Coddington, who was on the Board of Governors who requested this survey, his exact words were:

Yes; he requested the survey after it had been brought up in a previous Board of Governors' meeting that x number million dollars could be saved annually if they closed a group of post offices,

and he said,

I would like to see some facts, some figures, and what type of offices did you plan on closing.

They picked Oklahoma, since that was his home State, to conduct this survey in, and that presentation was made at the last Board of Governors' meeting. It was not his intention to promote this wholesale closing; he only wanted facts and figures on it to see what it would do to the individual communities and, et cetera.

That is why they chose Oklahoma to do it, that was made as I said at the last Board of Governors' meeting. From his own words this past week in Oklahoma at the convention of the National League of Postmasters, he told me he felt that there were many other areas that we could save more money without destroying the identities of all these small communities.

He did concur, and I had to concur with him; there are post offices that have to be closed. As Joe pointed out, where the community moves away and you have no business, there is no point in keeping a post office there.

But to come up with 300, and I realize they do it for budget purposes, but I say post offices should be considered on an individual basis for closing and not come out and say, we are going to close 12,000 post offices.

This gets everyone in an uproar. I have to disagree with one other thing with Joe, that this thing they are putting out to the newspapers is to cause embarrassment to the postmasters, which it does, but it also is being used to get the general community in an uproar to help them close that post office when the time comes, because they walk in, in all of these surveys and meetings and say,

You people are taxpayers; it is costing you \$20,000 a year to maintain this office that is taking in \$6,500 a year revenue.

Well, the vast majority of our post offices are not revenue-producing post offices. The billing mailers from up in the Northeast certainly, those may be in the black, but we have the responsibility of delivering that mail.

A lot of post offices that may have two large rural routes and 500 boxes in the office is only generating a small amount of revenue from the community which people are mailing out from, but we still have the job to do.

Mr. DOHERTY. Mr. Miller, on Monday the Postmaster General stated that we often have redundant service in rural areas because we have the small post office and, as he put it, a rural carrier going down virtually every road, a mobile post office if you will, selling stamps, delivering and picking up mail.

Do you think these services are redundant?

Mr. MILLER. I cannot say that they are redundant, Mr. Doherty, but the rural carriers are there to provide a service, and if a decision is made to close a small post office which no longer serves very many customers and rural carriers many times are going by the homes of these customers, the rural carriers are ready, willing, and able to provide that service.

It remains for the Congress, I think, to determine what level of service the post office should have, whether it be 5- or 6-day delivery, whether it be what size post office to keep open. I think some minimum levels of service should be established by the Congress.

Now, if the Congress feels that a certain size post office should remain open, then certainly it should remain open. Whether there is a redundancy of service there, I would not be in a position to say whether it would be considered redundant.

Mr. DOHERTY. Mr. LaPenta.

Mr. LAPENTA. Dan, I don't know if I am following your point, but one thing, in following the dialog here, one thing I think needs to be pointed out, and that is what is the overall purpose of the Postal Service.

We get into this business of whether or not the function of the rural letter carrier and the function of the rural post office are duplicating or overlapping.

I don't think they are at all. I don't think the record in the past shows they are. I think in those instances where business needs to be transferred from one to the other the criteria of the past has been very useful and helpful in that direction.

What I am concerned about, and you know this study of the U.S. Postal Service, let's look at what they are after, not about what they are doing this budget year and next budget year.

They are saying the Postal Service has over 40,000 retail facilities and that the Postal Service only needs 5,000 to 6,000 of these facilities, and they are saying, ultimately a postal business must have a systemwide network of only 5,000 to 6,000.

So there is no question that whatever way they can have it, if they can twist Congress around their little finger, or if they can negotiate with postal managers and rural letter carriers, they are going to do whatever they can to reduce those 40,000 facilities down to 5,000 or 6,000 facilities.

That is the important thing you have to consider here. The way they play around with this criteria, the way they play around with the budget and make it appear to us that they are only going to continue the closing of 300 or 400 post offices a year, that is, putting people asleep, lulling people to sleep, because their grand design is all right here.

Mr. DOHERTY. You are referring there to the staff study—internal staff study by the Postal Service.

Mr. LAPENTA. Yes, the "necessity for change."

Mr. DOHERTY. Mr. Ledbetter, the elimination of mail processing at night was proposed by the Commission.

Is it true that night processing has already been cut back in some areas; do you have any information, or do any of you, to the extent which the Postal Service already perhaps is cutting back night processing?

Mr. LEDBETTER. There has been an emphasis on that for several years to remove as much nonpreferential mail processing from night tours as possible to avoid the payment of night differential. In fact, when Mr. Nunlist was Assistant Postmaster General and Mr. Housman was Assistant Postmaster General for Personnel, there was a concerted effort to get mail off the night tours so the employees would have good hours. Everybody likes good hours, I do, I am sure you do, and the employees in the Postal Service.

But as long as business custom and practice is what it is, people don't mail their mail until 5 o'clock in the evening, and with all of the programs the Postal Service had over the years to get people to mail earlier in the day the bulk of the mail is still mailed at 5 o'clock in the evening, and it is going to be that way for a long time.

I don't see any real improvement in that, If the mail is not worked at night, it is not possible for it to be delivered tomorrow, and, of course, the bulk of mail that is deposited in any city, is delivered in the local area, but if it is not processed that night, there will be no local area mail delivered until the second day and the American public is not going to sit still for that.

I know they are not going to do it. Yet, this Commission made up partly of people from the postal backgrounds and some from the business community, have recommended that it is not important to work that mail at night. They say "save it and save that differential."

Mr. DOHERTY. Would you agree that what the postal patron or customer wants is dependability as opposed to speed?

Mr. LEDBETTER. Everyone believes in dependability, but people want their mail when they want it, Mr. Doherty, and they don't want it the day after tomorrow.

The Postal Service a few years ago had a program called ABCD, which was supposed to deliver today's mail in the afternoon in the business areas.

I used to be a manager of collection and delivery in a large city post office. In all my years of experience in postal service, I never had one complaint from a customer because a letter mailed that morning wasn't delivered that afternoon.

All the complaints are from people who had letters mailed yesterday that were not mailed until the next day. People want mail the next day. If they are going to be told you can count on your mail the day after tomorrow, the people are not going to sit still for that.

They absolutely will not. They want their mail promptly and the next day is when they want it.

Mr. GONDOLA. I would have to agree with Mr. Ledbetter. I think when we are talking about the expectations that people have in terms of dependability, and that, rather than speeds of delivery, is what they are talking about. Quite frankly, this has been bounced off me many times by customers in my community. Postal customers are not necessarily concerned that the letter they send today gets out to California tomorrow, but they certainly are concerned about the local mail they mail and they want that delivered the next day.

If we stop working mail at night, that is not going to happen. This is the major concern. The mail in the immediate community or those adjacent to that community where they are exchanging bills and paying their mortgage or what have you, and, of course, the recipient of that mail is interested in getting it the next day too because he wants to process that check and get it into his business.

Mr. VACCA. I want to allude a little bit to what Mr. Ledbetter said about the ABCD program, because I addressed it in my statement. That was one of management deficiencies of eliminating that program which was a very, very successful program.

If this city, if you had the ABCD program right now, any letter that would go in the mailbox by 11 o'clock in the morning would be delivered by 3 o'clock in the afternoon.

Now, they had reasons for eliminating the ABCD program because if they didn't they could not reduce the deliveries in the business areas from three trips to two and two trips to one, as they have done.

That proves they are positively not interested in service to the public, because in this town alone, it could be 2 to 3 days, even 5 days before we get the letter. We could have gotten the letter the same day if the ABCD program had been continued and it should be continued.

Mr. DOHERTY. To get back to the postmasters here for a bit, again on Monday, the Postmaster General spoke about the policy of guaranteeing displaced postmasters a job when there was a closure. I want to inquire about that policy, to see if it is reasonable, if it is working, and also ask Mr. Ledbetter if those circumstances pertain with supervisors caught in the same type situation.

Mr. DALTON. We can see down the road on the wholesale closing where they will honor their commitments, but conceivable they may have a postmaster in Arkansas that they are going to close the office and they say we have an office in New York, we will be glad to put you in, knowing that he is not going to pick and move to the same level of office in New York. They have met their commitment of offering the postmaster employment, knowing that he is not going to take it.

Mr. GONDOLA. I don't have any experience with that specifically either, but certainly I can see if they do honor that commitment, it can result in the displacement of that person to a distant area or, for example, if the person isn't willing to exercise or move to another post office as postmaster, they might offer him a position as a supervisor and if he goes into a large facility, then he is going to be assigned to a tour 3 or tour 1 function, which again impacts significantly on his lifestyle.

Mr. MIKLOZEK. We had a questionnaire that we passed out with postmasters whenever their office was in danger of being closed and it pointed out there were a great many problems there. In many instances the U.S. Postal Service had no place to put the postmasters whose offices would be closed; especially where a woman was a postmaster, it meant that if she left, her husband had to give up a good job in his community. So it actually was tantamount to saying to a postmaster you have to resign from the U.S. Postal Service.

So I feel that no post office should be closed unless there is a vacancy, because there are too many problems that result to the postmaster who is the incumbent in that post office which is being closed.

Mr. DOHERTY. Mr. LaPenta.

Mr. LAPENTA. Could I go back to your previous question for a second?

There has been an awful lot said by the Commission about dependability of service and stability of price. That is in that Commission report. That is what you were talking about in your previous question.

I submit to you, of course, you know full well that tracks exactly what the Postal Service staff study keeps talking about all the time, predictability of service and dependability of rates will give us a postal system which might be able to cope somewhere down the line with the problem of runaway prices, but when you look at the record, they have done everything which prevents them from being able to predict when you are going to be able to get this piece of mail delivered, and keeping the price down, because this has been supposedly their goal for 7 years, and yet they have not created greater efficiency in the Postal Service. They haven't given more service.

To the contrary, they have given us less service at more cost, 6 to 13 cents, and the cutting of mail concepts and the cutting of 6 days to 5, and that is not going to give you 5 days of delivery, but we will wind up getting 2 or 3 different days of mail on 1 day. So we will be getting effectively maybe 3 or 4 days of delivery a week.

Senator Glenn, when you left, we didn't get a chance to get into the labor-intensive aspects of the Postal Service and I know you are bothered. I can tell by your questions and your concern that you are bothered about this business of the postal labor cost being 65 percent of the postal costs.

Senator GLENN. I am more concerned with the fact that this apparently was not even considered. Maybe consideration would show that there should be pay raises for your people. I am not talking about the level. In any business where you are trying to make ends meet, you should consider 86 percent of your costs present and future in making those determinations. For example, if we move into electronics, does this change your people? There are thousands of different considerations that should be taken into account.

Mr. LAPENTA. That is what I wanted to get into the record for you; and I got some figures. For example, postal labor costs went from about 85 to 86 percent during this period, 1970 to 1976, the collective-bargaining period. Now let's look at—

Senator GLENN. Could you expand on what it had been previously?

Mr. LAPENTA. Historically it has been in that 85-percent area because it is so labor intensive and for years it was around 85 percent. It edged up less than 1 percent during this period of collective bargaining. Let's look at A. T. & T., because that gets back to what you said. Suppose the Postal Service has to change.

A. T. & T. in 1973—and they have to bargain collectively, too, not as centrally as we do—but in 1973, 33 cents out of every dollar was for labor costs. In 1975, in just a 2-year period, it had gone to 47 cents, 47 cents out of every dollar in 1975 at A. T. & T. was for labor costs. In 1973 it was 33 percent.

So, once again, while there is a great deal of concern about the labor-intensive aspects of the Postal Service, I submit to you, Senator, that there has not been any unbridled or just blowing away of controls here either by collective bargaining.

Senator GLENN. I was not inferring there had been any blowing away of controls. I am concerned with making decisions about the future of the Post Office and not considering 86 percent of the costs.

Mr. LAPENTA. All I am saying to you is that it has been pretty stable. In other industries it has crept up appreciably and that also means that if we go into electronics and we go into changing the Postal Service from labor-intensive, it is true that our labor costs will come down; but there will still be the impacts that they won't come down as many people have in their heads that it would come down if we went from labor-intensive to capital-intensive, because they are having much more of a problem with labor costs in capital-intensive industries in terms of their accelerating faster than ours are at this point in time, even though ours are 86 percent.

Senator GLENN. The Postal Reorganization Act Amendments Conference report touches on this matter. The conferees agreed that the Commission should not study areas relating to matters covered under chapter 12, title XXXIX, United States Code. That is what gets into the collective bargaining, I believe; is that correct?

Mr. LAPENTA. That is correct.

Senator GLENN. That was specifically prohibited. I understood they took that mandate to say we won't look into anything to do with wages, and pay scales, and so on. Do you know why that language appeared in this report directing the Commission not to study and report on subjects in the labor-management collective-bargaining area?

Mr. LAPENTA. Your information isn't possibly correct there. While they might not have studied direct cost increases, they spent a ton of money—this Commission—on getting a consultant firm to talk about productivity, and they had quite a number of sessions about productivity which are related to labor costs—the Commission did—and they had a study by the National Productivity Commission, and they had witnesses and a paper. Again, I don't know if it was A.D. Little who did a study for them on productivity, so they got into the area. It is not true that they didn't get into the area of study of the impacts of labor costs of this labor-intensive industry on various aspects of the delivery system and the retailing parts of the business, et cetera.

Senator GLENN. The area of productivity is sort of nibbling around the edge of the problem.

Mr. LAPENTA. I disagree with you. That ain't nibbling, it can be a pretty big bite.

Senator GLENN. I am talking about a far broader approach to this than the product itself. I am talking about the wage rates for people involved in electronics. Would you train them? Would the Post Office? Would a private contractor?

There are a hundred different considerations as to what the Postal Service may be in the future and what the impact would be of running the new system.

Mr. LAPENTA. It surely does. Decisions need to be made by other than some isolated board of governors. It needs to be made by the entire Government. For example, this whole business of 6 days to 5 days, Senator, is only going to save \$450 million, which is less than 1-cent increase in postage, although they are going to be asking for 3. But under examination and under testimony you heard the Postmaster General admit that the first couple of years of that are going to be into paying unemployment compensation. This is what I have tried to point out to you in my testimony.

Do you realize the kind of mess you will get into in a few years if you are going to displace 600,000 people? Who is going to train them and retrain them? Who will employ them? Who will pay the transfer payments, the welfare payments, the unemployment compensation, the workmen's compensation payments?

We have people tinkering with a postal system that is so vast and so labor-intensive and can create so many problems for this country that it is beyond my imagination where we have suffered this Postmaster General and his people to have complete control over an institution that was founded in the Constitution of our United States.

Senator GLENN. How would that be corrected?

Mr. LAPENTA. By abolishing the Board of Governors and have the President appoint the Postmaster General and have the proper Executive and congressional direction given to this agency. I am not saying that Congress has to set rates or pay, because we have vehicles here for setting of wages, as I pointed out, and the testimony is full of it.

The collective bargaining system has worked and it has worked to the benefit of the postal worker and the benefit of the postal patrons in this country, and also it has worked to the benefit of the Government. But postal rates are another matter, and I don't think postal rates ought to be left to the people who are responsible for developing postal rates at this particular point in time.

Senator GLENN. You are advocating we get away from the concept which was advocated earlier of a self-sustaining system. To say that we are going to have a subsidy of some kind and that the Postal Service will never be a self-supporting, self-sustaining system is a very basic fundamental decision that has to be made in Congress.

Right now we are operating on the concept that this can be a self-sustaining system. Of course, with subsidies of certain levels, obviously this is not the case right now. But the original hope was that it could somehow be a self-sustaining system. It seems to me we have to make some further decisions before we decide what organization there will be. Whether to go to an appointed Postmaster General or with a board of governors, or a rate commission and abolish the Board of Governors, whatever combination you want. But the first decision has to be made very clear cut, it seems to me.

The decision made in 1970 is in the direction, that the Postal Service can be a self-sustaining organization and be run on a businesslike basis. It will be a major reversal if we decide to go in the other direction.

Mr. DALTON. Senator, you are talking about your 86 percent concern. One of our concerns in the writing of the Postal Reorganization Act was the mandate that we become self-sustaining when 86 percent of our total budget went for labor costs. We have free rural delivery service, free delivery service. There is no way that we are going to reach a break-even point without doing one of two things: Either raise postal rates to the point that only the affluent can afford to mail a letter or we are going to have to have a subsidy. That is established as far as we are concerned.

If the service is going to be provided that we have had in the past, you have those two choices: subsidize it or raise the rates to the point that only the affluent can afford it, because of inflation factors. One thing that has hit the Postal Service is the price of gasoline, among other things.

Senator GLENN. I would basically agree with you. You are right, if we stick with our current system exactly as it is now. If we find better means of transmitting communications and can get into that area, perhaps the cost per unit or per reproduction transmitted across country will go down one of these days. Perhaps that might be something that would mitigate against what you just said.

If we stick with the present system, I would agree with you.

Mr. DALTON. Senator, we still have to deliver that electronic transferred letter to the post office box. You can save, as you said, across country. That is one of the misconceptions.

We talk about closing all of these post offices. You still have to have an outlet for that electronic transferred letter to get to the customer.

Senator GLENN. You can use electronic transfer for other than making a facsimile letter. Maybe when we get into that. Letter per unit cost is what I am talking about.

Mr. VACCA. Mr. Chairman, on that point of the break-even concept that is in the Postal Reorganization Act, the Postal Reorganization Act is ambiguous because in a provision it says that you will have the same standards of service at the time when the Postal Reorganization Act was enacted and make an even more efficient Postal Service, and in another provision, however, it says to break even. That is an impossibility, because our product is service.

We are not producing automobiles, we are talking about a product that we are only doing one function to. We are canceling a stamp and processing it on through. We are not creating that product in the Postal Service ourselves. The Postal Service set out as soon as that break-even or profit concept was put into the Postal Reorganization Act in 1971, on a 5-year plan which lists nine stratagems that could produce the savings that were necessary for the break-even.

They had a deficit in 1971 of \$2.4 billion. They anticipate if they continued the same program they had in 1971, that by 1975 it would be \$3.2 billion deficit. So they say what are we going to do about this to get to zero deficit by 1975?

So they said, how to get there is to economize by \$1 billion per year. Then they went on to say in their 5-year plan all the reductions of service to get to that \$1 billion economizing yearly. Included in those stratagems are the closing of post offices, 5-day delivery plan, and all of the things that they have been doing that have practically caused the demise of the Postal Service as we know it as a service to the public.

Senator GLENN. Mr. Miller, your patrons are generally in rural areas, most of them are in very small towns. We keep referring to cutting back this service, particularly in rural areas. It was described the other day that the cutback in service in cities possibly might not be as drastic. It would be drastic for the employees. But as far as those who actually use the service in urban areas, if they were businesses, they could still pick up mail at the post office. It would be mainly the delivery system from the post office that would be affected on weekends.

Your customers in rural areas generally would not be doing business that would be completely dependent on getting the mail on Saturday, or they would have a business problem. They could just as well get it on Monday. How would this reduction in service levels affect them in particular and especially this loss of Saturday delivery in the rural areas?

Mr. MILLER. As I indicated in my testimony, Senator, the conversion to a 5-day delivery would probably affect the people we serve more than any other group of people. The urban dweller receives his newspaper by carrier, by the newspaper boy or whatever, but in rural areas the newspaper, the market reports, et cetera, are delivered by the rural carrier. If that rural carrier is deprived from serving that route on Saturday, as an example, daily afternoon newspapers that are printed on Friday afternoon would not be delivered until Monday.

This can have serious consequences. If you will pardon the personal reference, a week ago my father passed away and it happened on Friday morning. We were able to get the announcement of that in the daily newspaper on Friday afternoon. By Saturday the announcement was throughout the community.

Without Saturday delivery that would not have been possible. Notices of that type, advertisements of business people that appear in Friday afternoon newspapers would not be delivered to the rural customers until Monday.

I feel that the Postal Service Commission report is very inconsistent when in one instance they say the Postal Service should make dependability of timely delivery its primary service objective, and then on the other hand recommend 5-day delivery. You just cannot have dependability of timely delivery when you eliminate 1 day of

delivery. It is completely inconsistent to me to try to have timely delivery and then eliminate 1 day of delivery.

You not only lose the 1 day of delivery, but it has an adverse effect upon the other delivery days, because as an example now when we have a holiday, the mail backlogs and the mail is curtailed for the next several days, and the carrier does not catch up with his work for several days. Without Saturday delivery, there are eight holidays coming on Monday this year, you would have an almost impossible situation of trying to deliver 3 days of mail in 1 day.

Senator GLENN. This is just a thought that came to mind. If we went to 5-day, what if it was made Wednesday, Tuesday, or Thursday instead of Saturday? Would that change your aspects of it?

I realize it would be the same impact on employees that do not go out and deliver the mail on those days, but as far as servicing to rural communities what if you skipped a day in the middle of the week and delivered on Saturday morning? Would that change the picture for rural people?

Mr. MILLER. I don't know that it would change it a great lot. The recommendation was not necessarily to eliminate Saturday delivery, but the Nielsen report indicated that most people, if they were going to have a day eliminated, would prefer having Saturday eliminated, and it has been my assumption that Saturday would be the day eliminated if it came to that.

Senator GLENN. I don't know why that would have to be the case. I come from a rural area in eastern Ohio. When I was a boy we used to roll out the little local newspaper. We rolled it out on Thursday night, and it was in the mail hopefully on Friday morning. But a lot of them never reached the people at home until Saturday morning. That was back in the days when you didn't see tractors working on Sunday out in the fields. Saturday noon everybody shut up shop on the farm, by and large, and came to town to do their weekly shopping and so on. They depended on the weekly paper to give them that information. So it was important then.

I don't know if it is still important for that particular function or not. I know back in the part of Ohio where I come from, it is still important for that reason, if no other.

Mr. GONDOLA. Senator, just one comment on that. I think I would be run out of my office if the Wednesday or Tuesday or Thursday happened to be the third of the month and people were expecting their social security checks and didn't get them. We would have a problem on that particular day.

Mr. JENNINGS. My name is Kenneth Jennings, immediate past president of the National League of Postmasters. We speak of rural areas, from some parts of your statement, where you go out in the farmlands in the West where they really produce our food for metropolitan areas such as this, we always refer to those people as small business.

Personally I think we have neglected the facts that some of those farmers that have ranches that extend for 4 or 5 miles along the roadway and produce our food are in larger businesses than you and I will ever think about being into. I think it is a very serious point to bring out when we say that the information that they receive over a period of time, that they are playing the stock markets or commodity sales

are very important to those people and sometimes we fail to acknowledge the fact that they are doing this wonderful job for us.

Senator GLENN. When we get to farms the size you are talking about, it seems to me they have big enough businesses that they can afford a courier to go back and forth to town and bring their mail to them. Our principal concern is about the smaller farmer who is not close to a town. That farmer who still provides an awful lot of our food, as you point out.

Mr. Vacca?

Mr. VACCA. We are talking about the service, and I am concerned about service to the patron if the delivery is cut to 5 days. Of course, businessmen get mail at home on Saturday. They don't just get it at their offices, they get it at home as well.

The greatest impact would come on the President's program to reduce unemployment in this country. It does not make sense that we should even consider elimination of jobs to the tune of 30,000 to 50,000 positions when the Congress is passing bills every other week to spend billions of dollars to create jobs.

That does not make sense. That, coupled with helping the President in his unemployment program by adding more people to the Postal Service and giving the public more service would not necessarily mean you are making jobs. The jobs are there.

Senator GLENN. I don't think you would be for just setting up a WPA program in the Postal Service. No one wants to do that. We want to make it as efficient as we possibly can. How would you react to one of the statements made the other day that any reductions should be taken care of by attrition? No one would get fired, but as they left the vacancy would not be filled.

Mr. VACCA. That is how we got to the unemployment problem today, by attrition. If you are going to do that, you are just going to add to the problem.

Senator GLENN. If you look at it that way, that is true. But if you take a strict interpretation of what you are saying, no one should be let go from any job in the country. We should provide a Government subsidy and let people be employed in their existing jobs. I don't think anyone has said that.

Mr. VACCA. In the Postal Service, if you would improve the service, you would create more jobs.

Senator GLENN. If you could say more service is more production, then we should subsidize to keep people employed.

Mr. LAPENTA. Let's look at this thing from the cost-effective standpoint and cost-benefit ratios here. But first, a little humor as a result of what the past President has said there. Maybe we need to keep the Postal Service labor intensive to take care of all the people they are driving off the farms because the farm technology is labor extensive.

The cost effectiveness of 6-day to 5, first of all, it is not creating any efficiency in the service and when you look at this thing from an input cost and an output service, you are not getting any cost-benefit ratio here that is cost effective because, as all of us have pointed out, what you are really doing here is reducing service to cut costs, not to make the service more efficient, and you are effectively going to have not 5 days of postal service, you are effectively going to have maybe 3 or 4 days, in other words, of mail delivery because on 1 day in the 5 setup, whether it is Saturday or Monday or Wednesday eliminated, you are

going to get 2 or 3 days of mail. So you are not creating a more efficient way of service. You are not saving any money.

As I point out, at least in the first couple of years, and I seriously doubt even after the transfer payments have been completed, I am dubious then if you are really going to be saving because of the way they seem to have set this thing up, we are still creating a situation where the graph is going to go up and postal rate increases are predicted in every kind of study that the current postal management has made.

Mr. DALTON. Senator, I would like to point out one thing. Coming back to this report, and Jim touched on this a minute ago, when you talk about through attrition or however in reducing your employees, one of the fallacies that is causing this exact loss of \$1.5 billion nationwide on this presort stuff is because we do not have in many of the offices sufficient personnel to monitor this stuff to catch it.

We have been cut by 51,000 employees, and yet we still see the cost continuing to rise. This mail cannot be worked on machines. It is presorted all by mailers somewhere. It is put into the mail stream, and there is not sufficient personnel to monitor this to see that we are being cheated out of this.

One other thing that comes back to my mind. We keep talking about a break-even point in all of this. We have many facets of this Government that are a service to the people and not one facet of it touches the lives of every American like the Postal Service does, but yet of all the Government's agencies, we are expected to reach a break-even point and have, next to the Defense Department, the largest number of employees going, and yet we are required to reach a break-even point and these other agencies get all the subsidy and everything else.

I think we have to put some priorities on what the American people want. They are the taxpayers furnishing this subsidy. I think that is one of the first things the Congress has to consider and that is what is important to the American people.

Senator GLENN. We touched awhile ago on the basic decision that the Postal Service could be self-sustaining. Now maybe we have to take another look. It has not been self-sustaining so far. Perhaps we still wish to try to see if we can make it more efficient. If not, maybe we have to go back in the other direction.

That is what we are trying to determine. It has to be determined before we can go ahead and make the other decisions.

I do appreciate your forbearance this morning. I don't know whether there are any other questions from staff members.

Mr. VACCA. I just wanted to comment, Mr. Chairman, that you are to be commended. Obviously you are destined to accomplishing, first, the first one, of course, orbiting the Earth; the second, getting labor and management at the same table. But I would like to credit the Postmaster General for getting us and labor and management at this table on the same side of the issue.

Senator GLENN. That may be a greater accomplishment than going into space.

Mr. LAPENTA. Senator Glenn, all I have to say is don't become part of whoever is going to kill the Postal Service. It reminds me of the joke of the kid who killed his mother and father so he could go to the orphans' picnic.

Senator GLENN. As I have said in some of these hearings before, I know there are other Members of the Senate who have preconceived ideas or who have indicated that they have made up their minds. I want to look at all aspects of this issue.

There are big gray areas on every one of these things—labor-management negotiations, whether we have the politically appointed Postmaster General or whether we go back to a different system and how and what level you cut off political activity and all the other things we have touched on today. I don't see anything carved in stone right now.

I want to conduct the hearings so we get all of this on the record. Then we will sit down and go through the tedious task of reviewing all of this and making our recommendations to the parent committee, the Governmental Affairs Committee. They may change around what we have recommended or may agree with us completely. I have no idea. We are just trying to bring out all facets and keep an open mind. We plan to do that all the way through these hearings, then there will be time to sit down and make up our minds.

[The prepared statement of the American Postal Workers Union by Mr. Patrick J. Nilan, with attachments, follows:]



American Postal Workers Union, AFL-CIO

517 14TH STREET, N. W., WASHINGTON, D. C. 20005

June 2, 1977

Honorable John Glenn, Chairman
 Subcommittee on Energy, Nuclear
 Proliferation and Federal Services
 Committee on Governmental Affairs
 Washington, D.C. 20510

Dear Chairman Glenn:

I want to express the appreciation of the American Postal Workers Union, AFL-CIO, and our recently deceased General President Francis S. Filbey, for your invitation of May 6, 1977, to appear before your Subcommittee and present our views on the Report of the Commission on Postal Service. These hearings were held on May 20, 1977.

Regretfully, as you know, we were unable to appear as intended because of the death of our General President a few days earlier on May 17, 1977. We appreciate the courtesy of submitting our enclosed statement for the record because of our inability to present it personally before your Subcommittee.

I would also like to take this opportunity to thank you and the members of your Committee for scheduling these hearings and giving us an opportunity to present our views on the Commission's Report and the U.S. Postal Service. We are looking forward very much to working with you to resolve the problems presently confronting the Postal Service and give the American public the most economical and efficient public service possible through the expeditious handling, distribution, and delivery of the mails.

Thank you very much and with best wishes, I am

Sincerely yours,

Patrick J. Wilken
 National Legislative Director

PJN:bap
 Opeiu#2
 afl-cio

Enclosures



AMERICAN POSTAL WORKERS UNION, AFL-CIO

817 14TH STREET, N. W., WASHINGTON 5, D. C.

STATEMENT OF THE
 AMERICAN POSTAL WORKERS UNION (AFL-CIO)
 BEFORE THE
 SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES
 COMMITTEE ON GOVERNMENTAL AFFAIRS
 CONCERNING RECOMMENDATIONS OF THE
 COMMISSION ON POSTAL SERVICE
 MAY 20, 1977

Mr. Chairman and Members of the Committee:

For the record, I am Patrick J. Nilan, National Legislative Director of the American Postal Workers Union, AFL-CIO. Our offices are at 817-14th Street, Northwest, Washington, D.C.

We speak in behalf of more than 300,000 postal employees for whom we are the Exclusive National Representative for labor-management relations and collective bargaining with the U.S. Postal Service. Our membership is employed in post offices in all 50 states, the District of Columbia, Puerto Rico, Virgin Islands and Guam. We are an industrial union representing clerks, maintenance and motor vehicle employees, special delivery messengers, and employees at USPS mail depositories, postal data centers and the mail equipment shop.

We appreciate this opportunity to present the views of our labor union concerning the Report of the Commission on Postal Service and other views which the American Postal Workers Union may have concerning the United States Postal Service.

In reviewing certain aspects of the Commission's Report and also legislation pending before this Subcommittee such as S. 94 to amend the "Postal Reorganization Act of 1970" and other legislation which may be introduced to amend or repeal the Private Express Statutes of the U.S. Postal Service, we believe and it is important to convince you that

it is essential to make certain the Postal Service is continued as a public service for all citizens throughout this great country of ours and as intended by Section 101 of the "Postal Reorganization Act of 1970" now cited in Title 39 of the United States Code as follows:

"The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities."

The drafters of the Constitution of the United States saw fit to include in that document certain language which authorized the Congress to provide post offices and post roads to the Nation as an exercise of the Federal jurisdiction. This was done to continue the existence of the postal service which had first been established when this Nation was a group of colonists of the British Empire.

Wisely, the language allowed the Congress to provide a nationwide postal service for a growing and expanding nation. Historically, the postal service has provided as a public service a postal service to all citizens of the United States, not only for their private communications, but for the dissemination of newspapers, periodicals, books and other documents as a subsidized service to benefit all of the people of the Nation.

Very wisely for the most part during the 200 years of the existence of the postal service the security, the privacy and the availability of the postal service as a public service has been safeguarded by the Congress, by the Judiciary and by the Executive Department of the Nation.

Financial stringency is not unique to the United States Postal Service. It is apparent throughout the Government, the private and the business economy of the most affluent nation on earth. This is not a time for the Congress, the Judiciary, the Executive Department nor those hundreds of thousands of public servants who make up the postal service to retreat from the ideals of a communication system which has served the Nation in poverty and in prosperity; at peace and at war.

One of the functions of the American Postal Workers Union, AFL-CIO, is to provide a means of orderly and effective relations between the United States Postal Service and the employees whom this Union represents. Certainly, there have been some flaws in the actions of those on both sides of the table, but collective bargaining has proven for employer and employee alike to be the best means of providing a productive and dedicated labor force. Let us not retreat from these ideals.

The entire postal service is a public service. Probably no agency of Government providing a service to the American public except possibly the TVA which has a different charter and mission is in anyway required to be self-sufficient insofar as finances are concerned.

We believe the citation from Title 39, U.S.C. and our views expressed above are consistent with the intent of our forefathers more than 200 years ago in drafting the Constitution of the United States. It is also our hope that the 95th Congress and this Committee in

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particular will consolidate both of these goals in the best interest of all Americans and postal workers.

Now having said this, Mr. Chairman and Members of the Committee, we will address the balance of our statement to the report of the Commission on Postal Service including areas of disagreement with its conclusions and proposals for change with the hope that Congress will improve and sustain the U.S. Postal Service as a properly funded, operated and responsive public service binding the Nation together through financially acceptable and efficient handling of all U.S. Mails.

The Senate and House Committees on Post Office & Civil Service and their respective Subcommittees in the 93rd and 94th Congress held hearings in Washington and even some nation-wide studying and examining the many, varied and involved problems of the United States Postal Service culminating last year in the enactment of Public Law 94-421. This statute was an interim measure and not a permanent solution to USPS problems but rather designed primarily to accommodate among other things:

- (1) keeping the USPS financially "afloat" for a twelve-month period,
- (2) permit (potentially) a newly elected President and a new Congress in 1977 to have the opportunity and time to realistically seek legislative solutions to problems plaguing the Postal Service and finally,
- (3) receive the findings and recommendations of the PL 94-421 established Commission on Postal Service concerning the USPS.

The only thing for sure is that the new law did result in the Congress appropriating the first \$500 million to keep USPS afloat temporarily with the second \$500 million authorization still awaiting Congressional appropriation. It remains to be seen if the 12-months

from October 1, 1976, forward is sufficient time for the new President, Jimmy Carter, and the new 95th Congress to permanently resolve funding, operational and service problems of the U.S. Postal Service through legislation.

The Commission on Postal Service reported on April 18, 1977, approximately one month later than the anticipated March 15, 1977, reporting date. It is not our intention here to become deeply involved evaluating the Commission either as to its studies, findings or recommendations except as to the extent each of these may be realistically concerned with pending legislation and oversight. Perhaps too many expected too much from the six-month study by the Commission on Postal Service when the Congress and Executive Branch have been equally concerned for many years.

At the very least, the Commission has again pointed up the extremely difficult task of resolving the many special interest and controversial aspects of a governmental service which from its inception was never intended to be financially self-sufficient or a profit-making business but rather was originally designed by our forefathers and Congress to be truly a public service for all Americans throughout this great Nation of ours.

In this regard, it is unfortunate that the Commission after identifying the services of USPS which are in part or all public service needs did not labor longer and provide the President and Congress with at least some barometer or guidelines for permanent and realistic financing from the general treasury to reimburse the USPS for these services.

The Commission on page 27, Volume 1, of its report listed 15 aspects which the U.S. Postal Service performs as public services and indicates the list "is by no means complete and some overlap others because of the obligation to serve". The American Postal Workers Union does agree in this instance with the Commission naming these services and consider them a sufficient importance to include with this statement as follows:

- (1) delivery to remote and sparsely populated areas.
- (2) the costs of the postal delivery network system in excess of the costs incurred to meet the minimum needs of senders of mail, costs which are incurred to satisfy the need of recipients for rapid, dependable, and convenient service:
 - (A) universal six-day deliveries.
 - (B) door delivery.
 - (C) Intercity and local transportation of mails in support of a six-day delivery system.
- (3) maintaining 30,800 rural and community postal facilities which generate only 4.5 percent of postal revenues.
- (4) maintaining 9,700 retail facilities in urban areas.
- (5) collection of mails to meet service standards for letter mail.
- (6) three-tour procession of mail which could be processed more economically in two tours.
- (7) costs incurred exceeding revenues from nonstandard size mail.
- (8) uneconomic minimum quantities of mail entered at bulk rates.
- (9) losses incurred in serving small-volume compared to large-volume mailers and in processing mail of widely divergent characteristics.
- (10) congressional restraints on postal services to protect the private sector.
- (11) parcel post size and weight limits (for shipments between first class

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post offices) which are more restrictive than size and weight limits for shipments by private carriers.

- (12) uniform rate requirements for letter mail and parcels mailed as special fourth class matter.
- (13) parcel rates based on weight and distance which do not cover the cost for oversized parcels.
- (14) uniform rates (instead of zone rates) for the nonadvertising portions newspapers and periodicals.
- (15) certain investigative and law enforcement activities of the Postal Service's Inspection Service.

In evaluating the Commission Report and the future of the USPS the American Postal Workers Union is guided by three fundamental principles, namely:

- (1) First, the need to provide all Americans with "first-class" mail service as efficiently and economically as possible.
- (2) Second, the need to preserve the gains made by postal workers under the "Postal Reorganization Act of 1970" by continuing to minimize political influence over the Postal Service.
- (3) Third, the absolute need to preserve the "free" and responsible collective bargaining system established under the PRA which has been the chief vehicle for achieving gains since 1970.

The statement of these three basic and irrevocably principles point the way to our following views.

APPOINTMENT OF THE POSTMASTER GENERAL

The Commission on the Postal Service recommends no change in the present method of appointing the Postmaster General by the Board of Governors. The American Postal Workers Union disagrees with the Commission and would provide for appointment of the Postmaster General by the President with the advice and consent of the United States Senate. Quite

frankly, we do this reluctantly but with little choice in view of the past six-years experience which saw Postmaster Generals appointed by a Board of Governors and being totally ignored by two different Presidents in the White House who apparently were more interested in letting the Postal Service "sink" than "swim". There were even some indications that these two Administrations were giving consideration to ultimately turning the "whole mess" over to the private sector.

As an example, the present Postmaster General in testifying before the United States Senate stated that he had on eight separate occasions attempted to make contact with the White House on serious problems adversely affecting the U.S. Postal Service. It was not until these televised hearings were made that a White House representative eventually made contact with the Postmaster General.

However, Mr. Chairman, the American Postal Workers Union wants this Committee and the Congress to exercise extreme caution in this substantive change, making the Postmaster General a Presidential appointee. We do not want under any circumstances a return to the political system which had been in effect prior to enactment of the Postal Reorganization Act. Prior to this statute in nearly every instance the Postmaster General became a "political figurehead" of the Administration in power and spent nearly all of his time engaging in the politics of his respective party, rather than running the business of the former Post Office Department.

Recognizing the facts of life, and the demonstrated need for a responsible and effective "bridge" between the Postal Service and the White House, APWU has decided to support the proposed change in method of appointing the Postmaster General. However, in an effort to insulate such an appointment to the maximum extent possible from political pressures or reprisals the American Postal Workers Union strongly recommends that

the Congress establish a six-year term for such appointments which will not run concurrently with the term in office of the President. And further, provide that a Postmaster General once appointed and confirmed cannot be removed except for just cause as defined by law.

ELIMINATION OF BOARD OF GOVERNORS

APWU proposes that the USPS Board of Governors be "liquidated" with all authority, power and responsibilities being transferred to the Postmaster General. APWU believes the Congress might just as well do by statute what the Board of Governors has apparently done by acquiescence namely, permit the Postmaster Generals to run USPS with no or only nominal direction or supervision by the Board of Governors.

It appears the Congress, the Commission on Postal Service, and our union all agree that the Board of Governors has done a "lousy" job since its inception. There is no valid reason to believe it would ever by anything but a "rubber stamp" for any Postmaster General (as charged by many of its critics) regardless of its make-up or power base. Therefore APWU recommends the Board of Governors be eliminated even if the Postal Commission does not, and it does not in its report.

If, the Congress in its wisdom should decide to restructure and redefine the functions and powers of the Board of Governors to in some way assure its independence and also require it to perform as originally intended then APWU recommends that the Board be reconstituted to insure that it is composed of persons having an interest in sustaining the postal system of this nation as an efficient public service and at least some basic knowledge of the tremendous and so-far unsolved problems confronting the USPS.

We recommend such a Board be composed of two persons from postal labor two from the mail users and three public members to be appointed by the President. And if constitutionally possible not more than four

members identifiable as being of one major political party with the other three members being of the other major political party. Such a Board would be independent from the Postmaster General and Deputy PMG although, we do recommend that both of them be ex-officio members of the Board but without vote.

The American Postal Workers Union position on appointment of the Postmaster General and Board of Governors is consistent with that of the AFL-CIO as announced by its Executive Council on February 24, 1977.

RETENTION OF THE POSTAL RATE COMMISSION

The Commission on the Postal Service recommends retention of the Postal Rate Commission.

The American Postal Workers Union supports retention of the Postal Rate Commission with complete authority to act on rate matters. Our position is predicated on the PRA as amended by Public Law 94-421. It is essential that the public interest be served by an independent rate-fixing and regulatory body as the PRC.

The main problem area with the Rate Commission in the past has been in its time-consuming delays in approving rate increases which have cost the United States Postal Service billion of dollars in revenue and contributed substantially to the horrendous deficit under which the U.S. Postal Service is now operating. We believe Public Law 94-421 adequately remedied this problem by placing a limitation of 10 months in which the Rate Commission must act.

It was interesting to note however, that the Chairman of the Rate Commission in testifying before the Commission of Postal Service suggested the time limitation be established at 9 months. APWU is certainly agreeable to an amendment that would reduce the time limit to 9 months or even 6 months if this is found to be feasible and practical.

APMU OPPOSES ANY REDUCTION IN SERVICES**INCLUDING 6TH DAY DELIVERY OF MAIL**

The Commission on Postal Service recommends the elimination of one day of mail delivery presumably on Saturday.

The American Postal Workers Union is opposed to any reductions in the present levels of service to the American public particularly the Commission's proposed elimination of a 6th day of mail delivery. We believe certain services reduced in recent years should be restored. We urge the Congress to establish by law if necessary basic minimum national mail service policies.

We urge this Committee and the Congress to take whatever action necessary to bar any reduction in home delivery of mail from six days to five days a week. It is almost unbelievable and even tragic that a Postmaster General would consider implementing this one ill-advised recommendation of the Commission on Postal Service without prior review by the Congress.

We say this, Mr. Chairman, as the Commission estimated it would save less than one-cent of postage if a sixth mail delivery day would be abolished. However, it would not only potentially eliminate 20 to 30 thousand postal jobs during a period when the rate of unemployment generally is still above 7%, but also would substantially reduce mail delivery to the American public.

We also urge the Congress and this Committee to consider permanent restrictions on reducing levels of service other than sixth-day delivery such as: closing of small post offices, arbitrary relocation of existing postal installations and operations, reductions in window service to the public and other similar service changes.

DISCONTINUANCE OF RPO TRAINS #3 & #4

In this regard, Mr. Chairman, we request you and your colleagues

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to use your good offices and other means at your command including legislation to stop the U.S. Postal Service from discontinuing the operation of Railway Post Office Trains #3 and #4 operating between New York, New York and Washington, D.C. These two RPO trains are the only remaining railway post offices from a once proud, efficient, and economical railway mail service.

We understand these RPO trains are scheduled for discontinuance on or about June 30, 1977, so anything you and your colleagues can do to retain the service must be done at once.

In this regard Mr. Chairman, I would like to state that in our opinion the former high level of mail service to the American public really began to slip when the Post Office Department and many railroad corporations acted separately and in concert in the 1950's and the early 1960's to destroy the Railway Mail Service. The enroute distribution and transportation of mail on trains throughout the country made possible one-day delivery of mail in most cities, towns, and hamlets throughout our country. Such is not the case today--unfortunately!

The proposed discontinuance of RPO Trains #3 and #4 between Washington, D.C. and New York, New York would itself be another tragic reminder of the mail service that was, is and could be. If retained and expanded the New York and Wash. RPO could provide next day delivery to patrons up and down the East Coast, from Maine to Florida--to the Atlantic Ocean on the East and up to 300 miles on the West. All that would be needed are adequate connecting star route service or supply lines to and from cities in the areas served by an expanded RPO service.

The AMTRAK Corporation on January 6, 1977, advised the U.S. Postal Service of the need to rebuild the RPO mail cars and offered to do so if a reasonable guarantee of continued operation would be agreed to by USPS. AMTRAK offered to discuss "a whole new concept" in providing

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RPO cars and service. Unfortunately, for all concerned the U.S. Postal Service rejected the offer on April 6, 1977, and so advised AMTRAK.

Copies of this exchange of correspondence between AMTRAK and USPS is included at the end of this statement. We will appreciate it being included in the record. Again, we will be grateful for anything you and your Congressional colleagues can do to persuade the U.S. Postal Service to retain the Wash. & N.Y. RPO Trains #3 and #4 with consideration given to expanding the service.

THE IMPACT OF ELECTRONIC COMMUNICATION

Mr. Chairman and Members of the Committee, the American Postal Workers Union was greatly disturbed to see the present Postmaster General quoted in a recent edition of the New York Times as saying that he and the Board of Governors were not certain that this was the appropriate time for the Postal Service to become involved in telecommunication. He was correct, Mr. Chairman, now is not the time--five years or even ten years ago was the more appropriate time for the former Post Office Department and more recently the U.S. Postal Service to get involved.

More recently in the U.S. News & World Report dated April 25, 1977, Postmaster General Benjamin Franklin Bailar in an exclusive interview was asked numerous questions regarding the present and future of the Postal Service. We would like to quote two questions and answers in particular that were raised which are indicative of the Postmaster General's general attitude:

"Q: How about electronic transfer of mail? Is that a visionary thing?"

"A: No, it's not. Electronic funds transfer and electronic message systems are very real threats to postal volume. We now have about 6 million Social Security payments a month being made through electronic funds transfer. That's expected to go up to about 18 million by 1980. We also know that the telephone is tending to get an increasing share

of the message market. A number of private organizations have facsimile systems between offices. Those various situations are all diversion of existing postal volume. There has been a good deal of discussion about whether the Postal Service ought to move to get into that electronic transfer business. It's going to be a major subject of discussion over the next year or two." (Underlining emphasis ours.)

"Q: What changes would you like to make in the Postal Service?"

"A: I don't think I would recommend any changes in the law that set up the Postal Service. The law is a well-conceived effort to both allow and require the Postal Service to fit a changing time. It's an effort on the part of Government to see that this institution is molded to fit the public's needs. Somebody asked me a few months ago what I thought the Postal Service needed in 1977. And my answer was I thought the Postal Service needed to be left pretty much as it is. (Underlining emphasis ours.) The best way to serve the American public would be to strengthen our resolve to make the Postal Service work within the mandate of the existing law."

It is obvious, Mr. Chairman, that the attitude of Postal Management as reported by the Postmaster General believes that the Postal Service should continue doing business in the same manner as it has in the past. Doctor Louis T. Radar, Chairman of the United States Postal Service Support Panel, Committee on Telecommunications, delivered testimony to the Subcommittee on Postal Operations and Services chaired by Congressman James M. Hanley of New York on the subject of electronic communications. In essence, Doctor Radar suggested that United States Postal Service top management adopt a firm and continuing commitment to involvement in the electronic message field and also that additional involvement in planning, research, and development was needed.

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The American Postal Workers Union has established an on-going National Committee studying the impact of telecommunication on our industry as a whole and on our workers in general. We are disappointed to know that it is quite apparent that the Postal Service has its "head in the sand" on this issue. Our APWU Committee reviewing this subject has great fears that unless the U.S. Postal Service involves itself immediately and in a meaningful manner, then we will not have to concern ourselves with the Postal Service and all of its troubles within the next decade or perhaps sooner!

We will not have to concern ourselves with providing the Postal Service with a monopoly as provided in the Private Express Statutes for they will have lost so much business that the only thing left will be the personal "Mom and Pop" type of letters and the cost of postage for the processing and delivery of such mail will be prohibitive.

The Commission on Postal Service Report also indicates great concern with the lack of action and interest by USPS in this important subject of telecommunications. The American Postal Workers Union is looking forward to working closely with the Congress on this extremely important field involving the future of the United States Postal Service.

U.S. POSTAL SERVICE PRIVATE EXPRESS STATUTES

Mr. Chairman and Members of the Committee, at the present time there are a considerable number of bills pending in the U.S. Senate and the House of Representatives to either repeal or substantially modify the "Private Express Statutes" of the U.S. Postal Service which for more than 100 years have protected the processing and delivery of letter mail to all Americans. It is our sincere hope that Congress will reject all such legislation.

However, we now find another recommendation of the "Commission on Postal Service" which we believe inconsistent with a viable, efficient

and healthy U.S. Postal Service. On page 72 of Volume I of the Commission's Report we find a proposal to relax even though minimal the USPS monopoly on delivery of mail. The Commission requests USPS (and the Congress?) to consider suspending operation of the Private Express Statutes where "letters" require extremely expedited delivery service which the Postal Service does not provide.

We answer this Commission suggestion by urging USPS to provide any and all services with appropriate postage fees for the delivery of any and all communications defined as letter mail. The USPS monopoly must be guarded jealously in the public interest.

Mr. Chairman and Members of the Committee, thank you for your patience and consideration in permitting us this opportunity to present these views of the American Postal Workers Union on the Postal Commission Report and related issues of great concern to us as postal workers and in the public interest.



OPERATIONS GROUP
Washington, DC 20260

April 6, 1977

Mr. Frank W. Kane
Manager-Mail Service
National Railroad Passenger
Corporation
955 L'Enfant Plaza North S. W.
Washington, D. C. 20024.

Dear Mr. Kane:

Reference is made to your letter dated January 6, 1977, offering to operate RPO trains between New York, NY and Washington, D. C.

We must decline your offer because a decision has been made to discontinue operation of RPO trains 3 and 4. However, after discontinuance of ConRail Train 3 and 4 there may be a need for the use of Amtrak's Train 179 and 66 to operate between New York, NY and Washington, D. C. We will contact you later regarding the unit size needed in those trains.

We appreciate your continuing interest in the U. S. Postal Service.

Sincerely,

R. H. Wieman, Director
Transportation Services Office
Mail Processing Department



January 6, 1977

Mr. R. H. Wieman
Director
Transportation Services Office
Mail Processing Department
United States Postal Service
Washington, D. C. 20260

Dear Mr. Wieman:

The contract for the RPO train operated by Conrail between New York, N. Y. and Washington, D. C., using equipment of Amtrak ownership on a day-to-day basis, has an expiration date of June, 1977. The equipment cannot continuously be made available to Conrail in the future.

The service has been performing on a year-to year basis. This equipment is seriously depreciated due to the uncertainties of the service during the short contract terms.

In their present condition, it is not probable the service life of these cars will provide for any extended period of future use without consideration of a major overhaul.

Our Mechanical Department has thoroughly inspected the fleet. All cars are immediately in need of major heavy overhaul. It is estimated each car would cost approximately \$100,000.00 to restore to standard. A minimum of six cars would be required to maintain levels of service. There are eight cars in the fleet.

The question at hand is, would the Postal Service desire to continue this fine service in the future? If so, Amtrak would be agreeable.

As you realize, these circumstances require an early determination to establish a maintenance program essential to its continued operation rather than at the traditional end of the contract year. There will be a change of contractors under these circumstances.

Mr. R. H. Wiseman
Page Two
January 6, 1976

The high capital investment required for major overhaul suggests other exceptional requirements for your consideration in making this determination for its future use. These are:

1. Amtrak would require a six year contract term due to the highly specialized and dedicated use of the equipment in captive service, and;
2. Reasonable indemnification for cancellation for postal convenience during that term.

Other considerations for use at your discretion would be service in existing Amtrak trains that provide the same relative schedule of the dedicated mail train such as trains no. 66, Northbound and train no. 183, Southbound, extended to D. C. This consideration determines the modifications made to the equipment while undergoing heavy overhaul to make them compatible to these trains. It would reduce operational costs and control inflation of your transportation dollar while providing the same high levels of service. Intangible benefits in this would be the advantage of reduced transit time in these trains during the span of contract term from improvements in the Northeast Corridor, now underway.

You may wish to consider a whole new concept, the advance quality in the ride of the new Amfleet cars modified for RPO use. This would increase the productivity of the postal clerks in a greatly improved working environment. Incorporating today's postal technology in automatic mail processing modified for ride compatibility would reduce postal labor costs considerably for enroute distribution, while promoting even greater productivity. There is opportunity in this. It is of the future. Grasping this potential for improved service with reduced economics could expand to emerging corridors to meet your critical future needs.

We would wish to review and discuss with you the future operations of the RPO service, and if relevant, the above proposals.

Would you please advise a time and date at your convenience and we will arrange to be present.

Sincerely,


F. W. Kane
Chief, Mail Sales

FWK:sjb

cc: A. A. Michaud
E. P. Byndall - MEC
W. S. Armantrout - MEC

Senator GLENN. We get into the very interesting area of electronic communications in the Postal Service at our next meeting on Thursday, May 26, at 10 o'clock in this room.

The committee will stand in adjournment until then.

Before we adjourn, I thank you gentlemen very much. You have been very patient this morning and very cooperative. If you have any additional comments you wish to make, please forward them to the subcommittee, and we will include them as part of the record in order that your statements may be as broad and comprehensive as possible. We hope, also, that you could respond to any questions we might have from the committee.

The committee will stand in recess until 10 o'clock, Thursday, May 26.

[Whereupon, at 12:20 p.m., the subcommittee adjourned, to reconvene at the call of the Chair.]

STATEMENT OF THE PUBLIC EMPLOYEE DEPARTMENT, AFL-CIO

The Public Employee Department of the AFL-CIO is composed of twenty-nine national unions with over one-and-one-half million members in the public sector. Among these are employees of the postal service. Particularly on behalf of our affiliates representing U.S. Postal Service employees, we wish to submit these comments.

Our chief concern is that the constitutional responsibility of the federal government to provide a postal service not be undermined.

Accordingly, proposals to contract or otherwise delegate postal responsibilities to private business are unwarranted. One of the factors that complicates provision of an adequate, nationwide, postal service is that aspects of it return substantial revenue to the Postal Service. To amputate these aspects of the function would necessarily lead to even greater deficits, additional cutbacks of vital service, or both. Continuing increases in the cost of postal service—to the public it is designed to serve—reflect, in our view, the inadequate management under which the postal service is laboring. Primary attention should be directed to the management capability of the Service before either further increases in rates or decreases in service are contemplated. Specifically, the proposal to diminish the mail delivery from 6 days to 5 days a week and the suggested termination of door to door delivery, are examples of unacceptable diminution of the "service" which Americans have the right to expect.

Other facets of the postal service that require critical scrutiny include motorized delivery routes with their substantial consumption of energy, automatic letter sorters whose record of accuracy is poor and modular constructed computerized bulk mail centers which are costly and inefficient.

The complaint that the 30,000 rural postal offices and postal facilities are costly misses the basic point; the purpose of the mail service should be precisely, service. It is not and need not be operated as a profit making business any more than need be the Departments of Defense, Agriculture or Interior.

We would not simply propose the continuation of service with continually escalating deficits and subsidies. The Subcommittee of the House Post Office and Civil Service Committee and others have recommended research and development including analysis of the role of telecommunication.

Certainly, the use of modern techniques for delivery of the mail is not incompatible with the improvement of the postal system; indeed they are interdependent.

While the Service requires substantial manpower and will continue to if it is to make a viable contribution to our society and our economy, at the same time there should be capital investment which at least approaches that of other major industrial undertakings. At the moment capital investment in the service is not even a league with the R&D undertakings of comparable magnitude in the private sector.

We are appalled by reports that the Postmaster General has estimated that there could be, within 8 years, reduction of mail delivery to three days a week and a closure of 30,000 rural and small postal facilities with the doubling of postal rates and higher subsidies. Even by the criteria of the private sector decreased service

is seldom rewarded by increased investment. The promises of the Postal Reorganization Act of 1970 are not being fulfilled.

There have been reports that the Service has had a force reduction of approximately 63,000 individuals. It is also reported that for one period a \$5 million "profit" was achieved. The former figure reflects cuts in service. The latter is misleading in the light of the Postal Service's \$14 billion budget and \$2.2 billion deficit.

The AFL-CIO Executive Council recently summarized the situation well in its recommendations for congressional consideration:

One: A public service subsidy of not less than 20 percent of estimated postal revenues should be annually appropriated to the Postal Service by Congress for maintenance and operation of the postal system which is used by every American.

Two: The Postmaster General should be appointed by the President and confirmed by the Senate. At present, the Postmaster General is hired by the Board of Governors and is, therefore, insulated from accountability to the people. A fixed term would be one method to prevent recurrence of the political patronage system that damaged the Postal Service in earlier years. The Postmaster General, however, should not serve as a member of the Cabinet.

Three: The Postal Rate Commission should be abolished. This body has become a procedural hurdle to efficient operation of the Postal Service. Its duties could be performed by the Postal Service or its Board of Governors with congressional review of rate increases and service cutbacks.

Four: If the Board of Governors is maintained, it should be reconstituted as a tripartite board of postal workers, mail users and the general public. It should be a full-time body, appointed by the President with confirmation by the Senate, and oriented to public service.

Five: Further erosion of the Postal Service's first-class monopoly by private industry, which is not obligated to supply full services, would devastate the financial position of USPS.

Six: The collective bargaining system should be maintained as essential protection for postal workers. For years, low postal rates were subsidized by low wages for postal employees. We will vigorously oppose any return to that system.

Seven: A ceiling should be established for second-class postal rates for publications of qualified nonprofit organizations at not more than 50 percent of the applicable commercial rate.

The promise of the Postal Reorganization Act of 1970 has not been matched by performance. The changes we seek would restore the vital concept of public service so lacking in postal management today.

An efficient, government-run Postal Service with reasonable rates for postal users is vital if Americans are to fully enjoy the rights guaranteed by the First Amendment.

At this point, the problems are so monumental that we respectfully suggest serious consideration must be directed by your Committee and by Congress to the question of entirely new top management of the U.S. Postal Service.

EVALUATION OF THE REPORT OF THE COMMISSION ON POSTAL SERVICE

TUESDAY, JUNE 28, 1977

U.S. SENATE,
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION,
AND FEDERAL SERVICES,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The subcommittee met at 1 p.m., pursuant to notice, in room 3302, Dirksen Senate Office Building, Hon. John Glenn (chairman of the subcommittee) presiding.

Present: Senators Glenn and Stevens.

Staff present: Leonard Weiss, staff director and Daniel P. Doherty, professional staff member.

OPENING REMARKS OF SENATOR GLENN

Senator GLENN. The hearing will be in order.

The subcommittee today resumes its hearings on the report of the Commission on Postal Service in order to hear the views and concerns of witnesses representing a wide spectrum of mail users in the for-profit and nonprofit categories.

This is not the last, but one of a series of ongoing hearings that we have had on the report of the Commission on Postal Service. I don't intend to make another long introductory speech here today. My main purpose is to listen. However, there is one item I did want to take up today before proceeding. I want to express our very sincere appreciation for the services of Mr. Richard G. Fuller, the associate staff director of the former Senate Post Office and Civil Service Committee. Many of you people here who are interested in this particular subject have dealt with him in the past.

Dick will be retiring on July 1 after lengthy service, not only to the U.S. Senate, but during the mid-1960's as a staff officer at the Civil Service Commission and in the old Post Office Department. His services have been very helpful to this subcommittee as it picked up the responsibilities of dealing with postal legislation and oversight this year.

We certainly wish Dick well in whatever new endeavors he may engage following his retirement. I think, knowing him, he will be channeling his efforts in many directions. We are glad to wish him the very best in his retirement.

[Applause.]

Senator GLENN. I also want to enter into the record several communications and statements from interested parties, the Des Moines Register-Tribune, the National Rural Cooperative Association, Girl Scouts of the United States, International Labor Press Association, Pan American World Airways, RCA, the Radio Corporation of America, the Agricultural Publishers Association, and others.

Those communications will be inserted in the record at the conclusion of today's proceedings.

Today we have two panels of witnesses. Each panel will have five members.

On the first panel will be John Burzio, an attorney representing the Magazine Publishers Association, Washington, D.C.; James Cregan, an attorney representing the National Newspaper Association, Washington, D.C. This is the trade association for smaller newspapers.

Next is J. Edward Day, Postmaster General under President Kennedy and a Washington attorney representing Associated Third Class Mail Users. Next is Timothy May, who was general counsel to the old Post Office Department. He was appointed under the Johnson administration and is representing the Parcel Post Association.

Mr. Saltzstein has not arrived yet. He will be seated at the table when he arrives.

Gentleman, we welcome you and look forward to your testimony. We have prepared statements from all of you. If you wish to summarize the statements, that would be welcome. We will then have as much time as possible for discussion. We will start left to right.

Mr. Cregan, would you care to begin?

TESTIMONY OF JOHN BURZIO, MAGAZINE PUBLISHERS ASSOCIATION; JAMES CREGAN, NATIONAL NEWSPAPER ASSOCIATION; J. EDWARD DAY, ASSOCIATED THIRD CLASS MAIL USERS; ROBERT SALTZSTEIN, AMERICAN BUSINESS PRESS; AND TIMOTHY MAY, PARCEL POST ASSOCIATION, A PANEL

Mr. CREGAN. Mr. Chairman, I will highlight brief portions of our written testimony in the interest of time.

My name is James Cregan. I am general counsel of the National Newspaper Association, an organization of some 900 smaller city daily and 5,500 weekly newspapers with members in each of the 50 States, the District of Columbia, Guam, and the Virgin Islands. Our membership is composed primarily of America's community press. William G. Mullen, NNA's executive vice president, is also here today, I am speaking also on behalf of the American Newspaper Publishers Association, which earlier filed written testimony on its own behalf.

Any potentially successful proposal for change must be grounded upon the recognition of one fundamental principle: The Postal Service is a public service. All else flows from this. Any plan not founded upon this principle is doomed to failure.

The fundamental weakness of the Postal Reorganization Act, and the existing postal system, is the inherently contradictory mission assigned the Postal Service by the statute. On the one hand, the Postal Service is required to be an efficient, essentially self-supporting enterprise on the model of a private sector corporation. On the other,

the same Postal Service, in accordance with 39 U.S.C. 101(a), is to a operated as a basic and fundamental service to the American people. It should be obvious to all by now that the Postal Service cannot successfully attain both goals.

The acceptance of the Postal Service as a public service does not necessarily mean its acceptance as a totally tax-supported service, such as national defense. Nor does it mean total abdication of the principles and practices of sound, professional business management. It does mean the acceptance of the need for permanent public service appropriations in accordance with a rational scheme which will guarantee a measure of stability and predictability for all concerned—the Congress, the Postal Service, and the mail-using public.

We believe the Commission on Postal Service was correct in its general conclusion that the level of appropriations should be increased, and that the level should be keyed to a percentage of the prior fiscal year's operating expenses. But, premised as it was upon recommendations of unacceptable service cuts—eliminating 6-day delivery and slowing down the overnight processing of mail—the Commission's figure of 10 percent cannot be endorsed by us.

We continue to adhere to the position we espoused before the Commission: That the level of public appropriations should be set at 20 percent of the prior year's operating expenses. At a time when countless billions of dollars are either being appropriated or forgone for a plethora of specialized programs ranging from narrow business tax deductions to massive public works programs, it is hardly unreasonable to have a level of 20 percent public appropriations for a service which, in a truly unique and personal way, touches the life of every American.

Postal rates and services must reflect the public service character of the mail system. We believe that the mails should be accessible to all. The system must serve a wide variety of users and purposes, providing adequate service at reasonable cost to all. It is in the interest of each class of user—the public interest—that the volume of all classes be maximized.

The setting of postal rates cannot be analogized to the setting of interstate gas rates or airline freight rates. The considerations of postal ratemaking and mail classification are so intertwined with considerations of public policy as to be inseparable. Rates have always been determined in accordance with roughly equal consideration of cost factors and public policy of judgments.

This traditional and public-spirited methodology was obliterated on December 28, 1976, by a momentous decision of the U.S. Court of Appeals here in Washington. In its decision the court, in effect, ruled out of postal ratemaking all considerations of public policy and public service.

The court read and interpreted the nine ratemaking factors contained in title XXXIX of the United States Code in such a way as to render meaningless all but one: The requirement that each class of mail bear its attributable costs. The court has now directed that postal rates be set to the greatest degree possible in accordance with strict cost accounting techniques. Effectively read out of the statute were the other eight statutory factors, which we feel show Congress did not intend postal ratemaking to be insulated from considerations of public service and public policy.

The impact of this ruling on the costs of using the mails is staggering. The portent of the ruling is particularly overwhelming for our members, America's newspapers. Further, on the urgency of the situation, it should be noted that the court of appeals now has pending before it a decision on whether to order the most recently decided rate case, R76-1, reconvened and decided immediately in accordance with its interpretation of the statutory requirements of postal ratemaking. This decision could be issued at any time.

Aside from its devastation of second-class mail, the court's ruling, if not overturned, will result in disaster for all classes of mail, for all users, and for the postal system and the Nation as a whole. Those who advocate the court-approved ratemaking methodology on behalf of first-class mailers are, we believe, extremely shortsighted. If rates for second-, third-, and fourth-class rise as precipitously as the court would have them rise, every mailer in these classes who possibly could do so would leave the mails as quickly as possible. As the volume of these classes decline, first class will be left with more and more of the cost burden—to the benefit of only one except perhaps the operators of private delivery systems.

The impact will be particularly poignant, we feel, for those very special institutions, small newspapers serving America's rural populations. Located in geographically dispersed areas—where homes are often many miles apart—subscribers are heavily reliant upon the mail for delivery of the vital news and information carried by these newspapers. This fact also leads us, it should be noted here in passing, to oppose the Commission's recommendation that the within-country newspaper rate be abolished.

Private carrier delivery of newspapers in these areas has always been considered unfeasible. But with the calamitous rate increases which would be brought on by the court's decision, even these newspapers would have to seek alternate means of delivery—with grim consequences for the newspapers and their subscribers who fail.

Although we advocated to the Commission the codification of the traditional 50-50 split between attributable costs and policy factors for ratemaking purposes, we believe the Commission's approach, capping attributable costs at 60 percent, is sound and workable. We support it in the interest of America's newspapers, and in the interest of the Nation as a whole.

A public service institution must be publicly accountable. We believe that the present postal structure, the Postal Service and the Postal Rate Commission, are far too insulated from considerations of the public will, and from the embodiments of the public will: the Congress and the Presidency.

Because, as we have said, postal policy is so intertwined with public policy as to be inseparable, we believe that Congress and the President—the institutions best equipped to make public policy judgments—must assert stronger control over postal policy.

A strong argument can be made in favor of a return to complete congressional control over the Postal Service. Realistically, however, this is not an option, and we do not advocate it here. We do believe, however, that at the very least the Congress should have at least a strong oversight function over all postal operations, and should have veto authority over all rate and classification decisions of the Postal Rate Commission.

Finally, Mr. Chairman, one brief comment on one public service issue that is of great importance to a large segment of American society, 6-day mail delivery.

We take strong issue with the Commission's recommendation that mail be delivered on only 5 days. As we all know, the Postal Service has seized on this recommendation and intends to eliminate Saturday delivery by January of next year. The Commission, for whatever reason, adopted the views of Postal Service management on the frequency of delivery. The Postal Service for at least the past 2 years has made no secret of its desire to eliminate Saturday delivery, and its study of even a 3 day delivery scheme.

As we mentioned earlier, such a plan may be justifiable in terms of hard, cold business judgments, but it is not justifiable in terms of public service and public policy.

We fear the Postal Service's view, and the Commission's may suffer from too narrow a perspective on this issue. Although Saturday may be a down day in metropolitan areas, especially on the east and west coasts, it is merely another day of the week in the other regions of the Nation, especially rural agricultural communities.

Newspapers, especially newspapers serving nonmetropolitan regions, are acutely sensitive to the possibility of the elimination of Saturday delivery. As we have pointed out, the newspapers and their subscribers are heavily and uniquely reliant upon the mail for delivery.

On pages 12 and 13, Mr. Chairman, we reproduced some statements we received from various newspapers throughout the country. I won't read them here. I will just point out that they demonstrate a very, very intense measure of concern on behalf of the newspapers themselves and the communities they serve.

In conclusion, we commend the Senate for its action last week in adopting an amendment to the Postal Service appropriations bill which forbids the use of any part of the fiscal year 1978 appropriations in the elimination of Saturday delivery. We recognize, however, that, despite this strong expression of Senate opinion, the Postal Service remains legally free to use other, nonpublic funds to eliminate Saturday delivery, and evidently intends to do so. It is difficult to ignore the irony of the Postal Service being prohibited from using public funds to obliterate a public service.

Six-day delivery is one of the public services performed by the Postal Service which is identified by the Commission on Postal Service in its report. It is a vital public service which should be continued—and which can be continued with the enactment of the increase in public service appropriations which the Commission has recommended in principle, and which we recommend be modified so as to insure adequate levels of essential services for all Americans.

On behalf of our entire membership, I thank you for holding these critically important hearings, and for permitting us to express our views here today.

I will be happy to try to answer any questions you may have.

Senator GLENN. Thank you.

I think we will hold questions until we have heard everyone's testimony. I prefer in conducting hearings to receive all the testimony. Then I find it very valuable to have a cross-pollination of ideas among witnesses as well as questions from myself and from other Senators who come in.

Mr. Burzio?

Mr. BURZIO. Thank you, Mr. Chairman.

I am Washington counsel for the Magazine Publishers Association. I am accompanied here by Mr. Stephen E. Kelly, president of the association, Mr. Chapin Carpenter, MPA's Washington vice president. I am appearing, in addition to MPA, on behalf of the Association of Second Class Mail Publications, and the Classroom Periodical Publishers Association.

Each of us has submitted to the committee written testimony, which I would prefer to summarize briefly and request, Mr. Chairman, that the full written statements be included in the record of the hearing.

Senator GLENN. It is so ordered.

Mr. BURZIO. First, Mr. Chairman, I want to commend the Commission on Postal Service on behalf of these organizations for a job well done. The Commission submitted an excellent report to your committee and to the President, and I believe they were the hardest working, most conscientious group of commissioners that I have ever had the experience of dealing with. We want to commend them for a job well done.

They have presented you with some tough choices, but I think they performed a great service in identifying and analyzing problems that confronted the Postal Service.

Our primary concerns are in the area of the level of public service appropriations and the procedures and criteria to be utilized by the Postal Rate Commission and the Postal Service for ratemaking and the establishment of mail classifications. We support, as newspapers do, the recommendation to increase the public service appropriation. We also support the recommendation for a one-time appropriation to pay off the past losses incurred by the Postal Service since the Reorganization Act.

But we believe that 10 percent is too little, and the Commission itself recognized that. They recognized that the intangible benefits and certain specific tangible benefits that truly are public services represent a far larger percentage than 10 percent. We think something on the order of 18 or 20 percent, which was about the average that was appropriated during the years preceding reorganization, would be a more appropriate percentage.

We also support the Commission's recommendations to clarify the cost criterion in the ratemaking section of the act and to require that the Postal Rate Commission give important weight to the noncost factors of the act.

We also support the recommendation to preserve the existing major classes of mail. We think that these two issues are far too important to be left to the courts to decide.

We think that the Postal Service and the Postal Rate Commission and certainly mail users need some clarification from the Congress about this important costing provision, because the court of appeals' decision, if allowed to stand, will have the devastating effect which Mr. Cregan alluded to. It certainly will be injurious to second-class mailers, the Postal Service, and we think to the detriment of first-class mailers as well.

I want to note, Mr. Chairman, that second-class mailers, and I presume other mailers who have had the benefits of the revenue foregone appropriations the last 6 years, are still only two-thirds of the way to reaching the full rates that have already been approved by the Postal Rate Commission, and which will take effect in July of 1979. Second-class regular rates alone have another \$125 million in rate increases to pay over the remaining 2 years of phasing. That does not take into account the certainty of another rate increase that, as we all know, will be filed sometime during this year. If in addition to that, we have imposed upon us the much higher rates required by the court of appeals' decision, the result would be disastrous. It would result in a substantial loss of second-class mail volume to the Postal Service. And loss of mail volume is one of the most important problems that the Commission on Postal Service identified as facing the Postal Service.

We are opposed, however, Mr. Chairman, to the recommendation that decisions of the Postal Rate Commission be made final, subject only to the limited form of judicial review that the present statute provides. We think that there are certain issues involved in the rate-making and classification procedures and policies which involve matters Congress should take a look at. We would prefer that Congress act directly on them, but at least there should be some congressional review through the exercise of the veto power.

We think that the most urgent issue facing the Postal Service, and facing this committee, is the one that has to do with the costing criterion and the other ratemaking criteria that should govern the Postal Rate Commission. We hope that you will take action to preserve what we believe was Congress original intent in that regard. That would not require any additional appropriations and certainly would avoid needless litigation.

Senator GLENN. Thank you, Mr. Burzio.

We have with us a former Postmaster General himself here today, Mr. Day. We welcome you to the committee, and we look forward to your testimony.

Mr. DAY. Thank you.

I am a lawyer, Senator, in general practice, and I am general counsel of Associated Third Class Mail Users. I appear here today representing three separate trade associations: Associated Third Class Mail Users; Direct Mail/Marketing Association; and Mail Advertising Service Association, Inc.

The members of all three of these associations are involved on a day-to-day basis with third-class mail. Each of these three associations will be submitting its own written statement setting forth in detail for your subcommittee each association's specific views on a range of postal issues. We appear here today as a group to present our joint views on a few of the most important of those issues.

But first, I think it would be helpful to talk a little about third-class mail. Aside from first-class mail, third class is by far the largest class of mail in terms of both percent of Postal Service mail volume and percent of Postal Service revenue dollar. Third-class mail is used for direct mail advertising, mail-order merchandising, and for fund solicitation by not-for-profit organizations.

Today, most third class moves at bulk rates, which means the mailers themselves have to do most of the sorting work which would otherwise have to be done by the post office. The principal items moving under this bulk subclass are circulars, brochures, flyers, and books and catalogs weighing less than 16 ounces. It was estimated by a Department of Commerce study over 20 years ago that advertising mail generates as much as \$40 billion in sales of goods and services per year. That figure would be much higher now. We are trying to get the Department of Commerce to make a new study. We think they should, and we hope they will.

The evidence indicates that commercial bulk third-class mail is the most profitable mail category of mail percentage-wise which the Postal Service has.

We are a deferred service. We compete for the advertising dollar with all the other advertising media. The basic minimum rate for commercial bulk third-class mail has gone up 670 percent since the early 1950's. During that time, the cost of living has gone up only about 120 percent.

In addition, bulk third-class mail had a new, highly expensive mandatory requirement for presorting by mailers to ZIP code forced upon it in the late 1960's with no related reduction in the postage rate.

With these facts in mind, I would like to discuss four major issues of concern to all of our three trade associations.

First of all, Congress, in our opinion, should take back authority to make the final decisions on increases in postal rates after the Postal Rate Commission has made its recommended decision.

One way this might be done would be to have the Postal Rate Commission's proposed decision go to Congress for a 90-legislative-day period during which Congress could veto proposed increases. We believe that it is essential to avoid raising postage rates so much and so often that it drives people away from the system. The 3-cent first-class rate lasted 25 years—from 1933 to 1958—through two wars and two periods of postwar inflation. We are convinced that elected representatives should have the final authority over the amounts that will be charged to millions of Americans all over the country for the use of the various classes and subclasses of mail.

The House version of the postal corporation bill, as passed in 1970, contained a congressional veto power over rates.

Second, we believe that the annual public service appropriation from general revenue funds to the Postal Service should be 20 percent of the total budget of the Postal Service for the next preceding fiscal year. This would make an annual total of something over \$3 billion in contrast to the current level of \$920 million.

Only through a very substantial increase in the public service appropriation for the Postal Service can a continuation of large and frequent rate increases be slowed down. We do not seek to dismantle the post office. But it must be recognized that many services it provides are public service, governmental in nature, and would not be provided at the same level by a private company. The proposed increased appropriation is justified not only on the basis of public service and general governmental aspects of the Postal Service, but also as related to other governmental programs.

The recently enacted public works jobs bill to increase jobs and improve the economy, H.R. 11, provides another \$4 billion—in addition to \$2 billion already authorized—in the expectation of creating a few hundred thousand new jobs.

These new jobs would be on the public payroll through Federal grants to local governments to improve public services. The added appropriation for the Postal Service is completely justified as an extension of this type of economic stimulus program.

Since the Postal Service has such a high level of spending and employs 1 percent of all of the working people in the Nation, its financial operations should be tied to the overall efforts of the Federal Government in the economic and public benefit areas.

Instead, in recent times when the Federal Government was enacting tax cuts or tax rebates to stimulate the economy, the Postal Service, at the same time, was raising rates, thereby taking money out of the economy and adding to inflation.

There is nothing new or revolutionary about using the Postal Service as a means of assisting in carrying out national economic goals. During the recession of the early 1960's, there was a speedup in the authorization and construction of leased postal facilities for the specific purpose of assisting in improving economic conditions. Budget squeeze problems and budget balancing goals should not stand as a bar to treating the Postal Service once again as a part of the overall Federal Government responsibility, and providing it with adequate general revenue funds.

Before so-called postal reform, the Post Office received about 18 percent of its overall budget from general funds. Now, it receives only about 6 percent as a public service appropriation.

Congress is considering what to do with the billions of dollars in annual proceeds from the tax on crude oil. The tax would bring the Treasury as much as \$4.6 billion next year, \$9.1 billion in 1979, and \$13.8 billion in 1980. There have been all kinds of proposals as to what to do with this money. What better way to recycle some of this money to consumers than by using it to up the public service appropriation to the Postal Service, thereby slowing down rate increases and service cuts.

We are convinced that would be much more meaningful and sensible than the pending proposal to reduce payroll withholding by about 50 cents a person per week, particularly since much of that rebate might be spent on buying petroleum products.

Third, we believe the Postal Reorganization Act should be amended to correct the highly unrealistic decision of the U.S. Court of Appeals for the District of Columbia Circuit in the *National Association of Greeting Card Publishers* case. Other witnesses have covered that point. It is a top priority with our three associations. Statutory language to make that correction is included in the report of the Commission on Postal Service.

Fourth, we believe, as also stated by other witnesses, that Congress should enact legislation to retain the four major classes of mail as proposed in the report of the Commission on Postal Service.

These classes have been in use for decades. Since 1879 they have been in use, and are working well. The officer of the Commission, or the ombudsman of the Postal Rate Commission, is pushing a

radical proposal to have a major revision to the postal classification schedule to classify mail by shape. There is no visible public demand for far-reaching changes in postal classifications and the current state of protracted uncertainty should be eliminated by enacting the four major classifications into law.

Our view on this issue can be summed up in the words which Mr. Bert Lance has made famous: "If it ain't broke, don't fix it."

Thank you.

Senator GLENN. Mr. May?

Mr. MAY. Mr. Chairman, I am Timothy May, and I am in private practice in the city. I am appearing as counsel for the Parcel Post Association.

The association is a group of primarily small businesses, some 200, that are totally dependent upon a viable Postal Service for their survival. They not only send the parcels that they sell through the post office, but they solicit sales largely through the post office. Many, if not most of the members of the association are also members of the association that Mr. Day is representing here today.

They sell their products through the mail, and they deliver their products through the mail, or through the United Parcel Service, which is the only other national delivery system for small parcels.

But, as such, they are utterly dependent on the Post Office, and whatever happens to the post office will determine the fate of the businesses, whether they survive and prosper, and whether their employees have jobs.

As businessmen, they have to look at the Postal Service for their business needs. Each one of these members is also a citizen, just as you and I are. We all have our own private opinions on the value of the Postal Service. I, for example, very much value having the mailman come to my house 6 days a week, and I am particularly pleased about the fact that I don't pay anything to have that Government service performed for me.

But my clients, who are businessmen, in addition, have to look at this vast panoply of services that the Post Office performs for all Americans, and tell you they do not need, as businessmen, all of those services, and yet they have to pay for them in the form of the postal rates that they pay in third-class and fourth-class mail.

They simply can no longer afford that. We want the Congress to decide whether it, the Congress, is going to pay its fair share of maintaining all those services, or whether or not the Congress is going to allow the elimination of those unessential services.

Now, as you already heard, since the Second World War, Congress was paying approximately 18 to 20 percent of the cost of running the Postal Service, and, of course, even at that time, there were constant complaints about the efficiency of the Service, people were always wondering why couldn't it break even, and there was a lot of that sentiment that led to postal reform, and much of what has come from reform has been good and valuable and helpful.

Management has done a great deal. But the most absurd and fundamental concept behind reform, which is a demonstrated failure, is the idea that you could continue a full Postal Service that had heretofore been getting 20 percent of its funding from the Congress and reduce that to what is the equivalent now of 6 percent, and still maintain all of these services without having something dramatic happen to the

postal rates, and that is just exactly what has happened, and it demonstrates that you cannot run this kind of a Postal Service without adequate funding from Congress.

Now, it must sound to you, Mr. Chairman, and to many other Members in Congress that the prescription for the cure of the postal ills always advanced by mail users is just to get some more money from Congress. I am here today to tell you that that isn't our only prescription. What we are asking is that the American people either pay their fair share for these services that they receive, which business who use the Postal Service do not need, or allow the curtailment and elimination of those services, so that the business users of the Service only pay for what they get, and for what they want.

At the same time, I want to emphasize that as individuals, to the best of my knowledge, all of our members as private citizens do not want to see any of those services eliminated. They are more than willing to have a share of their taxes go to maintain those services, but they are not willing, and in fact, they cannot afford to have those services paid for out of their postal rates.

I would advert again to the second most serious concern facing our users, and that is the court of appeals' decision which you have heard. There is no point in rehearsing at this point why the court of appeals' decision was wrong. Whether it is right or wrong, the effects of that decision are clear. Once it is implemented, what is going to happen to volume in the Postal Service and what is going to happen to those classes of mail which have to have staggering rate increases in order to achieve the results.

As an example, the parcel post system is now primarily used by what is called "Aunt Minnie," by the ordinary citizen. It is no longer used by business users. They have largely been driven out of the system by postal rate increases on parcel post, so that today the majority of members of my association place the majority of their business with the United Parcel System, which is set up and geared to handle large volume, very profitable business.

Whereas, "Aunt Minnie's" parcel still has to be handled by the postal system. It is high cost, it is difficult to handle. The fact of the matter is that the Council on Wages and Prices has determined that the ordinary citizen spends more per year on parcel post than that same ordinary citizen pays for first-class postage.

So if the court of appeals thought that they were going to help out the ordinary citizen by decreeing a lower first-class rate, with stupefying increases on parcel post—if that was their thought, they are quite mistaken. Because of the increases dictated by that decision, the saving any citizen would achieve on the first-class postage would not only be wiped out by the increases on parcel post, it would end up costing the ordinary citizen money.

It is a system that does not make any sense, which is why the Commission on Postal Service recognized it was a bizarre pricing scheme. So whether the court of appeals is right or wrong as a matter of law is almost beside the point when we come to the Congress and ask the Congress to do something about reestablishing a sensible, rational pricing system in the post office which will not drive out volume, thereby harming all users of the system.

If anyone wants to see what can happen to a class of mail which has price increases that it cannot afford, if you look at the exhibit to my prepared testimony at the end, you will see the story of what has happened to the parcel post volume.

Compared to the gain in volume by its only competitor, that is United Parcel Service, you will see that there is nothing but a constant decline in volume for the parcel post system. The same picture is pre-figured for second-class mail and third-class mail as well if that court of appeals' decision is ever allowed to be implemented.

Thank you, Mr. Chairman.

Senator GLENN. Thank you, Mr. May.

Mr. Saltzstein?

Mr. SALTZSTEIN. Thank you, Mr. Chairman.

My name is Robert Saltzstein. I am a lawyer in the firm of Wyatt & Saltzstein. I am general counsel to the American Business Press.

I am honored to have with us today, Mr. David Henderson, the retired chairman of the House Post Office Committee, who works with us on these matters, and my associate, Mr. Stephen Feldman.

The American Business Press is made up of approximately 450 to 500 smaller circulation publications. We have no alternate method of delivery. We do not appear on newsstands. We are the overall working trade journal press of the United States for many industries, and many men in the industry get much of the information on which they base economic decisions on these publications. In your own city of Cleveland, "Industry Week" is published along with many others.

I want to join Mr. Burzio on his commendation of the Postal Study Commission. I think they did an outstanding job. By the time you are through all these hearings and all your considerations, I am sure the difficulties they faced will become increasingly clear not only to you, but to other members of the committee.

These are not simple problems. It wasn't a simple problem that brought about postal reorganization in the first place. It was a strike, it was a breakdown, it was constant discombobulation which caused this.

So in its wisdom, Congress decided we will change it. Now, they brought about a new structure. Parts of that structure can stand some review, but in general, the American Business Press, as our statement shows, concurs with the initial reorganization and it concurs with the Study Commission report which, in general, backed the initial reorganization.

For example, and it has not been alluded to, the Commission report alluded to the Postmaster General, if I properly recall it, not be appointed by the President.

Our view is that the minute this step is taken, we are going to be in a repoliticization situation which can be very serious.

Now, there are improvements that have been made under this administration. There are a lot of criticisms under various things that have been done. Some of it was justified, and some of it, in our judgment, was not justified. But we would not like to see that changed. We think the method of the Postal Rate Commission is an excellent method of determining rates. We would not like to see that come back to Congress. We have seen horrible things happen when Congress sets rates.

We would recommend, because we think the courts have misconstrued entirely the meaning of the Postal Reorganization Act, we would like to see a congressional veto on the 90-day basis Mr. Day proposed rather than judicial review alone.

That, in our judgment, was a perversion of what Congress intended. It was a complete ignoring of the factors, relying on cost alone, and that has caused a lot of problems.

Now, not everything mailers do is right, not everything the Post Office does is right, or everything the Congress does is not right.

But it is possible that progress can be made, and to see if working together there isn't some way to see if the objectives intended by postal reorganizing are allowed to survive so that we do not retrogress to what we had before postal reorganization.

Some of us were here long enough to remember how bad it was. We would not like to see that return.

Mr. Chairman, I don't, other than programs in the dialog which follows, there may become additional points on which I can elaborate, I don't think there are some services which the Postal—well, for example, the Postal Study Commission said that nonprofit rates should be eliminated by 1997, second and third class. They would be \$800 million a year by 1985.

Well, if they should be eliminated, we don't see why we have to wait until the next generation. The money that would be saved now in eliminating this preference would pay for 6-day deliveries if that is what Congress determines it wants, \$400 million.

There are a lot of things that can be looked at critically. Not every thing is just right. So these are the tough decisions which are ahead of us, all of us.

Senator GLENN. Thank you very much.

Senator STEVENS?

Senator STEVENS. No questions.

Senator GLENN. To follow up on your comments and those of Mr. Day's, I appreciate your recommendation to bring the final authority back to Congress for a 90-day congressional veto on ratesetting. Mr. Saltzstein concurs with that, but that Congress should not set the rate.

It is difficult for me to see what good congressional involvement would do without ratemaking authority. And with ratemaking authority we go through a political hassle of how to set rates without any real expertise in what we are doing. How would you prevent that?

Mr. DAY. Senator, that would put Congress very much in the same position that the Governors of the Postal Service are in now. The first time that the proposed rates are sent to them they cannot modify the rate the Commission has recommended. If they don't like those rate, they send them back for reconsideration.

That is what we would expect Congress to do. They would send it back for reconsideration. Undoubtedly, as a result of discussions, there would be an indication of what particular features of the Rate Commission recommendation Congress would want to have changed. We certainly do not advocate that Congress should have all of the economists and statisticians and expert witnesses come and play the whole show before you again that had been played before the Rate Commission. But we do think some elected people should bring into postal ratemaking the practicalities and the facts of life as to what these rates

do to the users of mail rather than having it all done on an academic and theoretical basis.

Mr. SALTZSTEIN. Mr. Chairman, in our support of congressional veto, we do not by any means intend an item veto. We mean a vote up or a vote down on the entire bill, or the entire decision of the Commission.

As Mr. Day said, a referral back, if that becomes necessary.

Now, I don't think that the congressional veto is going to be very easy to achieve. One reason is that if Congress vetoes, obviously, where is the money going to come from?

Senator GLENN. I am not fighting the idea, I am exploring it. It seems to me that one of the reasons we created the Postal Service as it is now constituted was for it to be a separate entity to run itself on a more businesslike basis than had been done previously.

Do you gentlemen think that has been a failure? Should we go back to a politically appointed Postmaster General? Should the Postal Service be a political operation like it was before?

Mr. SALTZSTEIN. Certainly not, not in our case.

Senator GLENN. Mr. May?

Mr. MAY. We certainly don't believe it should be a political operation, and we don't think that would necessarily follow if the President were to appoint the Postmaster General. After all, the President currently appoints the Board of Governors, who, in turn, appoint the Postmaster General.

Senator GLENN. Let me follow up on that.

Say the President appoints the Postmaster General. To what level do you make political appointments to carry out what top management is trying to do?

Mr. MAY. Obviously, the top staff of the Postmaster General can be appointed for whatever reason the Postmaster General chooses. What often happened in the early days under reform, cronies were appointed.

The recent trend of the current Postmaster General appears to be to try to get people for top staff with long experience, so there isn't any necessary formula that would ensue as in the case of any other Presidential appointee, but only those that require Senate confirmation turn out to be the political appointees as such. I think you can avoid repoliticization of the Postal Service, which might recur, and would have to be guarded against carefully.

Senator GLENN. I have questioned other witnesses about this during these hearings. The answers have not been satisfactory. We want to have responsiveness in the system. Some say that we could gain that by letting the President appoint the Postmaster General. At the same time, it is said, "Oh my goodness, let's not make the Post Office political again."

We can't have it both ways. It is either responsive to the President and politics and what people are writing in about, or it is not.

Maybe Mr. Day is the one to comment, because he has operated the Post Office. Would it go down to the postmaster of every village on political patronage, like it used to? I assume that would not be the case. Where would you set the level to carry out the political decisions you wanted to be responsive to?

Mr. DAY. Before so-called postal reform, the 10 top people in the Post Office Department were Presidential appointees, very much as they are in any existing cabinet department. Those were the Cabinet

member, the deputy, and eight or nine people at the assistant secretary level.

I think one thing that has confused the discussion of the issue of going back to Presidential appointment of the Postmaster General is that people assume that those who advocate that point of view want to go back to the old system of political appointment of postmasters and rural letter carriers. That is gone forever in my opinion. I don't think anybody wants it.

I think what those who advocate Presidential appointment of the Postmaster General want is to have it like it is at HEW, HUD, Department of State, or whatever, so that the top man reflects the views of the administration in power.

I am not taking any position on that, because our associations don't have any consensus position, but I do think it is important not to think of the old patronage aspects of the Post Office Department as coming along with the Presidential appointment.

Senator GLENN. We have a vote, so I have to run in a minute, but there is one other question I want to ask first.

You spoke of automatic subsidies of 15, 18, or 20 percent a year and of making that an automatic yearly increase on the previous year's budget. To me it would be like a cost-plus contract. It is an invitation to inflation and inefficiencies. How would you correct that?

Mr. BURZIO, you recommended 20 percent. That was the highest figure. We will let you defend your figure here.

Mr. BURZIO. Yes; we did recommend 20 percent. And that was based on the level of appropriations that Congress had made in the past. It involves deciding the question of how much should be recovered through rates and how much should be supported through the taxpayers' dollar.

I think the 10 percent figure that the Commission on Postal Service recommended was deliberately low, in order to guard against the very problem that you mentioned. They believed that there should be some incentive to—

Senator GLENN. Why don't we assess this each year and see how much deficit we have, and how much subsidy is needed? Why would we make it an automatic 20 percent, or even 5 percent, if we want to cut it down? I don't understand why we would make a cost-plus contract out of it, and invite people to spend and get the 20 percent next year on the higher base.

Mr. BURZIO. I would not recommend that the 20 percent be 20 percent forever, and the Commission on Postal Service didn't recommend that the 10 percent be 10 percent forever. I believe they recommended it be 10 percent until 1985, with Congress reconsidering that figure in 1983.

Senator GLENN. No; but it would be automatic for those years.

Mr. BURZIO. It is automatic for those years. There has to be some predictability on the part of the Postal Service and on the part of mail users as to where the revenues are coming from. If you took a look at it every year, and you didn't know how much was coming from Congress and how much from mail users, you really would have a volatile and an unstable situation.

Senator GLENN. Senator Stevens, who has had a lot of experience in this Post Office field, is next.

Senator STEVENS. I am sorry. We had a policy committee meeting, and I had to go to that first.

Mr. Day—

Senator GLENN. I must run over to vote. If you have to leave before I come back, as we have done in the past, Dan Doherty has had a lot of experience. He will stick to the prepared questions we have here, and I will let him continue the questions until I get back.

Senator STEVENS. Let me preface my question by saying that I have urged the majority of the Senate to approve what the President wants in terms of the reorganization in the top level of the Post Office. I think he is entitled, if he wishes, to have the Postmaster General as a member of his Cabinet.

But, on the other hand, we did go through the reorganization. Now, did you testify in support of that reorganization?

Mr. DAY. No; I testified against it, Senator, in five different congressional hearings. I opposed it up and down, back and forth, and every way I could think of.

Senator STEVENS. I remember one of the Postmasters General supported it?

Mr. DAY. Mr. Gronouski did.

Mr. SALTZSTEIN. Mr. O'Brien did very emphatically.

Senator STEVENS. I appreciate your comment about patronage. Where would you stop the political process in the postal reorganization if, in fact, you copied HEW, for instance, and said all the people on a policy level are political appointees?

Mr. DAY. Well, there are only probably 25, even in that huge Department, that change with the administration. Your regional director of a social security office is somewhat comparable to a postmaster. He is a career man and moves up the line regardless of changes in administration.

I don't see any need for getting any more patronage appointments proportionately in the Postal Service under the proposal for having the Postmaster General appointed by the President than you have in other Cabinet departments today.

Senator STEVENS. Well, you have the schedule C operations in most departments. I served as one once, and we were expected to give our resignation when the administration changed. I assume that would be the present setting. There is no schedule C concept in the Postal Service today.

Mr. DAY. No.

Senator STEVENS. On the other hand, the civil service protection is not there, either. Somewhere there is a balance, and I would like to know, based on your experience, where you think that level should be? Is it the assistant postmaster level? Would you go below that?

Mr. DAY. No. Even in the entire Government, using the so-called Plum book as a guide, there are only about 2,200 jobs that change in the entire Federal Government with the change of administration. The Post Office would have some schedule C's—

Senator STEVENS. I went through one case of an appeal to the Civil Service Commission of a regional director of the FHA who was ordered to report to Atlanta the next week. It is very possible to bring about the reshuffling of people so that you can eliminate the civil servants if you want to do it. I saw it done, so I had some real

feelings about putting that system to work in the Post Office if it is to be a separate entity run on a business basis.

If you change the president of a corporation, he really doesn't reach down and start shifting people all around just to get rid of them. I really have some fear about the depth of this political change, prefacing it as I did by saying that I believe the President is entitled to have some.

Mr. DAY. I think that is a very important consideration. I think if Congress makes that change, they ought to put in whatever additional restrictions they think are necessary to make sure that the indirect means of bringing about patronage appointments are avoided. However, I do not feel, and I think the associations for which I speak do not feel, that this matter of the way that the Postmaster General is appointed really gets at the real problems of the Post Office.

There is a considerable amount of symbolic argument about Presidential appointments but the real problems are those that have been discussed by the witnesses today: The mess that has been created by the unrealistic court decision on attributable cost; the problem of the out-of-date level of the public service appropriation; and revisions on rate and classification provisions. I don't think that Presidential appointment of a Postmaster General is really going to solve our problems.

Senator STEVENS. I would agree with that.

Well, I appreciate your comments, and you will continue? We will be back.

Mr. DOHERTY. Mr. Cregan, is it possible that it is not the court decision, as you say, that is unreliable, but the language of the law, itself, that creates a problem?

Mr. CREGAN. I was not privy to the writing of the statute, of course. However, it seems to me that what the court has done is latch onto some language in the existing statute which perhaps is susceptible to misconstruction. I don't see how the Congress could possibly have intended what the court said it intended, that only one of the nine listed statutory ratemaking factors counts. Congress could not have possibly meant that. I think the court seized on the words "the requirement that" and used that to rule out the other eight factors.

So I think what is needed, perhaps, is reaffirmation by the Congress and perhaps some clarification of that one particular phrase. But, a basic reaffirmation of Congress intent that postal rates are set not merely in accordance with cost accounting techniques, but also in accordance with other factors, public policy factors, market factors.

Postal rates are far different, as we said in our prepared statement, from interstate freight rates or airline freight rates. They are intimately intertwined with public policy and national policy, and I think these are decisions that the Congress can and should make.

Mr. DOHERTY. We had testimony of Chairman DuPont of the Rate Commission, who put forth the idea that we, if we were to act on the court decision, by putting on a cap, a 60-percent cap, or any other, it would be arbitrary.

I think Mr. Saltzstein in his statement has suggested an amendment, simply to strike the word "requirement" and make all rates more or less on the same basis. Do you think that would be effective? Mr. Burzio?

Mr. BURZIO. No; I don't think it would be effective at all, because the regulatory process of setting rates by the commissions that exist is one that entails consideration of a large series of numbers, and most of the commissioners, because of their inability to deal with subjective criteria, tend, and I think naturally, to focus their attention on the criteria or criterion that can be reduced to a series of numbers. That gives them some protection, and gives them something to point to that is identifiable, measurable, and quantifiable.

I think the court has that same tendency when it reviews the decision of a regulatory agency on appeal.

I think just that natural inclination of the regulatory process would lead to only a consideration of cost criteria, because those are the only ones that can be reduced to a series of numbers.

I might add that the 60-percent limit that the Commission recommended is not nearly as arbitrary as it might seem. After all, it is the percentage which the Postal Rate Commission, after rather elaborate and detailed sets of hearings, determined were the attributable costs that were involved. They didn't specify the time period, but they did determine that those were the amount of so-called direct costs, and that the remaining 40 percent were fixed costs that didn't vary with volume.

I might point out that the Postal Service disagreed with that. The Postal Service said there was not that high a proportion of cost. So both the Postal Service's view and the decision of the Rate Commission are supported on the basis of sound economic theories and concepts.

Also, I would add that I don't think there was any attempt on the part of the Commission or the Postal Service to limit a rate by any means to 60 percent.

For those classes that are not preferred, the Commission has discretion. As a matter of fact, it would be required to assign further portions of Postal Service costs to those classes of mail.

Mr. DOHERTY. Are there any other comments? Mr. May?

Mr. MAY. Yes. I think the record ought to be clear that, when we talk about costs, certainly everything the Post Office spends is a cost, but being able to determine what classes of mail, or what function the Postal Service performs for those classes actually causes those costs is a very, very difficult exercise, and I think what Congress clearly did have in mind, which was a break with tradition, was that they wanted a rate commission that would endeavor to find out how much of total postal costs you could actually trace to the performance of a given service for a given class of mail and if you could actually demonstrate that performing the services for second-class mail, these particular services, was what caused those costs, then second class would have to pay for those costs, and so on, with the other classes.

As a matter of fact, at that time, there was the belief, and the Postal Service had conducted rather substantial studies, that showed that, in fact, about 50 percent of total postal costs were costs that you could actually trace to the performance of a given function or a given class of mail, to the point that, if you didn't have that piece of mail in the system, you would not incur that cost—a causally related cost.

Congress, in legislating, clearly had it in mind that there was something almost sacred about that 50 percent, that that was the real world, that 50 percent of the postal costs were systemwide costs, costs embedded in providing this national network of offices and people to man the offices and the army of letter carriers that were going to go around; and, no matter what happened, the volume you were going to have, whatever the volume, you would have these fixed levels of costs.

It was Congress' intention not to arbitrarily stick those costs on all classes of mail on a cost-accounting basis. That they rejected. They rejected that approach. That had been the prior approach used in the old system, and they elected for a new approach, and they had all this before them at the time they legislated, and they had in mind that they were decreeing a system where a rate commission was going to take these 50 percent, or whatever the number was, but some 50 percent of costs which were causally related to the provision of services of classes of mail, and then how much of those should each of those classes bear because they caused it.

Then the remaining 50 percent was going to be assigned to all classes of mail on noncost criteria, such as the—what turns out to be in the economists' jargon relative inelasticity of demand, being tools for distributing costs, being the kind of pricing any other business does.

Any business which is in competition out in the real world, if they set their costs for—their prices for their products based upon the methods decreed by the court of appeals, you would have the most preposterous set of pricing systems evolve for all of the products we buy every day.

No business would even dream of pricing its products and services the way the court of appeals says it should be done.

The Commission on Postal Service recognized that, having among its members hardheaded businessmen who looked at that and said, "We don't know anything about the law, but we know this is absolutely an insane way to price your products."

So it is with that background that we have to understand what charter the Congress gave the Postal Rate Commission, and there has been a terrible perversion of this, first by Judge Wenner in his decisions and then by the court of appeals.

It seems almost a desire to effect or to give effect to some bias that seemed to exist against second, third, and fourth classes of mail, which in some people's perception of the business, are the big business classes, and they don't seem to be paying enough, whereas poor old first-class mail, which is the class that Aunt Minnie has to use—

Mr. DOHERTY. Just a minute there. Those in general who favor a greater attribution of cost, and that was brought out by a business organization that has favored it, do so in order to benefit first-class mail. Is the position here that this benefit would disappear because the impact on the other classes of mail would make the costs go up? Is that your position?

Mr. MAY. Yes. Obviously, no one has the evidence you would need of an evidentiary quality to prove that, but what I do know is that there would be such enormous losses of volume to the postal system that would flow from huge rate increases in second, third,

and fourth classes of mail, that obviously you would—that substantial amounts of that volume would leave the Post Office, and, however, a substantial portion of the costs would remain in the Post Office, for the simple reason that you are still going to have the same number of letter carriers.

Those letter carriers have to visit x number of houses every day, and whether or not that volume is in the Post Office, that cost will remain.

If you have 30,000 post offices around the country that are manned, unless you are going to start shutting down all those post offices, those costs remain. There are a substantial number of costs that will remain in the system when the volume is removed.

There will be some immediate amelioration of the first-class rate. There will be some temporary reduction in the first-class rate, and there may be even in the long term, perhaps you could demonstrate, that in the long run first class might ultimately be somewhat slightly less than it would otherwise be.

But the price for that would be the debasement of the postal system as a service to all users who use it, and I might add, of course, that first class, and the example I gave, I think, that the first class is not the class of the ordinary citizen or Aunt Minnie. Aunt Minnie is very dependent upon a reliably priced parcel post system, far more than she is on having low first-class rates—much more dependent on that.

It is, after all, Aunt Minnie who pays through the prices she pays for the products that she gets in the mail and the magazines and the newspapers that she reads—she is going to pay for that.

In other words, it is an irrational pricing system, and it leads to a misallocation of resources, and an underutilization of resources to have a pricing system that will substantially drive down overall volume and overall utility of the network that you built, simply so that there can be some marginal reduction in one class of mail.

Mr. DOHERTY. We have had testimony that perhaps as high as 40 percent of first-class mail is susceptible to diversion for technological reasons in the next decade.

The Postmaster General, in commenting on this, and the possibility that the Postal Service might enter into the field of electronic mail, said that he didn't think that the Postal Service should move into some area for the sake of maintaining the Postal Service, with respect to size and scope.

If, indeed, a lot of this mail is going to be diverted for technological and economic reasons, isn't it possible that we will have to consider retrenchment and curtail the service and the number of post offices in the future?

Mr. SALTZSTEIN. I think you are hitting at what is really one of the cruxes of this problem, if we are having a decline in volume, and apparently we are, based on all of the testimony there is, and we have increasing inflation, we are talking about that, and we have electronic diversion, and changes in the decades ahead.

The difference between our Postal Service, of course, and the European service is that the post office owns the telephone and telegraph, and we don't. When the Postmaster General says, and I am sure he is realistic, to know, that it will be one hell of a fight to ever have the post office take over A. T. & T.

Now, this is what we are really talking about in this kind of a situation, and, knowing that, he probably, and I don't know, but he probably says, "We must cut our costs to what we can do and provide the maximum service we can at the lowest rate that we possibly can."

Mr. DOHERTY. Should the postal service be competing in the electronic field, and should new business be sought in that way?

Mr. Day?

Mr. DAY. First, I wanted to say that I don't think the Postmaster General, himself, predicts an actual drop in volume, even carrying it through 1985. The figures appearing in the report of the Commission on Postal Service show only that the growth in volume would greatly decline or disappear. Those figures on volume were worked out in cooperation with the Postal Service, and they show the same mail volume in 1985 as in 1978.

Mr. DOHERTY. Right. It was not the Postmaster General, but there was testimony here that as much as 40 percent was susceptible to electronic fund transfer or other sorts of electronic diversion.

Mr. DAY. Yes. On that part of your question, expressing my own views, because our three associations have not attempted to get into this subject, it seems to me that the electronic mail is an entirely different product than anything the Postal Service is prepared to handle. It requires different facilities, different technology, and different skills.

To me, it would be as irrelevant as it would be for a bankrupt railroad to think it could solve its financial problems by manufacturing panty hose. They don't have any connection with its existing business. There is no electronic capability, skills, or personnel in the post office now. I don't see how they are going to solve their problems in doing their existing business by using their limited research and development funds on a completely different line of business.

They have been in the electronic business, in a very limited way, twice—three times in fact—since the inventor of the telegraph was a postal employee. But Mr. Summerfield started to go into the facimile business. That was discontinued. Recently, the Postal Service offered a limited facsimile service again. As one could have predicted, it is done much faster and much simpler by having people do it through their own offices and own private facilities. I think the same thing will happen with electronic fund transfers.

Senator GLENN. Mr. May, your organization consists of members who use both USPS and UPS for delivery of parcel post. During the strike last year, the entire burden of parcel post fell upon the Postal Service. How did that work out?

Mr. MAY. Well, I would say that by and large the Postal Service did the best it could to handle this sudden onset of volume, but there were tremendous problems involved in it, particularly as it occurred as they approached the Christmas season. The post office simply could not handle all of that added traffic at that time, and so there were serious disruptions and our members suffered substantial losses. The record of the post office was spotty.

There were some areas where the post office was not as cooperative as they could have been, and others where they were very cooperative.

There has been some suggestion that people thought this was an opportunity for the post office to recapture this business that it had lost to its principal competitor, but to be realistic, that was never really in the cards, because the price differential is so substantial now that a businessman really wouldn't be a businessman if he chose to give his business to the post office when he has to pay 15 or 20 percent more to get virtually the same service from the United Parcel Service.

So, while they were grateful for the post office, and absolutely it was very, very necessary that there was that alternate means, the fact of the matter is that, when the strike ended, they returned to the United Parcel Service because of the price differences.

Senator GLENN. I only have one other question.

Mr. Burzio, your submitted testimony indicates that a major factor in the decline of subscription circulation of magazines is sharply rising prices, and postal costs have been increasing at the greatest rate. Do you any figures on the percent of the increase that has been due just to postal factors?

Mr. BURZIO. No; I can't isolate it to that extent, Mr. Chairman. You are certainly familiar with the degree to which the subscription prices for a number of leading family magazines has risen in just the last 5 or 6 years. Now, that obviously has not been caused only by postal increases, because there have been significant increases in the cost of paper and the cost of printing and other things. But postal costs have been increasing at a much higher rate than any of the other costs of producing magazines.

Senator GLENN. Do you have any figures, or could you provide us any figures that would indicate the percent of overall costs and how this has been going up with respect to other costs?

Mr. BURZIO. Yes; indeed.

[The information requested and subsequently supplied follows:]

For consumer magazines, which represent the bulk of our membership, surveys indicate that on a per copy basis, postal costs for distribution—second class mailing costs—rose 77% from 1970 to 1975. Total publishing costs, on a per copy basis, excluding second class increases, rose by 51% during the same period on a per copy basis. Thus, second class costs rose at a rate nearly 50% higher than other costs during the period studies. These data reflect the effect of phasing appropriations on the second class rate. If there had been no phasing appropriations and magazines had had to pay the full rates, the percentage increase for second class mailing costs would have exceeded 200 percent.

Senator GLENN. There have been comments that these costs are because of the Postal Service. I can't believe that magazine subscriptions are going down and the publishers are going out of business just because of the postal rates, when TV and other things may be a part of this picture. Have you seen studies on that?

Mr. BURZIO. Yes; I have, Mr. Chairman, and you are absolutely right that you shouldn't accept the allegation, and I don't make it here today, that subscription prices going up are entirely due to postal increases, nor have the declines in circulation been due solely to that factor.

We did present evidence in the last rate proceeding on what the percentage of total expenses each category of operating cost represented, and we made a projection ahead to 1980, and I would be happy to supply those data for the record.

Senator GLENN. Good.

[The information requested and subsequently supplied follows:]

The attached projection of publishing costs from 1974-1980 was submitted to the Postal Rate Commission as part of the MPA testimony in R76-1. Since then, the Service has filed for another increase which would increase the 1980 second class postage shown in Appendix IV by 29%, or \$37.5 million. Thus, second class postal costs for the period 1974-1980 would increase from \$54.1 million in 1974 to \$166.8 million in 1980 for the magazines included in the survey. Total magazine costs in 1980 would likewise increase by \$37.5 million to \$1469.4 million to take into account the higher postal projections. Second class costs in 1974 amounted to 5.6% of total costs. Because of already scheduled increases of a far greater magnitude than any other cost segment, by 1980 second class costs will represent more than 11% of total magazine costs as projected in the survey. In dollar terms for the magazines studied, the increase comes to \$112 million—an increase of more than 200% in the period 1974-80.

Other costs, certain segments of which are larger in total than postage, will not increase at anywhere near the rate of second class postage. Thus, while postal rates are not the *sole* cause of cost increases which have forced publishers to raise subscription prices and turn to other methods of distribution, the *rate of escalation* in this cost segment has been and will be greater than any other for the foreseeable future. It will undoubtedly lead to far greater diversion of profitable publication mail from the Postal Service in the future.

Six-Year Projection of the 1974 Financial Survey
 by Price Waterhouse & Co. For The Magazine Publishers Association, Inc.
 (millions of dollars)

Appendix IV

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	1974	1975	% Change	1976	% Change	1977	1978	1979	1980	% Change/yr	1974-1980	Increase
	Base Year	Estimate	75 v. 74	Forecast	76 v. 75	Forecast	Forecast	Forecast	Forecast	1977-1980	\$	\$
Revenue: net advertising	\$622.1	\$603.4	-3%	\$621.5	+3%	\$640.1	\$659.1	\$679.1	\$699.5	+3%	\$77.4	12%
subscriptions	298.3	343.0	+15	394.4	+15	426.0	460.1	496.9	536.7	+8	238.4	80
newsstand	106.7	127.0	+19	137.2	+8	148.2	160.1	172.9	186.7	+8	80.0	75
total revenue	1027.1	1073.4	+5	1153.1	+7	1214.3	1279.5	1348.9	1422.9	+5	395.8	39
Expenses:												
advertising	110.2	115.7	+5	121.5	+5	125.1	128.9	132.8	136.8	+3	26.6	24
circulation:												
sub agency comms.	51.2	58.9	+15	67.7	+15	73.1	78.9	85.2	92.0	+8	40.8	80
other sub promotion	56.4	60.9	+8	65.2	+7	69.1	73.2	77.6	82.3	+6	25.9	46
newsstand comms.	16.2	19.3	+19	20.8	+8	22.5	24.3	26.2	28.3	+8	12.1	75
newsstand promotion	12.3	12.9	+5	13.5	+5	14.2	14.9	15.6	16.4	+5	4.1	33
sub fulfillment	37.0	38.1	+3	39.2	+3	40.4	41.6	42.8	44.1	+3	7.1	19
total circ. expenses	173.1	190.1	+10	206.4	+9	219.3	232.9	247.4	263.1	+6	90.0	52
mfg., prod., dist.												
(excl. postage)												
editorial	108.3	113.7	+5	119.4	+5	123.0	126.7	130.5	134.4	+3	26.1	24
paper	174.3	184.8	+6	194.0	+5	203.7	213.9	224.6	235.8	+5	61.5	35
printing & bindery	211.2	232.3	+10	250.9	+8	268.5	287.3	307.4	328.9	+7	117.7	56
other sub dist.	17.4	18.3	+5	19.2	+5	20.2	21.2	22.3	23.4	+5	6.0	34
newsstand dist.	10.5	11.0	+5	11.5	+5	12.1	12.7	13.3	14.0	+5	3.5	33
total	521.7	560.1	+7	595.0	+6	627.5	661.8	698.1	736.5	+5	214.8	41
other operating costs	7.8	8.2	+5	8.6	+5	8.9	9.2	9.5	9.8	+3	2.0	26
administrative costs	69.4	72.9	+5	76.8	+5	78.8	81.2	83.6	86.1	+3	16.7	24
sub-total - all costs												
& expenses	882.2	947.0	+7	1008.0	+6	1059.6	1114.0	1171.4	1232.3	+5	350.1	40
postage:												
second class	54.1	57.9	+7	74.9	+29	90.5	106.0	121.5	129.3	A	75.2	139
first class	14.9	15.4	+3	20.0	+30	23.1	26.2	29.3	32.4	B	17.5	117
third class	14.8	15.3	+4	19.2	+25	22.4	25.6	28.8	32.0	B	17.2	116
other	2.6	2.6	-	4.3	+65	4.7	5.1	5.5	5.9		3.3	127
total postage	86.4	91.2	+6	118.4	+30	140.7	162.9	185.1	199.2		113.2	131
total magazine costs	968.6	1038.2	+7	1126.4	+8	1200.3	1276.9	1356.5	1431.9		463.3	48
operating profit	58.5	35.2	-40	26.7	-24	14.0	2.6	(7.6)	(9.0)	-	(67.5)	-
federal, state, local												
income taxes	34.0	20.5	-40	15.5	-24	8.1	1.5	-	-	-	(34.0)	-
net income	\$24.5	\$14.7	-40%	\$11.2	-24%	\$5.9	\$1.1	\$(7.6)	\$(9.0)	-	\$(33.3)	100

A - Appendix V
 B - Appendix VI

Appendix V
12/16/75

Second Class Postage Rates
50% editorial-50% advertising

	1 9 7 4				1 9 7 5			1 9 7 6		
	2 mos.	4 mos.	6 mos.	avg.	8.5 mos.	3.5 mos.	avg.	6 mos.	6 mos.	avg.
7 editorial/lb.	4.9¢	5.0¢	5.4¢	5.183¢	5.4¢	5.8¢	5.516¢	6.2¢	7.1¢	6.65¢
8 advertising/lb. (zone 3)	7.8	7.9	8.2	8.033	8.2	8.6	8.316	9.1	10.1	9.60
9 surcharge/copy	0.6	1.1	1.1	1.017	1.1	1.3	1.158	1.5	2.2	1.85
10 3.4 oz. editorial				1.101			1.172			1.413
11 3.4 oz. advertising				1.707			1.767			2.040
12 surcharge				1.017			1.158			1.850
13 6.8 oz. book				3.825¢			4.097¢			5.303¢
14 % increase/year							<u>7.1%</u>			<u>29.4%</u>

	1 9 7 7			1 9 7 8			1 9 7 9			1980
	6 mos.	6 mos.	avg.	6 mos.	6 mos.	avg.	6 mos.	6 mos.	avg.	
17 editorial/lb.	7.1¢	8.0¢	7.55¢	8.0¢	8.9¢	8.45¢	8.9¢	9.8¢	9.35¢	9.8¢
18 advertising/lb. (zone 3)	10.1	11.1	10.60	11.1	12.0	11.55	12.0	13.0	12.50	13.0
19 surcharge/copy	2.2	2.9	2.55	2.9	3.6	3.25	3.6	4.3	3.95	4.3
20 3.4 oz. editorial			1.604			1.796			1.987	2.083
21 3.4 oz. advertising			2.253			2.454			2.656	2.762
22 surcharge			2.550			3.250			3.950	4.300
23 6.8 oz. book			6.407¢			7.500¢			8.593¢	9.145¢
24 % increase/year			<u>20.8%</u>			<u>17.1%</u>			<u>14.6%</u>	<u>6.4%</u>

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	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
3 <u>first & third class</u>							
4 <u>postage rates</u>							
5 first class, per piece	9.67¢ ^A	10¢	13¢	15¢ ^C	17¢	19¢	21¢
6 third class, per piece	6.08¢ ^B	6.3¢	7.9¢	9.2¢ ^D	10.5¢	11.8¢	13.1¢
7 <u>% increases:</u>							
8 first class	--	3.4%	30.0%	15.4%	13.3%	11.8%	10.5%
9 third class	--	3.6	25.4	16.5	14.1	12.4	11.0
10	<u>1 9 7 4</u>						
11	<u>2 mos.</u>	<u>10 mos.</u>	<u>avg.</u>				
12 A-first class	8¢	10¢	9.67¢				
13 B-third class	5¢	6.3¢	6.08¢				

14 C-assumes first class increase of 2¢ per year.
15 D-assumes third class increase of 1.3¢ per year.

Senator GLENN. We are going to have to move on to our second panel.

Gentlemen, I appreciate your forbearance. We would like to have you respond to any additional questions the committee might put to you, or the staff, so they can be included in the record. There may be questions from other members who were not here this afternoon.

Senator Stevens will try to come back over. I talked to him on the floor.

Thank you very much.

Mr. BURZIO. Thank you.

Mr. DAY. Thank you.

[The prepared statements of the panel, consisting of Mr. Burzio, Mr. Cregan, Mr. Day, Mr. May, and Mr. Saltzstein, follows:]

TESTIMONY OF THE MAGAZINE PUBLISHERS ASSOCIATION, INC.

BEFORE THE

SENATE SUBCOMMITTEE ON ENERGY, NUCLEAR
PROLIFERATION AND FEDERAL SERVICES

June 28, 1977

MPA is a trade association incorporated under the laws of the State of New York, whose membership consists primarily of consumer magazine publishers. It has 150 members who publish more than 500 magazines. These magazines account for 60 percent of the total audited magazine circulation reported by the Audit Bureau of Circulations and 80 percent of total magazine advertising revenues reported by the Publishers Information Bureau. MPA has both for profit and non-profit members. Its members use every subclass of second-class mail and controlled circulation for the distribution of their magazines to magazine readers throughout the nation. Its members use first class mail primarily for business correspondence and billing, third class mail for solicitation of new and renewal subscriptions, and special rate fourth class for the distribution, when applicable, of books and records. Its members also use, to varying degrees, almost all the other services, e.g., address correction, provided by the United States Postal Service.

The Commission on Postal Service has performed a vital public service in identifying and analyzing the problems of the Postal Service. Its report to the Congress and the

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President is a document deserving the most careful study and consideration. For the most part MPA agrees with the Conclusions of the Commission and supports its recommendations. MPA's views on the specific Commission recommendations that affect MPA's members are discussed below. Attached as Appendix A and Appendix B, respectively, are excerpts from the oral testimony and the written comments presented by MPA to the Commission.

The Commission identified loss of mail volume as the most serious problem of the Postal Service. The Commission specifically recognized the danger of volume losses in second, third and fourth class mail due to radically higher postal rates that would result from application of the recent Court of Appeals decision to the rate making process. The threat that the Postal Service will become prohibitively expensive for second class publishers is of great concern to MPA.

Although it may be possible to interpret the language of the Court decision in a way to prevent inordinately high allocations of costs on divertible classes of mail, it seems clear that the Court looked with great favor on the approach of the Postal Rate Commission's Chief Administrative Law Judge. Application of that approach to postal rate making would, over time, lead to second-class rate increases so high that a substantial volume of newspapers and magazines

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will either be diverted to the private sector for delivery or simply cease to exist due to declines in circulation.

Subscription circulation of all magazines measured by the Audit Bureau of Circulation has declined by 5.3 percent since 1970, when the Postal Reorganization Act was passed. (Subscription circulation currently represents about 64 percent of total circulation for ABC audited publications.) From 1960 to 1970 subscription circulation had increased over 35 percent. Total circulation since 1970, including single copy sales, increased by only 4.4 percent.

Yet during the same period, the U.S. adult population, according to the Bureau of the Census, rose by nearly 12 percent. Thus, magazine circulation per 100 adults, on an index basis, declined from 168.1 in 1970 to 157.2 in 1976.

A major factor in this decline has been the sharply rising subscription prices publishers have had to charge their readers to recover increasing production and distribution costs. The cost category which has been increasing at the greatest rate is postal.

The cost per piece for the average second-class regular rate publication will be 317 percent greater in July 1979 than it was in 1971. The increase would have been much more than that, if the cost approach suggested by the Court had been applied. MPA estimates, conservatively, that this approach would have increased second-class regular rates by

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another \$200 million over what the Postal Rate Commission recommended in the last rate case, based on fiscal 1976 costs. This higher second-class rate would be 49.5% greater on a cents per piece basis, than the average second-class regular rate postage paid in 1971.

MPA supports the changes in rate making criteria recommended by the Commission on Postal Service. Those changes would limit to 60 percent the allocation of postal costs based solely on cost and accounting techniques. The remaining 40 percent would be allocated among the classes of mail based on market demand and public policy considerations. These changes would explicitly write into the statute what MPA believes the Congress originally intended when it passed the Postal Reorganization Act of 1970. The choice of a cost methodology is a matter of basic public policy which the Congress should determine. It should not be left for the courts to decide.

MPA also supports the Commission's recommendations on mail classification criteria and the retention by statute of the existing basic mail classification structure. MPA believes, however, that the Congress should reassume the function of determining rates and classifications, because there are significant public policy issues involved that cannot be given adequate consideration in the administrative process. There should at least be Congressional review of Postal Rate Commission recommendations and veto by resolution of either the House or the Senate.

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The Commission's recommendation for increased public service appropriations is essential, although MPA believes the appropriation should be 20 percent, instead of 10 percent. The Commission's report identifies numerous tangible public service aspects of the Postal Service, the costs of which are not required by and should not be charged to mail senders. The cost of these public services exceeds the appropriations recommended by the Commission -- without taking into account the "intangible" public service performed by the Postal Service, whose costs should also be paid through appropriations. A Postal Service staff study identified \$2.8 billion in tangible public service costs, or 22 percent of total costs, based on fiscal 1975 costs. The Commission's recommendation of a 10 percent appropriation is insufficient to prevent further unfair rate increases on mail senders, or substantial service reductions, or serious declines in mail volume in price sensitive classes.

The Commission also recommended a separate appropriation of \$625 million to pay the remaining outstanding operating indebtedness of the Postal Service. This would restore the Postal Service to the equity position it had at its inception. This would relieve current and future mail users of the burden of paying off indebtedness incurred for the benefit of mail users in prior years. Public utilities in the private

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sector are not permitted to charge current rate payers to retire operating debt. Neither should the Postal Service.

If budgetary constraints or time limitations do not permit Congressional consideration and approval of all these Commission recommendations, MPA urges the Committee to concentrate on those recommendations related to rate and classification criteria. Adoption of those recommendations would not require any additional appropriations. They would provide a needed clarification of Congressional intent. Neither the Postal Service nor mail users should be required to engage in expensive and lengthy litigation in the courts, when Congress can quickly and clearly decide the basic public policy question that is at issue.

APPENDIX A

ORAL TESTIMONY OF THE MAGAZINE PUBLISHERS ASSOCIATION, INC.
BEFORE THE COMMISSION ON POSTAL SERVICE ON JANUARY 24, 1977

Today, we want to put special emphasis on the public service aspects of the Postal Service and the effect the recent Court of Appeals decision will have on users of second, third and fourth class mail if carried to its logical conclusion.

MPA believes there are a number of public service functions performed by the Postal Service incurred primarily for the benefit and at the demand of mail recipients, rather than mail senders. The Postal Service made an effort to identify some of these functions in its Staff Study distributed by this Commission. Among them were certain costs relating to the frequency and mode of delivery, speed of delivery and costs associated with money losing retail operations. These expenditures amounted to 22 percent of total operating costs of the Postal Service in fiscal year 1975. It is unfair to saddle such a large amount of the cost of operating the Service entirely on mail senders, most of whom do not require these services. These costs should be charged to the citizenry as a whole.

MPA also believes there are other traditional public service aspects of the Postal Service that have historically been deemed worthy of public support -- aspects based on national public policy considerations that Congress identified

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in the policy sections of the Reorganization Act, and more recently, in Public Law 94-421, enacted last fall.

From our point of view, key among these has been the deliberate policy of fostering the dissemination of information, ideas, thoughts and opinions through newspapers, magazines, books -- i.e., the printed word, by providing through the postal system a low cost distribution system. That policy is still very much on the minds of the elected representatives of the people. Last fall a new ratemaking criterion was added to the statute by the Congress, calling for specific consideration of "the educational, cultural, scientific and informational value to the recipient of mail matter."

Arthur Schlesinger, in testimony given before the Postal Rate Commission in 1974, effectively answered critics who took the position that electronic communication media had superseded the need for continuation of this policy. Because television needs mass audiences, he said, ". . . it dwells under the tyranny of the lowest common denominator." He also pointed out that control of television is concentrated in three networks, that government licensing and "costly technology make new entry exceedingly difficult" and the competition among daily newspapers has been declining. He concluded that:

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These developments have made the magazine the medium par excellence for diverse opinion and specialized audiences. In the magazine field, new entry remains feasible -- unless postal rates become prohibitive. In the magazine field competition remains an acute fact of life. The magazine has become the great outlet for the multitudinous energies and values of our society, the channel of communication for the particular interests in our infinitely varied national life, the means of expression for all those ideas and views that are the concern of Americans as individuals and special groups rather than as a broad, undifferentiated mass, the means of expression too for the more reflective and considered interpretations that form so vital a part of the educational process. To condemn magazines to a lingering death would be not only to impoverish the nation's intellectual and cultural life but to weaken the foundations of the republic.

We believe this Commission should recommend that, as a matter of public policy, the publication and dissemination of information, ideas and opinions in newspapers, magazines and books should be encouraged by continuing to make the Postal Service available as an affordable distribution system for the printed word. Congress, as noted above, has shown its concern by directing those involved in ratemaking decisions to consider the value of informational material in their deliberations. However, recent interpretations of the Act by the Court of Appeals practically make moot this and all other rate criteria except the one having to do with cost attributions.

The Court held that all postal costs, whether operating or overhead costs, must be allocated to each class of mail using public utility regulatory "cost of service" principles. The

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Court, in effect, has called for a fully distributed costing system. This accounting approach was specifically rejected by the Kappel Commission report in June of 1968 and by the Congress in 1970. The Court would allow only a small portion of total postal costs which they call a "residuum" to be allocated on the basis of market demand factors. These factors, however, are vitally important and must, in our opinion, be given equal weight with costs, if sensible postal ratemaking is to be achieved.

Surely this Commission should recognize, as the Court did not, that market demand factors must be given important weight in the determination of rates if the Postal Service is to remain a viable institution. Otherwise, the Service is bound to lose business to competitors, instead of maximizing its income in order to serve all the people efficiently.

Rates paid by second, third, and fourth class mailers have traditionally taken into account such factors as the extensive preparation performed by these mailers that allows them to by-pass many postal functions and thereby avoid costs the Postal Service would otherwise incur. Second, third and fourth class rates have also reflected the fact that much of this mail is handled in off-peak periods. They have reflected the possibility of volume, and consequently, revenue, loss to the Postal Service if rates get so high as to siphon off business. Such a situation is now occurring in second class as large volume second class mailers are developing alternate delivery

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systems in the private sector. These are the mailers whose publications are the least costly for the Postal Service to handle. An excellent statement on the opportunities for alternate delivery of magazines was presented to Commissioners Freeman and Rademacher by Mr. Robert Inhofe of the Meredith Corporation. I hope all of you will take the time to read it. The Postal Service has recognized this phenomenon in Appendix 3 to its Staff Study which discusses the problem of intra-class subsidization. They say, and I quote:

The large mailer has the greatest capability to use alternate delivery systems. Intra-class subsidization forces these most volatile customers to subsidize the least volatile, and provides them with an incentive for leaving the Postal Service. In addition to this loss of volume and revenue, the interests of economic efficiency for society at large are not served when large volume mailers switch to alternative delivery modes. This is because the USPS appears to enjoy economies of scale and thus could provide postal services more efficiently than alternative delivery services, given efficient pricing.

Yet implementation of the Court of Appeals decision would quickly begin driving just those customers most able to use alternative systems out of the Postal Service. Applying the costing methodology of the Chief Administrative Law Judge, which the Court seemed to favor, to fiscal 1976 costs would have resulted in rates that, on a conservative basis, would cost second class regular rate mailers two hundred million dollars more than the rates approved by the Postal Rate Commission in the last rate case. We devised a schedule of

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rates identical to that employed by the Law Judge taking into account these increases, and polled our members as to the impact such a schedule would have on their business. Here are some typical responses we received:

Harper's Magazine said that "implementation of such a schedule would more than double our postage costs, eliminate any possibility of a projected profit, require additional price increases (with the risk of losing circulation), and generally represent a serious blow to this and other magazines."

The Atlantic responded by saying that the rates would, and I quote, "force the Atlantic Monthly out of business after 119 years of publishing. This magazine has never missed an issue date through wars, depressions, recessions, and postal excesses for 1,428 consecutive issues." These rates, they added, "would simply force us to the wall. There would be no debate about this."

Other statements received, and the wire soliciting them, are attached to this statement.

In summary, then, MPA supports a substantial increase in appropriations for the Postal Service, especially for those costs that benefit the recipient of the mail and are demanded by him through his Elected Representatives. Additionally, careful thought should be given to maintenance of a low cost distribution system for magazines, newspapers and other educational materials as a public service. MPA also believes that Congress must take an active role in ratemaking, especially in view of

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the Court decision, and should promptly define the proper cost and economic concepts that are to govern postal rate-making. Unless such a step is taken in the immediate future, there is no question that large amounts of profitable mail for USPS will leave the mail stream, and those mailers remaining, who have no place to go, will end up paying far higher rates than at present. This Commission should do everything in its power to prevent that.

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA. 22645



Mailgram



2-150007U013022 01/13/77 ICS WA04525
00185 MLTN VA 01/13/77

W086

JOHN M BURZIO, ESQ
HYDEMAN, MASON AND GOODSELL
1225 19TH ST N W
WASHINGTON DC 20036

JANUARY 13, 1977

AS INDICATED IN OUR MEMOS OF DECEMBER 30, 1976 AND JANUARY 9, 1977, THE COURT OF APPEALS HERE HAS SAID THAT COSTING METHODS EMPLOYED BY THE POSTAL SERVICE HAVE NOT ATTRIBUTED ENOUGH COSTS DIRECTLY TO THE VARIOUS CLASSES OF MAIL. THE COURT PRAISED THE COST ATTRIBUTION METHODS EMPLOYED BY JUDGE WENNER IN RATE CASE R74-1 WHICH WERE REJECTED BY THE RATE COMMISSION. THIS REJECTION CAUSED AN APPEAL TO BE FILED BY THE GREETING CARD GROUP WHICH LED TO THE COURT OF APPEALS OPINION.

WE HAVE CONSERVATIVELY ESTIMATED WHAT REGULAR RATE SECOND CLASS MAILERS MIGHT PAY AT THE END OF PHASING IN JULY 1979 IF THE WENNER ATTRIBUTIONS HAD BEEN ADOPTED BY THE POSTAL SERVICE AND RATE COMMISSION IN THE MOST RECENT RATE PROCEEDING. INSTEAD OF PAYING \$475 MILLION, REGULAR RATE MAILERS WOULD PAY \$681 MILLION. THE THREE RATE SCHEDULES BELOW ILLUSTRATE THE DIFFERENCES. SCHEDULE A IS THE PHASED RATE SCHEDULE NOW IN EFFECT. SCHEDULE B IS THE RATE SCHEDULE TO BE EFFECTIVE AT THE END OF PHASING IN JULY 1979 UNDER CURRENT MANDATE. SCHEDULE C IS A ROUGH ESTIMATE OF WHAT RATES WOULD BE AT THAT TIME USING THE ATTRIBUTIONS AND RATE DESIGN PROPOSED BY JUDGE WENNER.

EFFECTIVE 7/79

SCHEDULE A
(CURRENT RATES)

SCHEDULE B
(EFFECTIVE 7/79)

SCHEDULE C
(ALTERNATE BASED ON
HIGHER ATTRIBUTIONS)

PER POUND:
NON-ADVERTISING
PORTION

6.9 CENTS

10.2 CENTS

18.6 CENTS

ADVERTISING
PORTION

BEST COPY AVAILABLE

PAGE 2

western union

Mailgram



ZONES			
1 - 2	9.2	13.6	25.4
3	10.1	14.4	26.1
4	11.6	15.6	27.3
5	13.6	17.4	29.1
6	15.7	19.4	31.0
7	17.4	21.4	33.3
8	16.7	23.5	35.3
PER PIECE			
	2.1	4.3	4.2

WE ASK THAT YOU COMPUTE THE IMPACT THAT IMPLEMENTATION OF SCHEDULE C WOULD HAVE ON YOUR PUBLICATIONS AND TELL US IF IT WOULD AFFECT YOUR ABILITY TO PUBLISH, PROFIT AND LOSS, CIRCULATION PLANS, ETCETERA. YOUR COMMENTS SHOULD BE SENT TO ME BY JANUARY 19, SUITE 603, 1629 K STREET NW, WASHINGTON, D.C. 20006, PREFERABLY BY MAILGRAM OR WIRE. MPA WOULD LIKE TO GATHER A BROAD CROSS SECTION OF STATEMENTS FOR USE IN OUR APPEARANCE BEFORE THE POSTAL STUDY COMMISSION ON JANUARY 24 AND BEFORE OTHER GROUPS LATER WHEN THE COURT'S OPINION WILL BE UNDER DISCUSSION. WE URGENTLY NEED YOUR HELP. THANK YOU IN ADVANCE FOR YOUR ASSISTANCE.

CHAPIN CARPENTER
MAGAZINE PUBLISHERS ASSOCIATION
20122 EST

HGHCOMP MGM

MAILGRAM SERVICE CENTER
MIDDLETOWN, VA, 22645

U.S. MAIL
western union

Mailgram



1-4000/5A018 01/18/77 THX READERS DIGEST WSHA
001 PLEASANTVILLE NY JANUARY 18, 1977

MR. CHAPIN CARPENTER, JR.
MAGAZINE PUBLISHERS ASSOCIATION
1629 K STREET, N.W.
WASHINGTON, D.C. 20006

JANUARY 18, 1977

IN REPLY TO YOUR MAILGRAM OF JANUARY 13 THE 200 MILLION COPIES
WHICH READER'S DIGEST CURRENTLY MAILS ANNUALLY WOULD COST AS
FOLLOWS:

SCHEDULE A: 5.77 CENTS PER COPY OR \$11,546,000 PER YEAR
SCHEDULE B: 9.64 CENTS PER COPY OR \$19,290,000 PER YEAR
SCHEDULE C: 13.92 CENTS PER COPY OR \$27,842,000 PER YEAR

IF IN THE SUMMER OF 1977 WE KNEW THAT SECOND CLASS POSTAGE
WOULD COST US 13.9 CENTS PER COPY BY JULY 1979, THAT WOULD GIVE
US TWO YEARS IN WHICH TO TRANSFER A SIGNIFICANT PORTION OF OUR
CIRCULATION FROM THE U.S. MAILS TO PRIVATE DELIVERY. WE ARE TODAY
PRIVATELY DELIVERING ABOUT 200 THOUSAND COPIES OF THE READER'S
DIGEST EACH MONTH AT A COST TO US LESS THAN 10 CENTS PER COPY.
WE TESTIFIED TO THE POSTAL RATE COMMISSION IN MARCH 1976 THAT
WE ESTIMATED ABOUT 50% OF OUR MAILED CIRCULATION WOULD BECOME
RIPE FOR PRIVATE DELIVERY AT THE ULTIMATE RATES BEING DISCUSSED
IN THE R76-1 RATE CASE AND THOSE RATES WERE LOWER THAN THE SCHEDULE
C RATES ABOVE.

COLEMAN W. HOYT
VICE PRESIDENT/DISTRIBUTION
READER'S DIGEST

11:33 EST

MGNCOMP MGN

JOHNSON PUBLISHING CO
820 SOUTH MICHIGAN AVE
CHICAGO IL 60605



Mailgram



1-018040C014 01/18/77 ICS IPHCC14 CGO WSHA
02065 NGH CHICAGO IL 100 01-18 637P CST

CHAPIN CARPENTER, MAGAZINE PUBLISHERS ASSN
1629 K ST NORTHWEST SUITE 603
WASHINGTON DC 20006

THE PROPOSED POSTAL RATE INCREASES JULY '79 WILL SERIOUSLY
AFFECT PUBLISHING OF JET AND EBONY MAGAZINES AND POSSIBLY RESULT IN
DISCONTINUANCE OF OTHER TITLES, THERE IS NO WAY TO PASS THIS
INCREASE ON TO SUBSCRIBERS AND ADVERTISERS, PRINTING AND PAPER COSTS
HAVE INCREASED 20 PERCENT WITHIN THE LAST YEAR

ROBERT H FENTRESS VICE PRESIDENT AND CIRCULATION DIRECTOR
JOHNSON PUBLISHING CO 820 SOUTH MICHIGAN AVE CHICAGO

20140 EST

NGNCOMP NGH

1027 NORTH 7 ST
MILWAUKEE WI 53233

western union

Mailgram



2-054609E017 01/17/77 ICS IPBNGZ CSP NSHB
4142722060 MGH TDBN MILWAUKEE WI 100 01-17 0517P EST

CHAPIN CARPENTER
CARE MAGAZINE PUBLISHERS ASSOCIATION 1629 K
8T NORTHWEST SUITE 603
WASHINGTON DC 20006

WE HAVE REVIEWED THE IMPACT THAT IMPLEMENTATION OF THE ALTERNATE 2ND CLASS POSTAGE RATES WOULD HAVE ON OUR PUBLICATION.

OUR PROFIT FOR 1 MAGAZINE WOULD BE WIPED OUT COMPLETELY, AND THE 2ND MAGAZINE WOULD END UP WITH A SIZABLE DEFICIT, WE WOULD BE FORCED TO SEEK AND USE ALTERNATE METHODS OF DISTRIBUTION OF OUR MAGAZINES, EVEN THOUGH WE COULD HOLD THE COST DOWN SOMEWHAT BY THE USE OF ALTERNATE DISTRIBUTION METHODS, WE STILL WOULD NEED TO INCREASE BOTH OUR ADVERTISING AND COVER PRICES SUBSTANTIALLY TO PUT OUR MAGAZINES BACK ON A PROFITABLE BASIS.

WALTER J MUNDSCHAU TREASURER
KALMBACH PUBLISHING CO.
1027 NORTH 7 ST
MILWAUKEE WI 53233

17:17 EST

MGHCOMP MGH

HALLGAM SERVICE CENTER
MIDDLETOWN, VA. 22645



Mailgram



1-035589A018 01/18/77 ICS IPMTINC NYK WSHA
01165 HGM TI NEWYORK NY 600 01-18 488P EST

MR. CHAPIN CARPENTER, SUITE 603
1629 K STREET, N.W.
WASHINGTON DC 20006

AS THE PRESIDENT AND OWNER OF DAVIS PUBLICATIONS, INC. WE HAD AN OPPORTUNITY OF REVIEWING OUR FIVE PRINCIPAL SUBSCRIPTION MAGAZINES AND THE RESULTING SECOND CLASS POSTAGE RATES IN EFFECT DURING 1977 AND HOW THEY WOULD BE AFFECTED BY THE CONTINUED MANDATORY PHASING BY THE YEAR 1979 AND WHAT IS FAR WORSE, WHAT THEY MIGHT CONCEIVABLY BECOME IF JUDGE WENNER'S ALLOCATION FORMULAS WERE IN EFFECT BY 1979. TO SUM UP, THEY WOULD HAVE A DISASTROUS EFFECT ON OUR OPERATION. OF THE FIVE MAGAZINES WITH A COMBINED SUBSCRIPTION CIRCULATION OF APPROXIMATELY 1,000,000, THE INCREASES ON TWO OF THE FIVE TITLES ARE SUCH THAT THE VERY CONTINUATION OF THE TITLES WOULD BE PLACED IN JEOPARDY.

WE OF COURSE HAVE A GREAT DEAL OF EXPERIENCE WITH THE NEGATIVE EFFECTS POSTAGE INCREASES WOULD HAVE ON OUR TITLES, PARTICULARLY WITH SCIENCE AND MECHANICS MAGAZINE WHICH AT THE END OF ITS 84 YEARS OF CONTINUOUS PUBLISHING ACTUALLY CEASED TO EXIST AS A MONTHLY MAGAZINE. THIS VERY SERIOUS DECISION WAS REACHED ON THE BASIS OF SPIRALING INFLATIONARY PRESSURES LED BY SECOND CLASS POSTAGE COSTS. THE ENTIRE 225,000 SUBSCRIPTIONS WERE TRANSFERRED TO OTHER PUBLICATIONS AND THE FREQUENCY OF THE MAGAZINE HAS BEEN REDUCED TO A SEMI-ANNUAL STATUS WITH ABSOLUTELY NO SUBSCRIPTIONS BEING SOLD. VERY CONCEIVABLY A SIMILAR FATE WOULD RESULT FOR BOTH CAMPING JOURNAL AND ELEMENTARY ELECTRONICS BASED UPON THESE VERY SHARP COSTS INCREASES.

IN ANALYZING OUR FIVE TITLES I FIND THAT OVERALL OUR COMBINED 1977 POSTAGE BILL FOR SECOND CLASS IS APPROXIMATELY \$410,000. THE PHASED-IN PORTION BY 1979 WOULD REPRESENT A NEW POSTAGE COST OF \$699,000 OR AN INCREASE OF \$289,000 OR 70.5%. I AM FRANKLY NOT ABSOLUTELY CERTAIN THAT WE CAN ADJUST TO THESE PARTICULAR PRESSURES. IF WE WERE TO COMPARE TODAY'S COSTS WITH JUDGE WENNER'S FIGURES IN 1979 THE RESULTING INCREASES IN TOTAL WOULD BE \$410,000 OR \$229,000 OR AN INCREASE OF 53.4% OR 120.5%.

SPECIFICALLY, INCREASES ON OUR FIVE PUBLICATIONS WOULD BE AS FOLLOWS:



Mailgram



1. ELLERY QUEEN'S MYSTERY MAGAZINE WOULD INCREASE FROM \$135,000 IN 1977 TO \$238,000 IN 1979 OR \$308,000 UNDER THE WENNER PROPOSAL.
2. INCOME OPPORTUNITIES WOULD INCREASE FROM \$118,000 TO \$198,000 TO \$263,000.
3. CAMPING JOURNAL WOULD INCREASE FROM \$98,000 TO \$164,000 TO \$221,000.
4. ELEMENTARY ELECTRONICS WOULD INCREASE FROM \$51,000 TO \$83,000 TO \$116,000.
5. ALFRED HITCHCOCK'S MYSTERY MAGAZINE WOULD INCREASE FROM \$9,000 TO \$16,000 TO \$20,000.

A FOOTNOTE TO THE ABOVE FIGURES, THE INCREASES FROM TODAY'S FIGURES TO THE WENNER PROPOSAL REPRESENT MORE MONEY ON ELEMENTARY ELECTRONICS THAN WE ARE ACTUALLY MAKING AT THE PRESENT TIME AND WOULD TURN A MODEST LOSS ON CAMPING JOURNAL TO ONE IN EXCESS OF \$125,000. IT GOES WITHOUT SAYING THAT MY COMPANY LOOKS UPON THESE INCREASES WITH A GREAT DEAL OF MISGIVINGS AND I WOULD BE LESS THAN HONEST IF I DID NOT SAY THAT I WAS MOST CONCERNED OVER THE IMPACT THIS WOULD HAVE ON NOT ONLY THE FIVE PUBLICATIONS I HAVE MENTIONED ABOVE, BUT THE OVERALL SIZE OF OUR ORGANIZATION WHICH WOULD BE REDUCED NOTICEABLY TO ACCOMMODATE THESE OUTRAGEOUS INCREASES IN THE SECOND CLASS AREA.

JOEL DAVIS

20121 EST

MHCQMP MGH

MAILGRAM SERVICE CENTER
MIDDLETON, VA. 22645



Mailgram



2-UN4576018 01/18/77 ICS IPHMTZ CSP MSHH
0144860631 MGH TDMT COLUMBUS OH 100 01-18 0314P EST

CHAPIN CARPENTER
MAGAZINE PUBLISHERS ASSOCIATION
SUITE 603 1629 K ST NORTHWEST
WASHINGTON DC 20006

THE ANNOUNCED SECOND CLASS RATE SCHEDULE TO BE EFFECTIVE AT THE END OF PHASING IN JULY 1979 WILL INCREASE OUR ANNUAL POSTAGE COST BY \$526,000.00 OR 112 PERCENT OVER RATES IN EFFECT IN 1975 UNDER THE JUDGE WENNER METHOD OUR ANNUAL SECOND CLASS POSTAGE COST WOULD BE INCREASED BY \$901,000.00 OR 191 PERCENT OVER 1975 RATES IN EITHER CASE THE ENORMOUS INCREASES WILL SERIOUSLY AFFECT OUR ABILITY TO PUBLISH AND DISTRIBUTE OUR MAGAZINE TO THE CHILDREN OF AMERICA

RICHARD H BELL PRESIDENT
HIGHLIGHTS FOR CHILDREN INC

15:14 EST

MGHCOMP MGH



PHOENIX PUBLISHING, INC.

4707 NORTH 12th STREET ☐ PHOENIX, ARIZONA 85014 ☐ (602) 248-8900

January 18, 1977

Mr. Chapin Carpenter
MAGAZINE PUBLISHERS ASSOC.
1629 F Street, NW, Suite 603
Washington, D C 20006

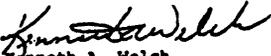
Dear Mr. Carpenter:

Phoenix Magazine and Outdoor Arizona would be seriously affected by the "Wenner Attribution Method." The preponderance of our subscribers reside in Zones 1 through 5, exactly where the highest percentage increases occur. The ruling appears to hit the regional publisher much harder than the publisher with a more national bias.

The proposed rates outlined under Schedule C would impact Net Income Before Taxes negatively in the 25% - 35% range.

Conventional circulation logistics will have to be carefully rethought if the Wenner method is adopted.

Sincerely,


Kenneth A. Welch
Publisher

KAM/lp

Publishers of: PHOENIX Magazine | Outdoor Arizona Magazine | Arizona Prep Sports Magazine | Fiesta Bowl West Magazine
Arizona State University Football-Basketball Magazines | WFLA Phoenix Roadrunners Magazine
National Prep Sports Magazine

BEST COPY AVAILABLE

NewTimes

THE FEATURE
NEWS MAGAZINE

ONE PARK AVENUE
NEW YORK, N.Y. 10016
(212) 689-6600

January 17, 1977

Mr. Chapin Carpenter
MAGAZINE PUBLISHERS ASSOCIATION
1629 K Street, N.W.
Washington, D. C.

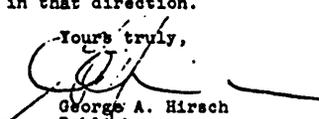
Dear Chapin:

We have made some estimates on what the financial impact of Judge Wenner's proposal would be. We used varying assumptions as to our growth rate by 1980. Simply stated, it is hard to make the case that we could operate profitably at that time if the Wenner rates were put into effect.

I would think that many small magazines would be in the same position. A publisher generally does not like to say that things could be this precarious, but I am afraid that they are. If I can be of help to you by going into further detail or even testifying, I would be more than happy to do so.

There are very few independent entrepreneurial publications and I think it is imperative that these few do not become acquired by larger companies or be forced out of business. The Wenner proposal would certainly further push things in that direction.

Yours truly,



George A. Hirsch
Publisher

GAH/rth

Blair &
Ketchum's **Country
Journal**

William S. Blair
Publisher

January 18, 1977

Mr. Chapin Carpenter, Jr.
Magazine Publishers Association, Inc.
1629 K Street N.W.
Washington, D.C. 20006

Dear Chapin:

This is in reply to your mailgram of January 13 about the Wenner proposals.

Any answers that I give you on behalf of Country Journal must of necessity be highly speculative. Right now we are barely at break even, and we must make up the accumulated deficit of what we owe our subscribers before we can begin to show a profit. Therefore we must grow. This growth will take place in three ways: more circulation altogether; development of circulation in areas further away from New England; and growth in advertising.

A comparison of your schedule C and schedule B as applied to our current issue shows a difference on an annual basis of \$62,236.00.

If we look ahead to mid 1979, I expect that our circulation will be double, the magazine will contain 50 per cent more advertising and editorial matter, and the distribution of our circulation will be skewed away from its present concentration in the Northeast.

If these assumptions prove to be true, then the difference between schedules B and C would be just over \$200,000 a year.

This figure represents approximately 70 per cent of our currently projected pre-tax profit at that time.

I hope the foregoing will be useful to you.

Yours sincerely,

William S. Blair
Publisher

WSB/jr

Business Office: 139 Main Street • Brattleboro, Vermont 05301 • 802-257-1321

ALUMNUS SERVICE CENTER
MIDDLETOWN, VA. 22645

western union

Mailgram 

1-0207004619 01/19/77 TLX MEREDITH OHS WSHA
005 DESMOINES IOWA JAN 19

CHAPIN CARPENTER
MPA, INC.
1629 K STREET, NW
WASHINGTON DC 20006

RESPONDING TO YOUR MAILGRAM OF JANUARY 13 TO WAYNE MILLER, JIM NARBER
AND BOB INHOPE, THE IMPACT OF YOUR SCHEDULES A, B AND C ON MEREDITH'S
SECOND CLASS POSTAGE FOR OUR THREE PUBLICATIONS WOULD BE AS FOLLOWS:
SCHEDULE A - \$6,963,000; SCHEDULE B - \$11,504,000; SCHEDULE C -
\$17,162,000.

IMPLEMENTATION OF SCHEDULE C WILL CERTAINLY ACCELERATE OUR PROGRAM
TO MOVE MORE OF OUR VOLUME INTO PRIVATE DELIVERY. WHEREAS, WE HAD
EARLIER TESTIFIED BEFORE THE POSTAL RATE COMMISSION THAT AN
ESTIMATED 60 PERCENT OF OUR SUBSCRIBER COPIES MIGHT ULTIMATELY BE
PRIVATELY DELIVERED, THAT FIGURE WOULD BE SUBJECT TO UPWARD
REVISION IF RATES SUCH AS THOSE REFLECTED IN SCHEDULE C WERE
IMPLEMENTED.

BOB INHOPE, DIRECTOR OF DISTRIBUTION
MEREDITH CORPORATION
CC: WAYNE MILLER, JIM NARBER

14157 EST

NGMCOMP NGM

WESTERN UNION SERVICE CENTER
MIDDLETOWN, VA. 22645

WESTERN UNION

MAILGRAM 

1-011988A020 01/20/77 THX HEARST MAG NYC WSHA
NEW YORK, N.Y. 1/20/77

MR. CHAPIN CARPENTER
MAGAZINE PUBLISHERS ASSOCIATION
1629 K STREET, N.W.
WASHINGTON, D.C. 20006

OUR CONVERSATION JANUARY 19TH AND YOUR MAILGRAM OF
JANUARY 13TH.

THE RATES YOU PROVIDED, USING THE ATTRIBUTIONS AND RATE
DESIGN PROPOSED BY JUDGE WENNER, WOULD TEND TO LEAD THIS COMPANY TO
THE CESSATION OF PUBLISHING OF A NUMBER OF OUR PUBLICATIONS WHICH
COULD NOT SUSTAIN THESE UNCONSCIONABLE INCREASES.

THE CIRCULATION PLANS OF OTHER OF OUR PUBLICATIONS WOULD
MOST CERTAINLY BE DRASTICALLY CURTAILED, SINCE THERE IS SERIOUS DOUBT
THAT THE MAJORITY OF OUR SUBSCRIBERS WOULD BE ABLE OR WILLING TO PAY
THE FLAGRANT INCREASES WHICH THE JUDGE WENNER PROPOSAL WOULD REQUIRE.

THIS COMPANY IS NOT NOW UTILIZING THE VARIOUS ALTERNATE
DELIVERY SYSTEMS AVAILABLE THROUGHOUT THE NATION, BUT THE IMPOSITION
OF THE RATES PROPOSED WOULD MAKE MUCH MORE ATTRACTIVE THE USE OF SUCH
ALTERNATE DELIVERY SYSTEMS FOR OUR PUBLICATIONS.

IT'S A SAD DAY WHEN THE FREEDOM TO PUBLISH IS RESTRICTED
THROUGH THE IMPOSITION OF COSTS SUCH AS THOSE PROPOSED.

WILLIAM L. ALLEN
DIRECTOR OF TRANSPORTATION
HEARST MAGAZINES
226 W. 57TH STREET.
NEW YORK, N.Y. 10019

12119 EST
MGMCOMP HGM

MIDDLETOWN, VA. 22645

western union **teletypegram** 

2-042891E019 01/19/77 ICS IPHMTZ7 CSP WSHC
 2129937611 MGM TDMT NEW YORK NY 177 01-19 0506P EST

CHAPIN CARPENTER
 MAGAZINE PUBLISHERS ASSOCIATION INC
 SUITE 603 1629 K ST NORTHWEST
 WASHINGTON DC 20006

DEAR MR CARPENTER

PER YOUR REQUEST OF JANUARY 13 1977, WE HAVE ESTIMATED THE IMPACT ON REDBOOK MAGAZINE OF THE VARIOUS SECOND CLASS POSTAGE RATE PROPOSALS UNDER CONSIDERATION. SECOND CLASS POSTAGE COST FOR REDBOOK MAGAZINE DURING 1977 ARE ESTIMATED TO TOTAL ROUGHLY \$3,800,000.00. BY JULY 1979 WHEN THE COMPLETE PHASING OF CURRENTLY APPROVED RATE INCREASES IS COMPLETED, WE EXPECT THE TOTAL ANNUAL COST OF SECOND CLASS POSTAGE TO INCREASE 59 PERCENT, OR \$2,300,000.00 OVER OUR CURRENT ANNUAL COST. SHOULD THE ATTRIBUTIONS AND RATE DESIGN PROPOSED BY JUDGE MENNEN BE IMPLEMENTED, REDBOOKS COST FOR SECOND CLASS POSTAGE WOULD INCREASE ROUGHLY 148 PERCENT, OR \$5,700,000.00, OVER OUR CURRENT ANNUAL COST

THE DIFFERENCE BETWEEN THE TWO RATE PROPOSALS IS MORE THAN \$3,500,000.00. WE DO NOT FEEL THAT THE MARKET PLACE COULD ABSORB THE PRICE INCREASES WHICH WOULD BE NECESSARY TO FULLY RECOVER THE INCREASE COST OF POSTAGE. THE RESULT WOULD BE DECIDEDLY DETRIMENTAL TO REDBOOKS PROFITABILITY. EVERY EFFORT TO MODERATE THE IMPACT OF SECOND CLASS POSTAGE INCREASES HAS OUR FULL SUPPORT AND BACKING

SINCERELY

CARLO VITTORINI, PRESIDENT AND PUBLISHER
 REDBOOK PUBLISHING CO

1710P EST

MGMCOMP MGM

MIDDLETOWN, VA. 22645

western union MAILGRAM 

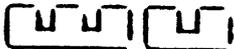
1-034994A020 01/20/77 TLX LANHAGBK MNPX WSHA
01 MENLO PARK CA JAN. 20, 1977

CHAPIN CARPENTER, JR
VICE PRESIDENT
MAGAZINE PUBLISHERS ASSN., INC.
1629 K STREET N.W.
WASHINGTON, D.C. 20006

DEAR CHAPIN:
IN RESPONSE TO YOUR JANUARY 13 MAILGRAM...
A COPY OF THE TESTIMONY WE PLAN TO GIVE BEFORE THE COMMISSION
ON POSTAL SERVICE ON FEBRUARY 2 IS ON ITS WAY.
SPIRALING POSTAL COSTS HAVE ALREADY TAKEN THEIR TOL AT SUNSET.
WE HAVE HAD TO CUT BACK ON OUR DIRECT MAIL PROMOTION AND DOUBLED
OUR SUBSCRIPTION PRICES IN THE LAST THREE YEARS.
AS A RESULT, SUNSET WILL BE REPORTING A MINOR DIP IN CIRCULATION
TO THE AUDIT BUREAU OF CIRCULATION FOR THE FIRST TIME IN
THIRTEEN REPORTING PERIODS (6 MONTH INTERVALS).
THE EFFECT OF JUDGE WENNERS RATE PROPOSAL WOULD BE THAT MUCH
WORSE. IN FACT, THE INCREASE IN OUR POSTAGE WOULD FAR EXCEED
OUR MAGAZINE PROFITS FOR 1976. OBVIOUSLY WE COULD NOT
CONTINUE OPERATING IN THE RED.
CERTAINLY WE WOULD MAKE EVERY EFFORT TO CONTINUE PUBLISHING,
BUT SOME DRASTIC CHANGES WOULD OBVIOUSLY HAVE TO BE MADE...
INCREASED PRICES AND LOWER LEVELS OF SERVICE. NONE OF THESE
ARE IN THE PUBLIC'S BEST INTEREST, NOR IN THE LONG RUN WOULD
THEY BE HELPFUL TO THE U. S. POSTAL SERVICE.
RON WALKER - SUNSET MAGAZINE
MIDDLEFIELD & WILLOW ROS.
MENLO PARK, CA. 94025

18:51 EST

MGMCOMP MGM



00000000 000000

Telegram

LLD022 WAF035(0956)(2-019505E017)PD 01/17/77(0956) 17 0710:13

ICS IPPBNGZ CSP

2167712833 TDBN CLEVELAND OH 37 01-17 0956A EST

PXS CHAPIN CARPENTER MAGAZINE PUBLISHERS ASSN, RDM REPORT DELIVERY
BY MAILGRAM, DLR

SUITE 603 1629 K ST NORTHWEST

WASHINGTON DC 20006

WITH MOST SMALL CIRCULATION MAGAZINES MAKING LESS THAN AN ADEQUATE
RATE OF RETURN, THE PROPOSED POSTAL INCREASES CAN ONLY HURT PRESENT
MAGAZINES AND PREVENT NEW ONES FROM STARTING. THEN WHAT DOES FREEDOM
OF THE PRESS REALLY MEAN?

LUTE HARMON PUBLISHER CLEVELAND MAGAZINE

(1632 KEITH BLDG

CLEVELAND OH 44115)

NNNN



Telegram

LLD022 VAF035 (0956) (2-019505E017) PD 01/17/77 0956 17 0110: 13

ICS IPBNGZ CSP

2167712833 TDBN CLEVELAND OH 37 01-17 0956A EST

PXS CHAPIN CARPENTER MAGAZINE PUBLISHERS ASSN, RDM REPORT DELIVERY
BY MAILGRAM, DLR

SUITE 603 1629 K ST NORTHWEST

WASHINGTON DC 20006

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LUTE HARMON PUBLISHER CLEVELAND MAGAZINE

(1632 KEITH BLDG

CLEVELAND OH 44115)

NNNN

WESTERN UNION

Telegram

LLC108 WAG148(1249)(1-013465A020)PD 01/20/77 1245

TLX MCGRAWH NYK B

ZCZC 57316 PD NEW YORK JAN20

PMS MR, CHAPIN CARPENTER

MAGAZINE PUBLISHERS ASSOCIATION

SUITE 603

1629 K STREET NW

WASHINGTON DC 20006

CHAPIN:

HERE IS THE DATA YOU REQUESTED FOR MCGRAW-HILL MAGAZINES:

PRESENT USPS RATES 1976	USPS RATES 1979	DIFFERENCE	PERCENT OF INCREASE
\$3,470,209 (A)	\$5,599,035 (B)	\$2,128,826	61.4

1977 JAN 20 P11 1:01



Telegram

1977 JUN 20 PM 1:01

PRESENT USPS RATES 1976	MPA PROJECTION 1979	DIFFERENCE	PERCENT OF INCREASE
\$3,470,209 (A)	\$8,202,365 (C)	\$4,732,156	134.4
USPS 1979 RATES	MPA PROJECTION 1979	DIFFERENCE	PERCENT OF INCREASE
\$5,599,035 (B)	\$8,202,365 (C)	\$2,603,330	46.5

A 61PC INCREASE IN POSTAL COSTS IN THE NEXT TWO YEARS WILL BE

3
M E U
M E G R A W H I L L P U B L I C A T I O N S

Telegram

1977 JUN 20 PM 1:01

EXTREMELY DIFFICULT TO MANAGE. A 46PC INCREASE ON TOP OF THAT FOR A TOTAL 136PC INCREASE WILL DEFINITELY AFFECT OUR ABILITY TO PROVIDE INFORMATION TO OUR SUBSCRIBERS, RAISE THEIR COSTS AND ADVERSELY AFFECT OUR ABILITY TO DO BUSINESS.

C.C. RANDOLP III
GROUP VICE PRESIDENT
MCGRAW-HILL PUBLICATIONS CO.

NNNN



Telegram

2967277

LLB062 WAD105(1141)(1-009732C018)PD 01/18/77 1135 1977 JUN 18 11:48
 TLX USNR WSH (DUPLICATE OF TELEPHONED TELEGRAM)
 ZCZC OI PD WASHINGTON D.C.
 PMS MR. CHAPIN CARPENTER
 MAGAZINE PUBLISHERS ASSOCIATION
 1629 K STREET, N.W.
 WASHINGTON, DGMC. 20006

Via	To	LC
BY 77	AV 2371	To E-mailed

THIS TABLE SHOWS HOW U.S. NEWS & WORLD REPORT HAS BEEN AFFECTED BY THE POSTAL INCREASES SO FAR, HOW WE WILL BE AFFECTED TO THE END OF PHASING IN JULY 1979, AND WHAT OUR COSTS WOULD BE BEYOND 1979 BASED ON HIGHER ATTRIBUTIONS.

**U.S. NEWS & WORLD REPORT
 ANNUAL SECOND-CLASS POSTAGE COSTS**

YEAR	AMOUNT	INCREASE OVER 1972
07-1201 (08-08)		



Telegram

(1141) (1-C09732C018) PG 2

1977 JAN 18 AM 11:1

1972	\$ 2,170,000	
1975	4,950,000	128 PER CENT
1979	8,450,000	289 PER CENT
1979 (ALTERNATE BASED ON HIGHER ATTRIBUTIONS)	11,675,000	438 PER CENT

INCREASES FROM 1972 TO 1976 WERE HELD DOWN THROUGH OUR IMPLEMENTING ECONOMY MOVES, INCLUDING USING LIGHTER WEIGHT PAPER AND FEWER PAGES AND GOING FROM PRODUCTION IN A SINGLE PRINTING PLANT TO THREE PRINTING LOCATIONS, ONE IN CHICAGO AND ONE ON EACH COAST. WE HAVE GONE ABOUT AS FAR AS WE CAN ON MOVES OF THIS KIND WHICH ARE DESIGNED TO HOLD DOWN OUR DISTRIBUTION COSTS.

IN THE PERIOD FROM 1972 TO 1977, WE HAVE INCREASED OUR

U.S. NEWS & WORLD REPORT

Telegram

(1141)(1-C09732C018)Pg 3

1977 JUN 18 11:48

SUBSCRIPTION PRICE FROM \$12 TO \$14 TO \$18, BUT THE ECONOMICS OF PUBLISHING ARE SUCH THAT THE PUBLISHER ONLY REALIZES A RELATIVELY SMALL PERCENTAGE OF PRICE INCREASES--NOT NEARLY ENOUGH TO COVER POSTAL RATE INCREASES OF THIS MAGNITUDE. IT WOULD BE DIFFICULT, IF NOT IMPOSSIBLE, FOR US TO CONTINUE PUBLISHING UNLESS THESE POSTAL INCREASES ARE MODERATED OR UNLESS WE CAN DEVELOP ALTERNATE DELIVERY SYSTEMS OUTSIDE OF THE POSTAL SERVICE.

IT IS MY UNDERSTANDING THAT THE ABOVE STATEMENT WILL BE USED ALONG WITH OTHERS AS PART OF A WHOLE REPORT AND WILL NOT BE RELEASED AS AN INDIVIDUAL STATEMENT UNLESS YOU HAVE FURTHER CLEARANCE FROM US.

JOHN H. SWEET, U.S. NEWS & WORLD REPORT

NNNN

87-1284 (9-2-69)

275

BEST COPY AVAILABLE

COMMENTS OF THE MAGAZINE PUBLISHERS ASSOCIATION, INC.
TO THE
COMMISSION ON POSTAL SERVICE
(December 23, 1976)

* * *

The Postal Reorganization Act of 1970 has not and cannot work. The Postal Service cannot be self-sufficient from rate revenues of mail senders, as intended by that Act, because a large amount of the cost of operating the Service is incurred for the benefit of the mail recipient, rather than the mail sender. The framers of the Act also expected appointed officials to make national public policy decisions, which only elected officials, broadly representative of the people, can make. The most striking conclusion that can be drawn from the Postal Service Staff Study, made available by this Commission, is that all the problems identified in the Study involve considerations of national public and social policy; and the solutions to all the problems require political judgments to be made -- not by appointed administrators or expert regulators -- but by the President and the Congress.

Public Law 94-421 recognizes the political and public policy questions that must be addressed and answered in order to restore the Postal Service to its proper role as an entity of government. If this Commission does nothing more than to make the President and the Congress aware once again of their respective constitutional responsibilities to ensure a postal system that provides adequate nationwide postal services at

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rates the people can afford, it will have performed an important public service. Only the elected representatives of the people can consider and decide the political questions on which the future of the Postal Service depends.

Public Service

This Commission is charged with identifying the public service aspects of the Postal Service and determining how much of the costs of "public service" should be supported by appropriations. In addition to the Staff Study statements about public service, a review of past Congressional determinations as to public service is required.

Prior to 1970, Congress appropriated taxpayer funds to the old Post Office Department for specifically identified public services plus whatever else was required to make the Department breakeven; total postal costs were covered by a fixed amount of revenue from ratepayers and a residual, floating amount from the taxpayer. In the 25 post World War II years of the old Department taxpayer support of postal operations averaged close to 20 percent. This is close to the amount identified in the Staff Study for certain specific postal functions related to public service; in fiscal 1975 those functions accounted for about 22 percent of total postal costs. Under the pre-1970 law, Congress automatically made decisions

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annually about public service aspects of the Postal Service and the respective shares of total postal costs to be borne by ratepayers and taxpayers.

When Congress delegated its rate making authority to the Postal Service and the Postal Rate Commission and authorized only a fixed amount of appropriations, it reversed the traditional ratepayer/taxpayer burden. It established the taxpayer's share at a fixed and declining amount, leaving the ratepayer to make up the difference between appropriations and total costs. The costs of postal functions related to public service and postal policies traditionally considered to be in the national interest were shifted to ratepayers. The combined public service and revenue foregone appropriations authorized by the 1970 Act have been insufficient to protect ratepayers from the severe shock of this radical change in public policy. It is essentially this policy change which Congress has undertaken to reconsider and about which it seeks the advice of this Commission.

Using the Postmaster General's test of public service -- services "which private enterprise would perhaps choose not to provide" -- the Staff Study identifies over \$2.8 billion in fiscal 1975 costs as related to public service activities. That is 22.6 percent of total operating costs for that year. Yet the authorized public service

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appropriation in fiscal 1975 was only 7.3 percent of operating costs; the combined public service and revenue foregone appropriations amounted to only 12.2 percent. These percentages will be less in future years as the absolute dollar amounts for both appropriations decline.*

This identification of specific postal functions is a good, first approximation of the "public service aspects" of the Postal Service, particularly as it identifies costs which are incurred primarily for the benefit of mail recipients. But the Postmaster General's test forecloses identification of other traditional public service aspects of the Postal Service based on national public policy considerations that were historically deemed worthy of public support. An example is the availability of the Postal Service as the only feasible means for the transmission of personal written correspondence among the people. Although the telephone and advances in the transportation system have relegated written correspondence to a lesser role in interpersonal communications, the communication of ideas, information, feelings and opinions by written word is still important. There is nothing that contributes more to clarity of thought, accuracy of expression

* The continuing appropriation, authorized for certain preferred rate mailers', who are required only to pay their attributable costs with no contribution to overhead costs, will continue and the Postal Service, at its option, may request a public service appropriation equal to five percent of the fiscal 1970 Postal Service appropriation.

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and brevity of statement than their reduction to writing. With growing evidence of a decline in the reading and writing abilities of our nation's youth, the encouragement of written communications, which must also be read and understood, is a legitimate public policy objective deserving of support from the populace as a whole. It is a public policy that should rank high in our list of national priorities.

Another example is the deliberate policy of fostering the dissemination of information, ideas, thoughts and opinion through newspapers, magazines, books, i.e. the printed word, by providing, through the postal system, a low cost distribution system. This low cost distribution system enabled publishers to make their publications available to the public at a lower price than would otherwise have been possible. Because of this policy, written journals and documents -- whether published by profit or non-profit organizations, by governments or private enterprises, by political partisans or non-political entities -- could be distributed to the largest number of people. In the past this distribution was available at postal rates that did not cover the total cost of providing the service -- and deliberately so. Congress recognized that full cost coverage would result in postal rates so high as to discourage the

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dissemination and distribution of the printed word, contrary to the national policy of promoting this dissemination and distribution. Congress, therefore, set rates it believed could be afforded, but which would still encourage use of the postal system, and made up the difference between revenues and costs through appropriations.

This is still a vital public policy aspect of the Postal Service for which recognition and support from appropriations should be made. Although of an intangible nature, whose benefits are difficult to quantify, its legitimacy cannot be denied. Quite apart from the value of the written word vis-a-vis the electronic media, the promotion of a varied, diverse and growing free press is essential. Publication of the written word is the only area left in the publications/communications field where the cost of entry is still low enough that new people, new organizations and new ideas can compete in the market place. The control and ownership of radio/television networks and stations, however valuable the electronic media's role in communications is, are limited to a small and concentrated group. Not only would it be bad public policy to foster greater reliance on these media as the peoples' predominant source of information, ideas and opinions, it would be dangerous. Arthur Schlesinger, Jr.

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commented on this subject in testimony in 1973 before the Postal Rate Commission:

"It is suggested that an increased mortality rate for magazines will not matter because the Postal Service policy will leave television, radio and movies unaffected. The electronic media, it is proposed, will suffice to meet the information needs of the American people. One had hardly supposed that the Postal Service had been so rapidly converted to McLuhanism. In any case this argument is based on an obvious fallacy. Television is a medium for what Gilbert Seldes called in a notable book some years ago 'the great audience.' Since it requires mass audiences, it dwells under the tyranny of the lowest common denominator. Television has already taken the mass audience away from the magazines, which accounts, in part, for the disappearance of so many of our traditional all-purpose magazines in recent years. Television, moreover, is characterized by a relative concentration of control in three major networks; and the licensing procedures as well as the costly technology make new entry exceedingly difficult. Even the field of daily newspapers has been marked in our time by a steady decline in competition.

These developments have made the magazine the medium par excellence for diverse opinion and specialized audiences. In the magazine field, new entry remains feasible -- unless postal rates become prohibitive. In the magazine field, competition remains an acute fact of life. The magazine has become the great outlet for the multitudinous energies and values of our society, the channel of communication for the particular interests in our infinitely varied national life, the means of expression for all those ideas and views that are the concern of Americans as individuals and special groups rather than as a broad, undifferentiated mass, the means of expression too for the more reflective and considered interpretations that form so vital a part of the educational process. To condemn

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magazines to a lingering death would be not only to impoverish the nation's intellectual and cultural life but to weaken the foundations of the republic.

* * * *

The historic system of encouragement to magazines and newspapers is deeply rooted in national tradition as well as in public necessity. This system must not be cavalierly terminated because of a meager understanding of the historic role and dignity of the postal service. There has been no more useful by-product of our contemporary turmoil than our renewed attention to the quite extraordinary wisdom and foresight of the very remarkable men who established the republic. In this field as in so many others we can do no better than to recall and follow the precepts of the Founding Fathers. Knowledge remains, as George Washington said, 'the surest basis of public happiness.'

An increasing homogenization of ideas and opinions disseminated by the electronic media, limited as it is in its coverage by economic considerations, could easily lead toward less individuality on the part of the American citizen and a dampening of his independence of mind and spirit.

Senator Goldwater of Arizona has spoken eloquently on this subject:

"Any time the public is deprived of a broad range of sources of culture and information that it is now receiving, we cannot know what drastic changes may be set in motion. If churches find it too expensive to distribute religious materials in the mails, if retired persons' groups are unable to meet the cost of mailing news bulletins to their membership, if schools must trim mail purchases of classroom publications

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because of higher rates, or if small circulation newspapers that meet the special needs of local communities disappear, who can predict what the impact upon the culture of the American people might be?" *

The 1970 Act does not specifically recognize or make provision for this legitimate public service aspect of the Postal Service. The eight and sixteen year phasing appropriations, which were simply intended to ease the transition to higher postal rates, will soon cease. The lower assignment of postal overhead costs to second and fourth class mail will be of less benefit as the attributable cost level is increased. This aspect of public service should be recognized. This Commission should make an allowance for it and add it to the other public service aspects identified in the Staff Study. One approach to measuring its value would be to examine past presidential and Congressional rate making decisions with respect to second and special rate fourth class mail and the relationship between the revenues derived from such rates and the costs of providing the service.

Having decided what the proper public service aspects, and their associated costs, are does not decide the question of how much should be provided in appropriations. This varied in the past when Congress fixed rates. It is an amount

* From an article by Senator Goldwater published in the Journal of Legislation, Notre Dame Law School, entitled "Can a Free Press Survive Its Postal Nightmare", Vol. 3, 1976.

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which will vary, from time to time, in the future as Congress periodically reassesses the question as it has presently undertaken to do. Only the interaction between the President and the Congress can reach the proper result. This Commission can help, however, by identifying and quantifying public service, by recommending minimum and maximum amounts of appropriations and by recommending ratemaking procedures that will reinvolve Congress in making these public policy and political decisions.

The alternatives presented in the Staff Study provide a broad range of possibilities; they are useful as a reference point in determining minimums and maximums. They are deficient, however, in that the approaches taken are mutually exclusive; a sound public policy and political judgment would obviously blend the three.

* * *

At the very least the Commission should recommend the amount historically appropriated by the Congress, i.e. about 20 percent per year, as the minimum amount required to be appropriated for the public service aspects of the Postal Service. Anything less than that would unfairly burden the ratepayers, i.e. the mail senders, and would lead to a continuation of the "recurring financial and political distress" that will occur if the provisions of the present law are not changed.

Ratemaking Procedure

Congress should reassume a positive role in the determination of postal rates and classifications. If Congress reassumes such a role, the functions and powers

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of the Postal Rate Commission should be modified, as described below, and the Governors' participation in rate and classification matters should be eliminated.

In 1970 Congress delegated to the Postal Service and the Postal Rate Commission the power to establish postal rates and classifications. The specific criteria of the Act intimated, and the Service and the Commission have construed the Act to require, that traditional regulatory concepts applied to public utilities in the private sector be applied to the Postal Service. Rates and classifications were to be established on a scientific or quasi-scientific basis. Yet, at the same time, Congress enjoined the Service and the Commission to continue in effect previous policies related to the public service aspects of the Postal Service. With the benefit of hindsight, it now is clear that the mission assigned to these two government entities and the application of traditional public utility regulatory concepts were doomed to failure.

The Postal Service is not a utility. It is a department of the federal government which provides services to the people and effectuates national policies -- just as any other department of government does. It is inappropriate to regulate it as if it were a public utility in the private sector. It is also unduly burdensome and expensive to the

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Postal Service and to mail users, as the Staff Study notes, to impose one layer of federal bureaucracy on another. It necessarily leads to duplication, waste and jurisdictional conflicts. Moreover, the regulatory process, whether applied by the Postal Rate Commission or any other executive institution substituted for it, is inherently incapable of making the social policy and political judgments inherent in decisions respecting the levels of postal service to be provided and the apportionment of the costs of such service among the various mail users.

This is particularly true under the conditions resulting from the 1970 Act -- the withdrawal of substantial and essential amounts of public support and Congress' removal from the task of reviewing Postal Service costs. The withdrawal of public support in itself was sufficient to cause the substantial increase in postal rates -- for all classes of mail -- that has occurred since 1970. Failure to review postal costs has aggravated the problem, because there is no institution today that can perform that function. The Postal Rate Commission was supposed to pass upon the efficiency and economy of postal management in making its rate and classification recommendations. It has not and it cannot do so. Regulatory commissions reviewing utilities in the private sector are loath to do so, even when a decision

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to disallow a particular cost results only in a reduction in the private utility's rate of return. It was too much to expect the Postal Rate Commission to restrain Postal Service costs in the face of Postal Service assertions of drastic mail service cuts or financial chaos. The Postal Service has no profit margin to shave.

Congress on the other hand could decide that service cuts were desirable or make up the difference between costs and revenues in appropriations--if it determined that inefficient service should continue to be provided. There were often times, too, when Congress decided that certain postal costs were too high or certain expenditures should not be made. The Postal Rate Commission is not in a position to make such judgments, even when it is clear they should be made.

Even in the function of allocating the rate burden among mail users, Congress has placed the Rate Commission in an impossible position. The Commission can really only consider matters related to the attribution and assignment of costs and the applicability of economic theories which can be measured and quantified. It cannot determine how to apportion on a fair and equitable basis the cost of binding the nation together with "prompt, reliable and efficient services to patrons in all areas" and "to all communities" in such a way

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so as not "to impair the over-all value of such service to the people." It can recommend a fair and equitable rate schedule only insofar as the application of regulatory costing techniques permits. It cannot determine the "relative value to the people of the kinds of mail matter entered into the postal system" or properly assess "the educational, cultural, scientific, and informational value to the recipient of mail matter ." Only Congress can do that.

Congress expected the Rate Commission to make the same types of social policy and political judgments that Congress previously made. It failed to recognize that in a democracy only elected representatives have the capability and the power to do so. The Court of Appeals for the D.C. Circuit recognized this in its decision on an appeal from a Rate Commission decision in the very first rate case. Book publishers alleged that the Commission failed to take into account adequately the social value of books. The Court said:

"If petitioners are aggrieved by asserted insensitivity to the unquestionably major contributions made to our civilization by the type of mail matter for which they are spokesmen, the remedy is legislative. The very books which petitioners and the court cherish instruct us that the judicial role is, and in a Constitutional democracy should be, limited. Ours is only to determine whether the Postal Service lacked substantial evidence for rates it prescribed, took into account irrelevant

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considerations, omitted relevant considerations, flouted a statutory command, acted ultra vires, or denied a Constitutional right. Nothing of those types of error is proved here. Petitioners' complaint is essentially political, not legal. Likewise, the remedy is political, not legal." (Assn. of Am. Publ. vs. The Governors, 485 F.2d 768 (D.C. Cir., 197

The Rate Commission has made the best of a difficult situation. But given the inherent constraints in the nature of the regulatory process and the withdrawal of public support and Congressional review of postal costs, it was inevitable that rates would soar and the distribution of the rate burden would shift. For example, in concerning itself obsessively, but understandably, with costs, the Rate Commission has embarked on the task of attributing more and more postal costs to the classes of mail. This has had the effect -- given the minimum cost recovery requirement of the Act -- of increasing substantially the rates of those mail users whom Congress in the past had always preferred. The rates for nonprofit organizations must, under the Act, be set at attributable costs -- no matter what the consequences to the mail users or to the nation. The same is true of the rates for newspapers, magazines and book publishers in the private sector, whose share of overhead costs has not been correspondingly reduced as attributable costs have been increased. For second-class regular rate mailers, the average full rate per piece in 1979 will be more than 300 percent higher than the average rate per piece in effect in fiscal 1971. Additional rate increases prior to the end of the phasing period will increase the rates even more.

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The inexorable result of rate increases of this magnitude will be diminishing volume to the Postal Service. Large newspaper and magazine publishers will leave the postal system and distribute their publications through the private sector. Smaller publishers, who remain in the postal system, will pay even higher rates; they have nowhere else to go. Large publishers have an alternative, but they will have to charge substantially higher prices than were enjoyed in the past by their subscribers. And, in all probability the taxpayer's burden will increase in any event, because the public will continue to demand traditional mail services.

The Staff Study conclusion that "For the foreseeable future the publishing industry has no better distribution system," is simply wrong. Large magazine publishers have already established the operational feasibility of delivering magazines outside the mails. Increased postal rates are dictating the economic necessity for them to do so. At the full rates approved by the Rate Commission in the last rate proceeding, it will be economically feasible for some of the large publishers such as Time, Reader's Digest and Better Homes and Gardens to use alternate delivery systems. It is just a matter of price. Once large newspapers and magazines leave the mails, it will be extremely difficult for the Postal Service to ever regain their business.

At the present time rate recommendations of the Rate Commission are, for all practical purposes, final. The continuing financial problems of the Service preclude the Governors from exercising their options under Section 3625 to reject or modify. There is little evidence that the Governors even participate much in the initial decisions about the rate requests submitted to the Rate Commission. In any event, they are no more capable of making social policy and political judgments about postal rates and classifications than are the individual commissioners of the Rate Commission. There is some reason, therefore, to eliminate the Governors from the rate and classification decisions. There is also no effective judicial review, because the appellate court cannot modify rate decisions.

The preferable solution is for Congress to reassume the task of determining rates and classifications. This can be done, if Congress chooses, with the benefit of the information, analyses and opinions developed by the Rate Commission with respect to complicated costing techniques and sophisticated economic theories, leaving to the Congress decisions on public policy and political matters. The Rate Commission recommendations could be submitted directly to Congress, instead of to the Governors. There would no longer be any need for judicial review. Congress would make the final decision. It could

accept the Rate Commission recommendations or modify them. It could, for example, disagree with the Postal Service's estimate of total costs and require the Service to operate at a lower total cost level. Or if it agreed that the cost level was appropriate, but that, for national policy reasons, rates should be lower, it could authorize and appropriate a higher level of public support. At least there would be the flexibility, and the opportunity, for public policy considerations to be aired, debated and decided.

In the classification area there is less reason for continuing Rate Commission involvement, even in an advisory role to the Congress. There is no evidence that Congress intended in 1970 to revise radically the present classification structure. That structure has served the nation well since 1879. Indeed, by providing continuing appropriations for the preferred classes, by maintaining a class of mail sealed against inspection, by requiring uniform rates for books, films, and other mail matter, and by continuing the reporting requirements for periodical publications, there is evidence Congress meant to continue the existing classifications in all major respects; i.e. a first class for letters, a second class for newspapers and magazines, a third class for catalogs

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and advertising material, a special rate fourth class for books, and a parcel post. Since early in 1973, however, the Officer of the Commission has been urging the Rate Commission to abolish all the existing classes of mail and establish new classes based solely on the shape and physical characteristics of the different kinds of mail matter. Notwithstanding a total lack of evidenced demand from the public and despite the unanimous opposition to such a scheme from the Postal Service and all the mail users participating in the classification case, the OOC persists in this view. Neither the Postal Service nor mail users should be expected, or required, to incur the expense of litigating such an absurd proposal.

At a minimum this Commission should recommend that the Congress affirm the existing major classes of mail. The Postal Service, with or without proceedings before the Rate Commission, could consider the types of classification changes within the existing structure that are discussed in Appendix 3 of the Staff Study. It may be advisable to give the Postal Service authority to go forward with such changes, subject only to Congressional review, with the Rate Commission's function being only to recommend the appropriate rate, or price, for the services provided the new subclassifications. This seems

to be the only alternative for the Postal Service, if it wants to retain large volume mailers in the postal system -- unless public support far larger than that discussed in the Staff Study is provided.

Another approach to ratemaking, which P.L. 94-421 enjoins this Commission to consider, is keying postal rates to increases in consumer prices with approval for higher increases vested in some body independent of the Postal Service. If Congress is the independent body that would pass on rates higher than consumer price increases, this could be a feasible alternative to the one suggested earlier. The Commission may want to consider, however, whether an economic index other than the overall CPI would be more appropriate to the economic situation of the Postal Service.

At the very least this Commission should recommend that the Congress review the rate and classification criteria contained in Sections 3622 and 3623 of the 1970 Act. Pending completion of Congressional review of this Commission's long range recommendations and completion of the cost and market studies the Postal Service has undertaken, the Rate Commission should not be permitted to increase the level of cost attributions higher than that established in the last rate proceeding. In fact, there were many compelling reasons

advanced by the Postal Service in that case that the attributions made by the Commission are too high and should be reduced. Consideration should also be given to recommending that the cost criterion of the Act be given no more weight than the other criteria that relate to value of service, demand and impact factors. As mentioned earlier, these criteria never come into play for non-profit and other preferred rate mailers, who are required to pay attributable costs whatever they may be and no matter what the consequence. In any event, no increase in attributable costs is warranted, if at all, until the better cost data being developed by the Postal Service are available for Congress to consider.

If the present regulatory process is continued, the content of mail matter should be set forth in Section 3623 as a specific criterion of prime importance in determining mail classifications. Consideration should also be given to removing or modifying "simplicity of the structure" as a criterion. This is a criterion, like costs, which the Rate Commission and its staff have seized upon because it is superficially capable of objective quantification. A structure with 20 subclasses is arguably simpler than one with 40 subclasses; at least it can be assigned a smaller number. The Rate Commission cannot quite grasp or believe that mail users do not find the existing system complicated or hard to understand and that it meets their needs.

CONCLUSION

MPA requests that the Commission submit the following recommendations to the President and the Congress in its final report:

- (1) There are significant and important public service aspects inherent in traditional postal services and in certain postal policies historically deemed to be in the national interest. Among these public service aspects are residential, rural and six day a week delivery, post offices in small communities and rural areas, the encouragement of written communications among the people and the dissemination of information, ideas and opinions through the nation's press. These functions and policies account for a sizeable portion of the costs of operating the Postal Service.
- (2) These public service aspects should be supported by appropriations, rather than revenues from mail users. In the past, appropriations for these purposes amounted to about 20 percent of total postal costs. Appropriations in

the future for these public service aspects should be at least this amount.

- (3) The current process of establishing postal rates and classifications is inherently unworkable. The application of traditional public utility regulatory concepts to the Postal Service produces results that are inconsistent with and contrary to the basic public policies that properly underlie the Postal Service, as embodied in Section 101 of the 1970 Act and in prior public policy pronouncements.
- (4) Congress should reassume its previous constitutional function with respect to postal rates and classifications; it can rely, if it chooses, on the recommendations of the Postal Rate Commission. Jurisdiction over classification matters, however, except for the rates to be charged for various new or changed subclasses of mail, should be removed from the Postal Rate Commission.
- (5) The existing major classifications of the mail are in the public interest. Congress should promptly enact legislation to affirm

the existing major classes of mail and to prohibit any further increase in the level of attributable costs, pending completion of Congress' review of this Commission's other recommendations and completion of Postal Service cost and market studies that are currently underway.

- (6) If Congress reassumes its previous postal rate and classification functions, there is no need for further participation by the Governors in these matters or for judicial review of Postal Rate Commission recommendations.

STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION
ON
THE REPORT OF THE COMMISSION ON POSTAL SERVICE
BEFORE THE
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
THE HONORABLE JOHN GLENN, CHAIRMAN
JUNE 28, 1977

My name is James Cregan. I am General Counsel of the National Newspaper Association, an organization of some 900 smaller-city daily and 5,500 weekly newspapers with members in each of the 50 states, the District of Columbia, Guam and the Virgin Islands. Our membership is composed primarily of America's community press. William G. Mullen, Executive Vice President, is also here today.

Our intense interest in these proceedings is generated by the well-recognized fact that weekly newspapers and small dailies rely heavily on the mail for delivery. Approximately 39,000,000 copies of newspapers are delivered through the mail each week.

While our members' primary interest is second-class mail, they use -- and generate use of -- all classes of mail.

Aside from their interest as mailers, however, our member newspapers -- by nature a public-spirited group -- are concerned with the problems besetting one of America's most venerable and valuable institutions, the Postal Service.

We commend the Commission on Postal Service and its staff for the service they have rendered the nation in undertaking a massive and complex assignment and carrying out their duties diligently and conscientiously under stringent time constraints.

We also commend this Subcommittee and its distinguished Chairman for the effort exhibited thus far in seeking a permanent solution to one of the most difficult and critical problems facing America today. We are confident that your work will result in meaningful reform legislation in consonance with the needs of the nation as a whole.

With these preliminary remarks in mind, we would like now to focus, from our perspective, on several points we consider fundamental to any successful action on postal reform.

I. The Postal Service is a Public Service

Any potentially successful proposal for change must be grounded upon the recognition of one fundamental principle: the Postal Service is a public service. All else flows from this. Any plan not founded upon this principle is doomed to failure.

The fundamental weakness of the Postal Reorganization Act, and the existing postal system, is the inherently contradictory mission assigned the Postal Service by the statute. On the one hand, the Postal Service is required to be an efficient, essentially self-supporting enterprise on the model of a private-sector corporation. On the other, the same Postal Service, in accordance with 39 U.S.C. 101(a), is to be "operated as a basic and fundamental service" to the American people. It should be obvious to all by now that the Postal Service cannot successfully attain both goals.

Six years of experience have clearly demonstrated that the Postal Service cannot carry out its mandate. It simply cannot be both a public service and a self-supporting corporation. Plainly, it is not efficient business practice to deliver mail to the North Slope of Alaska or to the Indians living at the bottom of the Grand Canyon. Such practices are a public service. They are an essential part of, in the words of 36 U.S.C. 101(a), "binding the nation together."

One illustrative result of this statutory conflict is the Postal Service's systematic closing of post offices in small towns and rural communities. It is considered "inefficient" to maintain these post offices, which traditionally have served as the tangible symbol of our nation in those areas, aside from providing the local residents with valued and necessary services. For many communities, to close their post offices is to destroy their identity. Strictly speaking, the maintenance of small rural post offices may not be "good business." But it is good government. It is, in the truest sense of the term, a "public service."

A like point may be made concerning uniform six-day delivery. No self-supporting private enterprise would provide such service. The Postal Service evidently has come to recognize this fact, and has ready a plan to eliminate Saturday service, and is actively studying a three-day delivery scheme. We will comment in depth on this point later.

The decision to close rural post offices and the plan to slash deliveries are but two of an increasing number of such "economy" measures being taken by a Postal Service which has determined it has no choice but to sacrifice its public service mandate upon the altar of "efficient business practice."

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We, feel particularly qualified to comment on a specific and critically important aspect of the "public service" issue -- that is, the historically crucial role played by the mails in the development of our nation and the maintenance of our delicately-balanced social, economic, and political systems. That role, quite simply, has been and continues to be, to serve as a conduit for the news and information the citizens of a self-governing, economically-free nation must have.

Postal policy toward the press, since the inception of our nation, has been based upon the principle that the flow of news and information to and among the American people is to be enhanced and encouraged.

The Postal Act of 1792 provided for free delivery of newspapers between printers and a one-cent fee for newspapers carried more than one hundred miles. A congressional committee at that time, in providing for the low rates, declared: "Circulation of political intelligence is...justly reckoned among the surest means of preventing the degeneracy of a free government."

President Washington agreed, calling the wide circulation of knowledge, "the security of a free constitution." He argued for "the conveyance of newspapers and periodical publications in the public vehicles without expense." President Washington actually asked for a repeal of the one-cent fee provided for in the Postal Act of 1792.

These low rates were a significant factor in the growth of a free press in this country. In the first thirty years of the 19th century, the number of newspapers increased from 200 to 1,200.

Congress continued to recognize both the importance of the postal service to the press and the importance of the press to the nation. The Postal Act of 1845 provided for free in-county mailing of newspapers and for low rates for out-of-county mailings.

In designing the Postal Reorganization Act of 1970, Congress did not ignore history, and did not reject the wisdom of two centuries (despite the U.S. Court of Appeals' contrary interpretation of the Act last December, to be discussed below). Encouragement of the broad dissemination of information and "intelligence" has been and should remain part of the foundation of our postal system -- part of the "binding together of the nation." Acceptance of the Postal Service as a public service naturally leads to a recognition of what are, to us, the three fundamental, inter-related issues upon which hangs the future of this vital institution. To a discussion of these issues we now turn.

1. The Need for Appropriations.

The acceptance of the Postal Service as a public service does not necessarily mean its acceptance as a totally tax-supported service, such as national defense. Nor does it mean total abdication of the principles and practices of sound, professional business management. It does mean the acceptance of the need for permanent public service appropriations in accordance with a rational scheme which will guarantee a measure of stability and predictability for all concerned -- the Congress, the Postal Service, and the mail-using public.

We believe the Commission on Postal Service was correct in its general conclusion that the level of appropriations should be increased, and that the level should be keyed to a percentage of the prior fiscal year's operating expenses.

But, premised as it was upon recommendations of unacceptable service cuts -- eliminating six-day delivery and slowing down the overnight processing of mail -- the Commission's figure of 10 percent cannot be endorsed by us.

We continue to adhere to the position we espoused before the Commission: that the level of public appropriations should be set at 20 percent of the prior year's operating expenses. At a time when countless billions of dollars are either being appropriated or foregone for a plethora of specialized programs ranging from narrow business tax deductions to massive public works programs, it is hardly unreasonable to have a level of 20% public appropriations for a service which, in a truly unique and personal way, touches the life of every American.

2. Rates and Services

Postal rates and services must reflect the public service character of the mail system. We believe that the mails should be accessible to all. The system must serve a wide variety of users and purposes, providing adequate service at reasonable cost to all. It is in the interest of each class of user -- the public interest -- that the volume of all classes be maximized.

The setting of postal rates cannot be analogized to the setting of interstate gas rates or airline freight rates. The considerations of postal ratemaking and mail classification are so intertwined with considerations of public policy as to be inseparable. Rates have always been determined in accordance with roughly equal consideration of cost factors and public policy of judgments.

This traditional and public-spirited methodology was obliterated on December 28, 1976, by a momentous decision of the U.S. Court of Appeals here in Washington.

In its decision, the Court in effect ruled out of postal ratemaking all considerations of public policy and public service. The Court read and interpreted the nine ratemaking factors contained in Title 39 of the U.S. Code in such a way as to render meaningless all but one: the "requirement" that each class of mail bear its attributable costs. The Court has now directed that postal rates be set to the greatest degree possible in accordance with strict cost accounting techniques. Effectively read out of the statute were the other 8 statutory factors, which we feel show Congress did not intend postal ratemaking to be insulated from considerations of public service and public policy.

The impact of this ruling on the costs of using the mails is staggering. The portent of the ruling is particularly overwhelming for our members, America's newspapers

The impact on newspapers is illustrated by the following chart excerpted from the NNA-ANPA Brief on Exceptions filed with the Postal Rate Commission after the Administrative Law Judge's decision in the rate case which was the subject of the Court's ruling (Docket R74-1). If the Law Judge's recommended rates had been adopted, the increases in full rates for a sampling of 10 newspapers would have been as follows:

TOTAL SECOND-CLASS POSTAGE COSTS

	<u>1974</u>	<u>Projected at Judge's Rates</u>	<u>Increase</u>
Burlington (Vt.) Free Press	\$ 120,000	\$ 366,000	205%
Salina (Kans.) Journal	121,857	367,144	201%
Cheyenne (Wyo.) Eagle & State Tribune	16,500	51,450	212%
Greenville (S.C.) News & Piedmont	121,700	377,812	210%
Watertown (S.D.) Public Opinion	77,750	229,118	195%
Williamsport (Pa.) Grit	1,350,000	3,800,000	181%
Grand Forks (N.D.) Herald	105,421	310,000	194%
Howard Co. (Md.) Columbia	12,302	59,667	385%
Sikeville (Md.) Herald	1,438	8,135	478%
Essex (Md.) Times	1,143	7,388	546%

The Court of Appeals made it clear in its decision that it believes these rate increases should have been adopted.

To further underscore the urgency of the situation, it should be noted that the Court of Appeals now has pending before it a decision on whether to order the most recently decided rate case (Docket R-76-1) reconvened and redicided immediately in accordance with its interpretation of the statutory requirements of postal ratomaking. This decision could be issued at any time.

Aside from its devastation of second-class mail, the Court's ruling, if not overturned, will result in disaster for all classes of mail, for all users, and for the postal system and nation as a whole.

Those who advocate the Court-approved ratemaking methodology on behalf of first-class mailers are, we believe, extremely short-sighted. If rates for second, third, and fourth-class rise as precipitiously as the Court would have them rise, every mailer in these classes who possibly could do so would leave the mails as quickly as possible. As the volume of these classes decline, first class will be left with more and more of the cost burden -- to the benefit of no one, except perhaps the operators of private delivery systems.

The impact will be particularly poignant, we feel, for those very special institutions, small newspapers serving rural populations. Located in geographically dispersed areas -- where homes are often many miles apart -- subscribers are heavily reliant upon the mail for delivery of the vital news and information carried by these newspapers. (This fact also leads us, it should be noted here in passing, to oppose the Commission's recommendation that the within-county newspaper rate be abolished.)

Private carrier delivery of newspapers in these areas has always been considered unfeasible. But with the calamitous rate increases which would be brought on by the Court's decision, even these newspapers would have to seek alternate means of delivery -- with grim consequences for the newspapers and their subscribers who fail.

For these reasons, and for the reasons so lucidly set forth by the Commission, we wholeheartedly support the statutory ratemaking language recommended by the Commission.

Although we advocated to the Commission the codification of the traditional 50-50 split between attributable costs and policy factors for ratemaking purposes, we believe the Commission's approach, "capping" attributable costs at 60 percent, is sound and workable. We support it in the interest of America's newspapers -- and in the interest of the nation as a whole.

3. Public Accountability

A public service institution must be publicly accountable. We believe that the present postal structure -- the Postal Service and the Postal Rate Commission -- are far too insulated from considerations of the public will, and from the embodiments of the public will: the Congress and the Presidency.

Because, as we have said, postal policy is so intertwined with public policy as to be inseparable, we believe that Congress and the President -- the institutions best equipped to make public policy judgments -- must assert stronger control over postal policy.

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A strong argument can be made in favor of a return to complete Congressional control over the Postal Service. Realistically, however, this is not an option, and we do not advocate it here.

We do strongly believe, however, that the Congress should have at least a strong oversight function over all postal operations, and should have veto authority over all rate and classification decisions of the Postal Rate Commission.

II. Six-Day Delivery of Mail is a Public Service Which Must Be Continued.

We take strong issue with the Commission's recommendation that mail be delivered on only five days. As we all know, the Postal Service has seized on this recommendation and intends to eliminate Saturday delivery by January of next year. The Commission, for whatever reason, adopted the views of Postal Service management on the frequency of delivery. The Postal Service for at least the past two years has made no secret of its desire to eliminate Saturday delivery, and its study of even a three-day delivery scheme.

As we mentioned earlier, such a plan may be justifiable in terms of hard, cold business judgments, but is not justifiable in terms of public service and public policy.

We fear the Postal Service's view -- and the Commission's -- may suffer from too narrow a perspective on this issue. Although Saturday may be a "down day" in metropolitan areas, especially on the East and West Coasts, it is merely another day of the week in the other regions of the nation, especially rural agricultural communities.

The Commission in large part based its recommendation on a survey showing 80 percent of Americans favoring five-day delivery over rate increases and/or increased appropriations. Interestingly, a newspaper in Findlay, Ohio -- The Courier -- asked basically the same, somewhat "loaded" question in a poll of its readers, identifying Saturday as the day to be eliminated. Only 39 percent preferred five-day delivery.

Newspapers, especially newspapers serving non-metropolitan regions, are acutely sensitive to the possibility of the elimination of Saturday delivery. As we have pointed out, these newspapers and their subscribers are heavily and uniquely reliant upon the mail for delivery.

Here is a brief sampling of comments we have received from our members on the prospect of ending Saturday delivery:

'With the increasing costs of mail we should be getting more service, not less....' Dayton(WA) Chronicle

'The elimination of Saturday delivery when we have a federal holiday on the following Monday would be an extreme hardship on small weekly newspapers...(T)he gap would be from Friday morning until Tuesday morning....' Schoonmaker Publishers, (OK) Sentinel

'This would not only involve a catastrophic economic impact on our business, but would also mean the postal service would lose yet another source of income....' Middlesboro(KY) Daily News

'The bulk of our readers and advertisers would find an end to Saturday's delivery of the Friday paper by mail would create an intolerable burden....' West Plains (MO) Daily Quill

'We would not only be placed in an unfair competitive position with regard to the daily newspapers in being able to solicit weekend advertising, but are also seriously concerned about the effect on Mom and Pop merchants who depend on reaching customers through the community newspaper....' Lerner Newspapers, Chicago (IL)

'Our printer's schedule also would be affected (we use a central plant)...Thursday is already a heavily scheduled printing day. Fayette (MO) Democrat-Leader

'Rural America relies on 6-day mail service and the daily newspaper is vital to the business decisions made by our country's farmers. If Saturday deliveries are eliminated our farmers will not receive adequate marketing information, weather forecasts, and other news items necessary for successful farming... a farm business man would not have this information from Thursday market closings until Tuesday....' The Forum, Fargo-Moorhead (ND)

'The primary purposes of the Postal Service are exactly those expressed in its title: service... (c) Consider the impact elimination of Saturday delivery would have on postal patrons, small communities such as ours, and newspapers such as this who have the strange notion that the community newspaper and the U.S. Postal Service should be partners -- not opponents -- in meeting the needs of communities the nation over.'
The Bainbridge(GA) Post-Searchlight, Inc.

'Our Friday paper would be a complete loss to our advertisers and our subscribers... surely a Friday paper delivered on Monday has lost all news value and reader interest....' Bucyrus(OH) Telegraph-Forum

'Such action would seriously hamper the dissemination of news to the citizens of our country by the thousands of daily and weekly newspapers in the U.S.A. which are published on Friday.' Murray (KY) Ledger and Times

'I would like to point out a major consequence of not having Saturday delivery in rural areas, which of course makes up the greater portion of the United States. In our area, here in eastern Ohio, many communities are effectively barred postal communication from noon on Saturday until noon on Monday. The reason this is so is that people on rural routes who may receive or send mail on Saturday afternoon must await until Monday noon to again send or receive mail. This two day period represents 28% of the week. If we discontinue Saturday service, it therefore means that rural families will have to go from Friday noon until Monday noon which now becomes 43% of the week....' Cadiz(OH) Harrison News-Herald

It is obvious that Saturday delivery cannot be discontinued without striking a severe blow at a large and vitally-important portion of America.

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We commend the Senate for its action last week in adopting an amendment to the Postal Service appropriations bill which forbids the use of any part of the FY 1978 appropriations in the elimination of Saturday delivery. We recognize, however, that, despite this strong expression of Senate opinion, the Postal Service remains legally free to use other, non-public funds to eliminate Saturday delivery -- and evidently intends to do so. It is difficult to ignore the irony of the Postal Service being prohibited from using public funds to obliterate a public service.

Six-day delivery is one of the public services performed by the Postal Service which is identified by the Commission on Postal Service in its report. It is a vital public service which should be continued -- and which can be continued with the enactment of the increase in public service appropriations which the Commission has recommended in principle, and which we recommend be modified so as to ensure adequate levels of essential services for all Americans.

On behalf of our entire membership, I thank you for holding these critically important hearings, and for permitting us to express our views here today.

I will be happy to try to answer any questions you may have.

TESTIMONY BY J. EDWARD DAY
PRESENTED JOINTLY ON BEHALF OF
THREE SEPARATE TRADE ASSOCIATIONS

ASSOCIATED THIRD CLASS MAIL USERS

DIRECT MAIL/MARKETING ASSOCIATION

MAIL ADVERTISING SERVICE ASSOCIATION

BEFORE THE SENATE SUBCOMMITTEE ON
ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES

Mr. Chairman: My name is J. Edward Day. I am a lawyer in general practice and am General Counsel of Associated Third Class Mail Users.

I appear here today representing three separate trade associations: Associated Third Class Mail Users; Direct Mail/Marketing Association; and Mail Advertising Service Association, Inc. The members of all three of these associations are involved on a day-to-day basis with third-class mail.

Each of these three associations will be submitting its own written statement, setting forth in detail for your Subcommittee each association's specific views on a range of postal issues. We appear here today as a group to present our joint views on a few of the most important of those issues.

But first, I think it would be helpful to talk a little about third-class mail.

Some Facts About Bulk Third-Class Mail

Aside from first-class mail, third-class is by far the largest class of mail in terms of both percent of Postal Service mail volume and percent of Postal Service revenue dollar.

Third-class mail is used for direct mail advertising, mail order merchandising and for fund solicitation by not-for-profit organizations. Today most third-class moves at bulk rates which means the mailers themselves have to do most of the sorting work which would otherwise have to be done by the Post Office. The

principal items moving under this bulk subclass are circulars, brochures, flyers and books and catalogs weighing less than 16 ounces.

It was estimated by a Department of Commerce Study over 20 years ago that advertising mail generates as much as \$40 billion in sales of goods and services per year. That figure would be much higher now.

The evidence indicates that commercial bulk third-class mail is the most profitable major category of mail percentagewise which the Postal Service has.

We are a deferred service. We compete for the advertising dollar with all the other advertising media.

The basic minimum rate for commercial bulk third-class mail has gone up 670 percent since the early 1950s. During that time the cost of living has gone up only about 120 percent.

In addition, bulk third-class mail had a new, highly expensive mandatory requirement for presorting by mailers to ZIP Code forced upon it in the late 1960s with no related reduction in the postage rate.

With these facts in mind, I would like to discuss four major issues of concern to all of our three trade associations.

RATES

First of all, Congress should take back authority to make the final decision on increases in postal rates after the Postal Rate Commission has made its recommended decision. One way this might

be done would be to have the Postal Rate Commission's proposed decision go to Congress for a 90 legislative day period during which Congress could veto proposed increases. We believe that it is essential to avoid raising postal rates so much and so often that it drives people away from the system. The three-cent first-class rate lasted 25 years - from 1933 to 1958 - through two wars and two periods of post-war inflation. We are convinced that elected representatives should have the final authority over the amounts that will be charged to millions of Americans all over the country for use of the various classes and subclasses of mail.

The House version of the postal corporation bill as passed in 1970 contained a congressional veto power over rates.

PUBLIC SERVICE APPROPRIATIONS

Second, we believe that the annual public service appropriation from general revenue funds to the Postal Service should be 20 percent of the total budget of the Postal Service for the next preceding fiscal year. This would make an annual total of something over \$3 billion in contrast to the current level of \$920 million.

Only through a very substantial increase in the public service appropriation for the Postal Service can a continuation of large and frequent rate increases be slowed down.

We do not seek to dismantle the Post Office. But it must be recognized that many services it provides are public service and

governmental in nature and would not be provided at the same level by a private company.

The proposed increased appropriation is justified not only on the basis of the public service and general governmental aspects of the Postal Service but also as related to other governmental programs. The recently enacted public works jobs bill to increase jobs and improve the economy (H.R. 11) provides another \$4 billion (in addition to \$2 billion already authorized) in the expectation of creating a few hundred thousand new jobs. These new jobs would be on the public payroll through federal grants to local governments to improve public services. The added appropriation for the Postal Service is completely justified as an extension of this type of economic stimulus program.

Since the Postal Service has such a high level of spending and employs one percent of all the working people in the nation, its financial operations should be tied to the overall efforts of the federal government in the economic and public benefit areas. Instead, in recent times, when the federal government was enacting tax cuts or tax rebates to stimulate the economy, the Postal Service at the same time was raising rates thereby taking money out of the economy and adding to inflation.

There is nothing new or revolutionary about using the Postal Service as a means of assisting with carrying out national economic goals. During the recession of the early 1960s, there was a speed-up in the authorization and construction of leased postal

facilities for the specific purpose of assisting in improving economic conditions.

Budget squeeze problems and budget balancing goals should not stand as a bar to treating the Postal Service once again as a part of the overall federal government responsibility and providing it with adequate general revenue funds. Before so-called "postal reform," the Post Office received about 18 percent of its overall budget from general funds. Now it receives only about 6 percent as a public service appropriation.

Congress is considering what to do with the billions of dollars in annual proceeds from the tax on crude oil. The tax would bring the Treasury as much as \$4.6 billion next year, \$9.1 billion in 1979 and \$13.8 billion in 1980.

There have been all kinds of proposals as to what to do with this money.

What better way to recycle some of this money to consumers than by using it to up the public service appropriation to the Postal Service thereby slowing down rate increases and service cuts. We are convinced that would be much more meaningful and sensible than the pending proposal to reduce payroll withholding by about 50 cents a person per week, particularly since much of that rebate might well be spent on buying petroleum products.

ASSIGNMENT OF POSTAL COSTS

Third, the Postal Reorganization Act should be amended to

correct the highly unrealistic decision of the U.S. Court of Appeals for the District of Columbia Circuit in the National Association of Greeting Card Publishers case. Such an amendment would avoid the unfair result of forced assignment of costs to particular classes and subclasses of mail even when such classes or subclasses did not cause the particular costs so assigned. Congress should make it crystal clear that all of the criteria listed in section 3622 of the Act must be considered.

Arbitrary loading of substantial additional costs on to the nonpriority classes of mail would be self-defeating in that it would drive away volume from the Postal Service. The Postal Service Staff Study, "The Necessity for Change," points out that bulk rate advertising mail is "relatively expensive." That is a colossal understatement. The Study continues:

The large business mailers who generate most of today's revenues can and will find more economical alternatives to the postal system. Their flight from the system will trigger revenue losses disproportionate to cost recovery.

In order to offset these losses of volume and revenue, the rate for first-class mail would have to be increased still further in order to support the system.

CLASSIFICATION

Fourth, Congress should enact legislation to retain the four major classes of mail as proposed in the Report of the

Commission on Postal Service. These classes have been in use for decades and are working well.

The Officer of the Commission or ombudsman of the Postal Rate Commission is pushing a radical proposal to have a major revision of the postal classification schedule to classify mail by shape. There is no visible public demand for far-reaching changes in postal classifications, and the current state of protracted uncertainty should be eliminated by enacting the four major classifications into law.

Our view on this issue can be summed up in the words which Mr. Bert Lance has made famous: "If it ain't broke, don't fix it."

Mr. Chairman, I would be happy to answer any questions you or any other members of the Subcommittee may have.

TESTIMONY OF

TIMOTHY J. MAY
General Counsel Of
The Parcel Post Association

Presented to the
Subcommittee On Energy,
Nuclear Proliferation,
And Federal Services of
The Senate Governmental Affairs Committee

June 28, 1977

I am appearing here today on behalf of the Parcel Post Association, an organization of approximately 200 members, primarily small businesses, who use the Postal Service to deliver small parcels to their customers. A large number of our members are also extensive users of the United Parcel Service as well as the Post Office for delivery of parcels. I should also add that most of these businesses are heavily reliant upon, if not dependent upon, the Postal Service as the means for soliciting sales from their customers; and these customers in turn use the United States Postal Service to place orders for merchandise, and to pay their bills for that merchandise. So, in a very real sense, the fate of these businesses, whether they prosper or fail, whether their employees have jobs or become another statistic in the unemployment roles, is linked to the fate of the Postal Service.

Thus, our members must look at the Postal Service, the way in which it operates, its mission, its costs and funding sources, from the point of view of what is essential to their business. At the same time, these members are beneficiaries, as American citizens, of a service-oriented Post Office that performs a myriad of services that benefit them as citizens just as it benefits all Americans.

Our members believe that they know what they need for their businesses in the way of postal services. And they are willing to pay for the costs of the services they need. They solicit orders primarily through the use of third class circular letter mail and through catalogs. For these business purposes they do not need a service which sends a letter carrier to the home of every American citizen six days a week. Their business does not require that there be a vast network of large and small post offices which honeycomb the country in every area however remote; nor do they need the extensive array of collection services and window services supplied at post offices. As a business they do not require those services.

At the same time, we must emphasize, these businesses are run by people who, like every other American citizen, enjoy the fact that the letter carrier comes to their home every day or comes to their business office twice a day; they very much enjoy having a conveniently located post office where they can

transact their personal postal needs; the convenience of having closely located collection boxes where several pick ups a day are made to speed their mail to its destination. It is a service provided by their government since the founding of the country, one which they are accustomed to; one which they appreciate and which they expect their government to provide. But as business men our members now find that their businesses are being compelled to pay for this vast array of services to benefit all U. S. citizens through ever higher postal rates. These rates pay, not just for those essential services that their business requires, but for all of those services that the American citizen receives and for which that citizen does not now pay. The amount of the citizen's taxes devoted to the payment of those services is an insignificant percentage of the actual cost of those services.

Prior to postal reorganization, and at least since the Second World War, approximately 20% of the cost of running the Postal Service was paid for from taxes. But even then people used to talk about the deficits of the Post Office and complain about its inefficiencies and its inability to pay for itself, as though this were not a government service. Indeed, these sentiments fueled the reform movement. A great part of the reform effort was good; many of the artificial limitations on sound business management were removed; postal managers were given real authority to operate in a businesslike way; merit

replaced patronage, for example, in the selection of postmasters, as the principal means by which job advancement was secured in the Postal Service. And these things were all good. It seems to us, however, that postal reform was fundamentally flawed by the statutory mandate that this service should "break-even," because, at the same time, both the Congress and the public expected a continuation of, if not an improvement in, all of the services they had been accustomed to receiving when a significant part of the costs of these services was paid for from tax revenues. You can't have it both ways - then or now.

We all now know just what "break-even" means under a system that continues to provide services that no business would attempt. We were pleased that the Commission on Postal Service recognized, in their recommendations, that the "break-even" approach cannot work. However, while the Commission does recommend an increase in the public service subsidy to 10%, they acknowledge that such an amount is not adequate to preserve the present level of postal services.

If the Postal Service is going to be a service that continues as it has in the past, then the American people, through their taxes, are going to have to pay for that. And if the American people and the Congress are not willing to pay the price, then the people also must be told that the Post

Office will no longer be a service, but, rather, a business that provides products that businesses need and are willing to pay for.

Many arguments can be made that in today's society, with its multiple means of communication, the Postal Service of old is an anachronism. But equally substantial arguments can be advanced to the contrary: that this kind of quality service provided to all the people by its government is needed now more than ever. In the final analysis, it should be the people who make that decision. If they want this kind of service continued and are willing to pay their taxes for it, then it should be continued. If the people are not willing to pay for it, but want these services only if business users pay for the bill then they must be told that business will not and cannot any longer pay for services they do not need, do not use, and cannot afford. Frankly, we believe that if it were left up to the people, and they understood the consequences of their choice, they would choose to continue the kind of service that we have had and they would choose to have their taxes pay for it.

The decision as to whether the services should be continued and paid for is, quite rightly, a political decision. And it is not an easy decision, because the amounts of money involved are large and potentially even larger. Most students of the Post Office who have studied the matter believe that at least 20% of the total costs of the Postal Service are

incurred through the rendering of these nonbusiness public service functions. We are then talking about an appropriation to pay for those services of some \$3 billion, an amount which one can expect to increase over the years just as surely as one knows that the costs of all other goods and services are likely to increase over the years.

Should it be the judgment of the Congress that these levels of service should continue and be paid for by taxes, then we would hope that the Congress would also insure that there is no discriminatory treatment of a particular class of mail such as parcel post. As this Subcommittee may know, under the Postal Reorganization Act, there is a restriction, applicable only to parcel post rates, which has the effect of limiting the application of any public service appropriations so that parcel post rates cannot be reduced by more than 10% as a result of those appropriations. We do not believe that there is any justification for treating parcel post in a manner different than all other classes of mail. Should there be a public service allowance of approximately 20%, a proper allocation of that appropriation across the various classes of mail could very well cause a reduction of more than 10% in the otherwise applicable parcel post rate. So, unless this arbitrary and discriminatory limitation is removed, the class of mail which is in the most serious trouble, and which is most sensitive to price increases, parcel post, would be denied the benefit

available to all other classes of mail.

I would now like to direct my remarks to a matter which, since it has happened, poses the greatest threat of all to the continuance of a viable Postal Service. I have reference to the recent action of the United States Court of Appeals in its decision rendering invalid and unlawful the rate making methodology utilized by the Postal Service and endorsed by the Postal Rate Commission in the last three postal rate proceedings. Without belaboring the various errors in that decision, its principal thrust would be to require postal rate making to be based on a system of fully distributed costs which ignores, for all practical purposes, every other consideration except cost. It further assumes that all postal costs do have a specific cause in the sense that a particular class of mail caused the incurrence of those costs; and it further assumes that there is a reliable method for determining how all costs were caused and by what classes of mail. This, of course, is economic nonsense; worse, it is a totally erroneous reading of Congressional intent. For those of us who worked on the Postal Reorganization Act, if there was one thing that was crystal clear, it was that the Congress rejected fully distributed costing as a rate making technique.

Under the rate-setting methods utilized by the Postal Service and approved by the Postal Rate Commission, parcel post rates were increased in the last rate case by 10%. That

increase was imposed even though parcel post rates were already substantially higher than the rates of the Postal Service's principal competitor, United Parcel Service. That increase had the predictable result of drawing out of the Postal Service what remained of the cream of the high-volume business parcels. The Postal Service lost and United Parcel Service gained. The Postal Rate Commission felt it had no choice because the law requires parcel post to pay its fair share of costs. Attached as an exhibit is a table showing the decline in parcel post volumes under the present law. The impact on volume would be far more dramatic if parcel post rates were fixed according to the Court of Appeals decision.

However, what we find perfectly incredible is that the Court of Appeals decision appears to have endorsed a cost-based rate making system which would have decreed not a 10% increase in parcel post rates but a 40-50% increase in those rates. And I need not add that at those rates no business would be using the postal system if there were any alternative. The only remaining users of the parcel post system would be the ordinary citizen who has no choice when trying to transport his single parcel except to use the Postal Service; he either does not even know of the existence of United Parcel Service or cannot use it if he does know that it exists. United Parcel Service rates and practices are tailored to the businessman who ships in volume, not to the ordinary citizen who has an

occasional parcel to send.

The Court of Appeals decision would also require extremely large increases in second and third class mail as well. Our members reach their customers to sell to them by using third class mail. The increases implied in the Court of Appeals decision would do one of two things:

1. Drive businesses out of the Post Office into other advertising media, such as television, store display stands, and newspaper inserts, to reach their customers; or
2. If there are no acceptable alternatives they will simply go out of business.

The Court of Appeals decision is a quite conscious attempt, as was the decision of Administrative Law Judge Wenner which the Court endorses, to reduce the price of first class mail, in the naive belief that first class is the class used by the ordinary citizen, and to make up for the lost revenue by imposing enormous rate increases upon second, third and fourth class mail, those classes of mail presumed by the Court and Judge Wenner to be the classes used by business. Increases of the magnitude dictated by that decision, however, would not increase the Postal Service's revenues, no more than the increases in parcel post increased the parcel revenue. They will merely drive that volume of mail right out of the postal system. And with the losses of those revenue sources, there will be no reductions available to first class because it will be the only major class left to pay for the costs of running the Post Office.

We, therefore, totally support the recommendation of the Commission on Postal Service that the Congress pass legislation that makes clear what its intentions about the rate making criteria were in 1970. And given the ability of the Court of Appeals to avoid reading certain legislative history, and given their ability to find peculiar meanings in simple words, we believe that it will require the kind of specific legislative language recommended by the Commission if the Congressional will is to be observed.

Our members were gratified that the Commission on Postal Service recommended removing some of the archaic restrictions on the size and weight limits allowable for parcel post. The recommendation proposes that there be a uniform maximum size and weight of 100" in girth and length combined with a maximum weight of 70 lbs., irrespective of the class of post office to or from which the parcel is shipped. We would prefer to see the maximum size raised to 108", rather than 100", since some of our members do have parcels within that size range, and the exclusion of those size parcels creates extreme hardship and logistical difficulty for those members. Because parcels, often referred to as balloon parcels, may be substantial in size without weighing much, the Commission recommends that there be a minimum rate for parcels measuring over 84" equivalent at least to the minimum rate for a 25 lb. parcel. We believe that it is extremely inadvisable for legislation to decree a rate level

for a particular class of mail. If there are added costs to the handling of lightweight oversize parcels, we believe that the Postal Rate Commission is perfectly capable of measuring such added costs and determining, after a hearing at which evidence is proffered, what the appropriate minimum for such parcels should be.

We were pleased to see the way in which the Commission on Postal Service very quickly and vigorously set about the task Congress assigned them. We believe that the creation of the Commission was extremely timely; their study and report was prompt; and we believe it is now time to make decisions for the future. A decision as to what the future nature of the Postal Service is to be can no longer be postponed. And it is the Congress that must make that decision. The Congress must decide whether the Postal Service is to continue to be a service, and they must also accept the hard consequences of an affirmative decision by making the money available to pay for that service. If the Postal Service is not to continue as it has in the past, but is to become truly a business, that decision should be made quickly so that postal managers can begin the task of curtailing the many nonbusinesslike functions the Post Office performs, and convert its pricing structure to one which more approximates that of a business supplying a product that business needs, can pay for, and is willing to pay for.

However, we hope, and we believe, that Congress and the

American people are willing to pay, through taxes, for continued postal services that we as U. S. citizens have the right to expect from our government.

PARCEL POST - UNITED PARCEL SERVICE

VOLUMES
1952-1976
(Millions of Pieces)

<u>YEAR *</u>	<u>PARCEL POST</u>	<u>UNITED PARCEL SERVICE</u>
1952	1,047	7
1953	1,043	11
1954	995	16
1955	948	24
1956	973	33
1957	976	44
1958	951	51
1959	857	64
1960	840	82
1961	800	99
1962	792	117
1963	789	148
1964	778	193
1965	742	244
1966	744	281
1967	725	327
1968	664	356
1969	644	449
1970	576	494
1971	536	547
1972	498	648
1973	475	732
1974	431	777
1975	400	880
1976	338	977 **

* Parcel post fiscal years
UPS calendar years

** 12 month period ending September 30, 1976.

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June 27, 1977

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Senator John Glenn, Chairman
Subcommittee on Energy, Nuclear
Proliferation and Federal Services
United States Senate
Washington, D.C. 20510

Dear Senator Glenn:

We have attached the positions adopted by the Washington/Legal Committee of the American Business Press, Inc. responding to the recommendations of the Commission on Postal Service. The American Business Press is the publishers' association which represents approximately 500 leading trade journals published primarily in the United States.

We appreciate the opportunity to appear before your Subcommittee to elaborate briefly upon these positions during our oral presentation tomorrow.

Sincerely,



Robert Saltzstein,
General Counsel
American Business Press, Inc.

ATTACHMENTPOSITIONS OF ABP ON THE
RECOMMENDATIONS OF THE COMMISSION ON POSTAL SERVICE1) STUDY COMMISSION RECOMMENDATION:

Post offices should not be closed merely to reduce costs except in those instances in which a vacancy in the management of the office occurs, conditions change, or postal patrons vote to close the post office.

ABP POSITION:

If the Postal Service is in a situation of declining volume, then every economy possible should be effected. If efficient management determines that an area can just as well be served by the closing of an unnecessary post office, then the post office should be closed now, rather than waiting for a vacancy to occur in that post office, or securing a vote of the people to happen to use it. (If Congress does not adopt the recommendation of the Commission, it necessarily will have to assume a greater financing burden which should be reflected in Postal Service appropriations.)

ABP's posture would be that of "efficiency as soon as possible." By way of example: An internal Postal Service study recently revealed that 17,000 post offices, or 57% of all the post offices in the country, could be closed, saving \$490 million per year, without affecting essential services. There have been other similar studies, such as the GAO study which recommended the closing of 12,000 post offices.

2) STUDY COMMISSION RECOMMENDATION:

Mail delivery to all addresses should be reduced from six days to five days a week, but window service should be available on the day mail is not delivered. In our Nielsen survey, 80 percent of those citizens surveyed favored this as a means of controlling costs.

ABP POSITION:

ABP encourages experimentation on a phased basis in different areas of the country to see how five-day delivery would work out under different conditions. For example, in some urban areas delivery would continue on weekdays, but Saturday delivery would be eliminated. (Window service would be available on that day.) In rural areas, on the other hand, where opposition to the elimination of Saturday delivery has been voiced, Saturday delivery could be maintained, but a weekday, such as Tuesday, might be eliminated in order to effect necessary savings. Whether five-day delivery is offered on a nationwide or experimental basis, there should be no lessening of the processing of mail during the weekend or during any period during which mail is not delivered.*

The cost of continuing six-day delivery while experimentation (experimentation does not require an advisory opinion by the Rate Commission) in five-day delivery is conducted could be recouped by elimination of nonprofit second class and third class rates in 1978, instead of delaying rate equalization until 1997, as the Study Commission proposed. The annual cost of nonprofit subsidies approximates the cost of the sixth day of delivery, both at the present time and ten years from now.

The purpose of eliminating one day of delivery while maintaining the processing of mail is to assure that a financially viable, nationwide Postal Service is maintained.

*Any nationwide change in service proposed by the Postal Service would have to be brought to the Postal Rate Commission for review and an advisory opinion. A full hearing with participation by mail users would take place. However, the Postal Service does not have to follow the advisory opinion issued by the Rate Commission.

3) STUDY COMMISSION RECOMMENDATION:

The Postal Service must have flexibility to meet changing circumstances and changing needs of the public. Postal services that become obsolete, especially as the result of diversion of mail to electronic communications, should not be continued.

ABP POSITION:

We concur.

4) STUDY COMMISSION RECOMMENDATION:

The Postal Service should make dependability of timely delivery its primary service objective. The American public rates dependability of service above fast delivery or lower cost.

ABP POSITION:

We concur.

5) STUDY COMMISSION RECOMMENDATION:

The Postal Service should immediately pursue opportunities to provide services which utilize existing electronic communications with the unique collection and delivery system of the Postal Service.

ABP POSITION:

We concur.

6) STUDY COMMISSION RECOMMENDATION:

For the future, the Postal Service should determine within the next two years whether the communications needs of the American public require the Postal Service to provide services using electronic communications to collect, transmit, and deliver messages.

ABP POSITION:

We concur. However, the capability of the Postal Service to provide a national delivery network should not be jeopardized by a shift of emphasis by the Postal Service to electronic communications.

7) STUDY COMMISSION RECOMMENDATION:

The level of public service appropriations should be increased moderately to 10 percent of postal expenses incurred in the preceding fiscal year.

ABP POSITION:

We concur, on the basis that other ABP recommendations are accepted. It would be necessary to raise the figure above 10 percent if those recommendations are not accepted by Congress.

8) STUDY COMMISSION RECOMMENDATION:

Congress should appropriate \$625 million to eliminate the present Postal Service accumulated indebtedness incurred for operating expenses.

ABP POSITION:

We concur.

9) STUDY COMMISSION RECOMMENDATION:

Congress should amend the law to prescribe criteria for the establishment of postal rates so that factors other than cost causation shall be taken into account in distributing a significant portion of total postal costs.

ABP POSITION:

We concur. In order to implement Congress's original intention in the Postal Reorganization Act that factors other than cost be considered in ratemaking, we recommend that 39 USC 3622(b) (3) be changed. That subsection now reads as follows:

- (b) Upon receiving a request, the Commission shall make a recommended decision on the request for changes in rates or fees in each class of mail or type of service in accordance with the policies of this title and the following factors:
- (3) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class

or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type; (Emphasis supplied)

The word "requirement" should be eliminated so that it would read as follows:

- (3) each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;*

10) STUDY COMMISSION RECOMMENDATION:

Congress should enact legislation to retain the four major classes of mail for the transmission of letters, newspapers and other periodical publications, advertising matter, and parcels.

ABP POSITION:

ABP concurs with this recommendation, provided controlled circulation is specifically included as a part of second class, as it was in the law prior to postal reorganization. The statute governing the requirements and standards for second class and controlled circulation was Chapter 63 of former Title 39, entitled "Second Class Mail and Controlled Circulation Publications."

11) STUDY COMMISSION RECOMMENDATION:

A general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nationwide service obligations. The Postal Service should, however, permit private carriage of time-value letter mail if the Postal Service is not prepared to offer generally comparable service. Congress should determine the scope of the Private Express Statutes.

ABP POSITION:

We concur.

* Alternatively, the word "requirement" could be added to each of the other eight criteria on which the Postal Rate Commission makes rate determinations.

12) STUDY COMMISSION RECOMMENDATION:

The Board of Governors of the Postal Service should be preserved and the Postmaster General and the Deputy Postmaster General should continue to be appointed by, and serve at the pleasure of, the Governors.

ABP POSITION:

We concur, because we do not want the basic concept of postal reorganization destroyed.

An alternative proposal concerning the Board of Governors is that the President could fill two vacancies on the Board with the Secretary of the Treasury and the Director of OMB.

13) STUDY COMMISSION RECOMMENDATION:

The Postal Rate Commission should be preserved and given final authority in rate and classification proceedings, subject only to judicial review.

ABP POSITION:

We concur with preservation of the Postal Rate Commission. Rather than judicial review, we believe there should be veto by Congress of Rate Commission decisions by concurrent resolution in both houses on an up or down basis, not an item veto basis.

Senator GLENN. The next panel, will you take your places at the table as I call your names?

Eileen Cooke, of the American Library Association. Welcome to the hearings today.

Mr. Jack Fink, Catholic Press Association. Mr. Fink, welcome today.

Leo Albert, chairman of the board of Prentice-Hall, International. Welcome, Mr. Albert.

Miss Amelia Grinstead, member of the National Board, Girl Scouts of America, New York. We welcome you today.

And, Henry Brief, executive director of the Recording Industry Association of America. Mr. Brief, we are glad to welcome you.

TESTIMONY OF: EILEEN COOKE, ASSOCIATE EXECUTIVE DIRECTOR OF THE AMERICAN LIBRARY ASSOCIATION AND DIRECTOR OF ITS WASHINGTON OFFICE; JACK FINK, CATHOLIC PRESS ASSOCIATION, HUNTINGTON, IND.; LEO ALBERT, ASSOCIATION OF AMERICAN PUBLISHERS, ENGLEWOOD CLIFFS, N.J.; AMELIA GRINSTEAD, MEMBER OF THE NATIONAL BOARD, GIRL SCOUTS OF AMERICA, NEW YORK, N.Y.; AND HENRY BRIEF, EXECUTIVE DIRECTOR OF THE RECORDING INDUSTRY ASSOCIATION OF AMERICA, NEW YORK, N.Y., A PANEL

Senator GLENN. We would ask the testimony be summarized as far as possible, so we can have the maximum amount of time for our questions and answers here today.

Ms. Cooke, we will be glad to have your testimony or a summary. Any longer testimony you wish to submit for the record will be included in its entirety.

Ms. COOKE. Thank you, Mr. Chairman.

My name is Eileen Cooke.

Senator GLENN. Could we have quiet in the room, please, and, if you would, pull the mike up close to you. These mikes are not particularly sensitive.

Ms. COOKE. I am the associate executive director of the American Library Association and the director of the Washington office. The association is a nonprofit educational association comprising all types of libraries.

We have a longtime concern over library rates; all types of rates, all types of classes are used by libraries, but we are particularly concerned about the fourth-class book rate and the library rate and the increasing costs to libraries and subsequently to users of libraries.

What we have found from experience in the last 5 years, since the Postal Reform Act has come into being, is that postal rates have increased by some 30 percent.

Five years ago, a 3-pound book package might have gone out to a user unable to come into the library for 10 cents. Now it costs 17 cents. Beginning July 6, it will go up another 2 cents.

This may sound relatively insignificant, but when you stop to consider the thousands of pounds of books that are transported to users around the country and also are purchased by libraries from publishing houses at these rates, it is a matter of great concern.

Generally speaking, every dollar that goes into postal costs is a dollar less that is available for libraries to spend on books and materials, which really are the lifeblood of the library service.

Libraries are terribly concerned with the spiraling costs in all levels of service. They are undergoing a particularly severe fiscal crisis now. Wherever we hear and read about the plight of urban libraries, we are concerned, because the problems are relevant to all types of libraries.

People in far, remote areas from central cities are especially dependent upon library service by mail. Consider the homebound, the handicapped, and the elderly they are particularly in need of access to books through the mail from their local library. As costs increase, such special services must be curtailed.

Another problem that we are hearing more and more about is that libraries are receiving mutilated book packages, or are not receiving them at all. Packages go into the bulk mail facilities, and labels are torn off. There is a variety of problems in handling books through the mail, too numerous to mention now. For example, some periodicals and books never arrive from publishers but nevertheless, libraries are expected to pay the costs of these materials.

We have had complaints from some of our members and people at large, who say they have witnessed book auctions being held by the Postal Service and in some cases the books are readily identifiable with stampings, identifying what libraries the books belong to but, nevertheless, they are auctioned off. It is only by word of mouth that word gets back to a library that its books have been auctioned off.

The Postal Service says this cannot be, but it is happening. We have a variety of problems in this area, and we are very much concerned.

Another concern is that the book and library rate be held at the lowest possible level, because there is just nowhere else to turn to provide these essential services. This brings us to the issue of a postal subsidy. We recognize that, and we admit libraries depend on it. We hope that the Postal Rate Commission and everybody else looking at this problem, particularly Congress, will carefully consider our urging that the library rate be kept at directly attributable costs, because libraries need every penny in order to provide service to their users.

I am sure you hear this from everybody who testifies, but on behalf of all the "Aunt Minnies," plus business, plus average library users from all walks of life, we feel it is particularly important that the public service factor be looked at.

In the last piece of postal legislation that Congress passed last year—Public Law 94-421—there was a new criterion to be looked at by the Postal Rate Commission. They must recognize the educational, informational, and cultural value to recipients in assessing postal costs to libraries. We think this has been overlooked to a great extent by the Postal Rate Commission and the Postal Service, and it can't be emphasized often enough.

We call attention to the bill in the House—H.R. 7700—proposes that a 15-percent subsidy for public service. We don't know that this is what is required. We think perhaps 10 percent is not enough. It certainly bears careful study by Congress. We agree that the Commission on Postal Service must take certain steps to meet reasonable delivery standards.

Another issue that has been brought to our attention, and we want to refer to you, is a problem of the Postal Service and the financial disaster it would eventually incur for libraries. This concerns their handling of film mailing cases. We have pointed, in other committees, with great pride to the film circulating services which are making more broadly available for use throughout the country films that are purchased centrally by some libraries.

Now, the Postal Service is calling upon the handlers of film to change their cases. We refer to the expenditure that the producers cite, that it would amount to \$1 million in new development costs to change film cases. We think this is an issue that the Postal Service should look at more carefully, to see if there isn't something that could be changed in their bulk-handling delivery system, perhaps a slight change in that area would be just as feasible as asking film libraries and distributors to change at such devastating cost.

I think that I have touched on the most significant problems cited in my statement, and the need to have Congress look at these areas so I will defer until later.

Senator GLENN. Fine. Your entire statement will be included in the record.

Mr. Fink.

Mr. FINK. Thank you, Mr. Chairman.

First of all, I am John F. Fink, which is a little formal I guess, Jack Fink.

I am here on behalf of the Catholic Press Association, the Associated Church Press, the Evangelical Press Association, and the American Jewish Press Association. In addition to that, several other associations have indicated that they will agree with our testimony, including the Agricultural Press Association, the American Legion, the Labor Press, the AFL-CIO, and the Rural Electric Cooperatives.

The sheer inequity of subjecting the nonprofit press to postal rate increases adopted in the last 4 years, aggregating well over 1,000 percent when fully effective, brings our appearance here today.

When the annual postage bill for the Decision magazine, published by Billy Graham's organization, increases in 5 years by 44 percent, and our organization sees its rising from \$70,000 to \$150,000 in 5 years, with the prospect of going from \$70,000 to \$496,000 by the end of the stretchout with the circulation of both remaining fairly constant, we feel it is necessary for us to testify today to bring out the various areas that we believe must be discussed.

We identify six areas in our testimony, and I will highlight them briefly.

Those are the irrationality and inequity of the Postal Service's definition of attributable costs which has resulted in spiraling postal rate increases for nonprofit publications.

We believe the Congress should adopt a definition of attributable costs which will serve at once as an instruction and guideline to the Commission in its future ratemaking deliberations. We note that the report of the Commission on Postal Service recommended a precise definition which we endorse.

For whatever reason, the Postal Service, the Postal Rate Commission, and the Board of Governors have been unable to agree on the setting of a ceiling on attributable costs. We have long urged the Congress to step into this void and fix such a ceiling at 50 percent of

total costs. We note that even the report of the Commission on Postal Service recommends a ceiling of 60 percent and perhaps somewhere in between these two figures Congress can find a fair and logical limitation.

We fully understand the desire of Congress to remove itself from the intricacies of the postage ratesetting and classification decisions—as it did by the passage of the Postal Reorganization Act. However, we believe just as strongly that Congress should retain a review or oversight function over the final actions of the Board of Governors with respect to these two matters.

We view with great alarm and disappointment the proposal of the Postal Service to further curtail by 1 day the already limited postal delivery service. Saturday delivery is essential for many businesses and publications.

In this respect, I might point out that churches depend on Saturday delivery for their magazines for Sunday churchgoers. Nonsubscription sales occur at the church doorstep Saturday or Sunday, not Monday or Tuesday.

Further, dated material will lose most of its value.

Senator GLENN. Excuse me. I have to go vote again. Senator Stevens will be here a few minutes. If I am not back, please start the next testimony. I am sorry for these interruptions this afternoon.

Mr. FINK. The PRC has established administrative proceedings so expensive to parties, and therefore prohibitively burdensome, as to effectively freeze out the nonprofit religious press from any participation in rate increase proceedings before the Commission.

The Postmaster General should be appointed by the President, subject to the approval of Congress and thereafter responsible to the Congress for his actions.

We have elaborated on all these six points in our testimony, and I would be happy now to end my testimony today so that I will be available for questions.

Thank you.

Senator STEVENS [presiding]. Mr. Albert, will you please be next to testify?

Mr. ALBERT. Thank you, Senator Stevens.

I appear here on behalf of the Association of American Publishers, a nonprofit organization with a membership of over 320 publishing organizations, including not only trade book houses, large and small but also school and college textbook publishers, book clubs, university presses, and the publishing departments of religious denominations.

We firmly believe that the concept of the U.S. Postal Service as a public service is fundamental. Every citizen has an equal right to postal service, which is to say a right of equal access to information through the mails.

To provide this public service during fiscal year 1975 cost \$3.8 billion or approximately 32 percent of total postal costs, according to a Postal Service staff study.

In accordance with the public service concept, the service must be available whenever the householder needs it. He normally receives through the mail a good deal of basic information which is important to the orderly operation of society and which justifies funding the Postal Service through general tax revenues. Moreover, the principle of equal citizenship makes it necessary that certain rates be uniform and moderate.

In recognition of this principle, first-class, second-class editorial material—magazines—and special rate fourth-class mail are based on uniform rates with no differentials for geography or distance, and this should continue because a common public service concept is involved.

It is our considered judgment that one-third of the total budget of the Postal Service should be allocated as a public service appropriation out of general revenues, and two-thirds of the revenue requirements of the Postal Service should be obtained from the mailers through the payment of postage.

The United States is by far the largest producer of books in the world in absolute terms, and probably leads in the per capita production and consumption of books as well.

The unique role of books as an educational, cultural, and political resource has long been recognized in our society. Books are essential in a society whose functioning depends upon the prompt, widespread, and dependable dissemination of information. But if they are to fulfill the needs of society, they must be readily available in all sections of the country at reasonable rates.

In recognition of this, Congress in 1942 established by statute a nationwide book rate, separate from zoned parcel post in fourth-class, which continues to this day.

Other than for some modest rate increases and the addition of some minor categories of materials, there were no further legislative changes with respect to the special fourth-class rate until the Postal Reorganization Act of 1970.

The Postal Reorganization Act of 1970 was, with respect to the nature and location of responsibility for setting of postal rates, the result of a compromise between the House and Senate bills. By and large, the Senate provisions prevailed.

The House bill provided that Congress would continue to set rates for nonprofit organizations, books, and other educational and cultural materials, and for libraries. Congress was also authorized to appropriate a subsidy for these rates to make up the difference between the revenues they would produce and the actual cost to the Postal Service.

The Senate bill preserved no role for the Congress in setting rates of any type, but turned over the entire responsibility for ratesetting, within certain broad policy standards, to the Postal Service and the Postal Rate Commission.

At the same time, the Senate bill introduced the principle of phasing rate increases over a period of years, and the Senate committee report expressed the expectation that the Postal Rate Commission would give careful consideration to the public service which certain preferred rates have historically performed.

Statements made at that time by Senators Mansfield, Scott, and others also make clear that the Senate expected that the Postal Rate Commission would take into account the educational and cultural values of the materials in this special fourth-class category, both in maintaining a uniform rate and in setting the level of the rate, even though the Senate was not directly instructing the Commission to establish specific rates.

Senator Cranston said:

It is basic to our democracy that all of our people have free and easy access to books and other printed materials through our libraries and in our schools. This open circulation of the words and ideas of men is the very currency of our democracy.

I believe we must take whatever steps are necessary and pay the price to assure that we maintain the free flow of printed words throughout our nation.—(Congressional Record, June 30, 1970, page S10326)

As regards criteria, we heartily endorse the Postal Study Commission's recommendation No. 9 which states:

Congress should amend the law to prescribe criteria for the establishment of postal rates so that factors other than cost causation shall be taken into account in distributing a significant portion of total postal costs.

It was obviously the intent of Congress with its most recent amendment—Public Law 94-421—to the Postal Act to give further recognition to the public service aspect of special rate fourth-class and similar materials by amending section 3622(b) of title 39, U.S.C., ordering the Postal Rate Commission to take into consideration "(8) the educational, cultural, scientific, and informational value to the recipient of mail matter."

Unfortunately, the U.S. Court of Appeals for the District of Columbia in its recent decision overturning the ruling of the Postal Rate Commission totally ignored this congressional mandate, and it is apparently necessary for Congress to reiterate the public service aspects to be considered by the Postal Rate Commission in setting rates.

Private Express Statutes: The Postal Study Commission in recommendation No. 11 states that:

A general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nationwide service obligation.

Our position is fundamentally opposed to any modification or repeal of the Private Express Statutes. This position rests on our conviction that any loss of mail volume—for example, by transferring all third-class mail to other types of carriers—would result in higher cost to the remaining users.

Indeed, since third-class mail is apparently now a profitable element of the Postal Service operation, any loss of that volume would have a devastating effect on all other classes. Accordingly; AAP is in support of a postal monopoly tied to a public service concept.

Regarding current and future service levels, we wish to point out that special rate fourth class is a deferred service, meaning that normal delivery time is measured in many days and weeks as compared to preferred service such as first class.

The Postal Study Commission in recommendation 11 states,

(2) Mail delivery to all addresses should be reduced from six days to five days a week, but window service should be available on the day mail is not delivered.

Senator STEVENS. We have to interrupt you. We have a series of votes going on. Senator Glenn will be back.

Mr. DOHERRY. We might as well keep going and stay on the record here.

Mr. ALBERT. I feel as I did this morning while sitting in the bathtub, reading to myself.

[Laughter.]

We take no position as to whether 6-day service is needed for other classes of mail, or for the service of patrons generally, but we do vigorously contend that the costs incurred for 6-day service should not be attributed to the delivery of books.

Organizational changes: The Postal Study Commission has recommended:

(12) The Board of Governors of the Postal Service should be preserved and the Postmaster General and Deputy Postmaster General should continue to be appointed by, and serve at the pleasure of, the Governors.

From our vantage point, it appears that the Postmaster General and the members of the Postal Rate Commission should be appointed by the President and confirmed with the advice and consent of the Senate.

If that were accomplished, we would recommend that the Board of Governors of the U.S. Postal Service be abolished and its oversight responsibility assumed primarily by the Congress, ideally through a joint Senate-House Postal Committee, but otherwise through the existing committees of Congress.

Congress should function in practice as the ultimate authority on postal rates, reviewing recommendations from the Postal Rate Commission and accepting, rejecting, or modifying these recommendations before they can take effect. Congress should, as it does under governmental reorganization acts now in existence, have 60 to 90 days to conduct such reviews.

There is need for congressional oversight not only on postal rates, but also on postal wages, since the one cannot be controlled unless there is also control of the other. The Postal Study Commission states in its report that during the period 1971-76, postal wages increased 63 percent while the Consumer Price Index rose 40 percent and the price of first-class stamps went up 117 percent.

A Government owned and operated postal monopoly is not compatible with unfettered collective bargaining power and endless wage increases. For unlike business enterprises, the Postal Service is precluded from cutting back any wages, even in periods when it is incurring severe operational deficits.

Postal workers should be adequately and fairly compensated, but this must be determined within a framework of fairness to other Government employees and with dominant concern for the general public interest. Postal salaries and wage scales must be accepted once again as a responsibility of Congress and the President.

The Commission on Postal Service in its report dwells at great length on the impact of attributing costs—chapter 6. We quote parts of those statements in our report.

Unless this recommendation is followed by Congress, inequitable allocations of costs will be inevitable and as certain as night follows day, books and other items shipped through special rate fourth class will be driven out of the system because of excessive rates.

Finally, we are greatly disturbed by the cost and the inefficiency of bulk mail centers. This \$1 billion creation was announced as a program to guarantee the efficient movement of bulk mail—consisting mainly of packages—through the mails.

Unfortunately, it has not worked out as planned. While the bulk mail system was started with great promise, the book publishing industry now loses, at a conservative estimate, something between 5 and 7 million books per year through physical battering that breaks open the cartons in which they are shipped.

To make matters worse, these loose-in-the-mail books are then sold at public auction—frequently to commercial firms who resell them at discount to legitimate bookshops. We have worked with postal

authorities to correct the serious deficiencies, and we credit them with a genuine desire to make the bulk mail centers work efficiently.

On the other hand, we have grave doubts whether major improvements are possible. Up to now, the Postal Service has relied entirely on internal staff for this remedial work. We recommend that a panel of outstanding outside management consultants be retained to determine what new approaches might produce better results.

We wish this committee success in its efforts to untangle this very knotty problem, and pledge our assistance and cooperation.

Thank you.

Mr. DOHERTY. Thank you very much, Mr. Albert.

Miss Grinstead, do you want to go next, and we will wait for Mr. Brief for a while.

Miss GRINSTEAD. Thank you.

My name is Amelia Grinstead. I am assistant secretary and a member of the national board of directors of Girl Scouts of the United States of America. Mrs. Frances R. Hesselbein, the national executive director of GSUSA, has already written to the chairman of the subcommittee to express the views of Girl Scouts of the United States of America on the Postal Commission report and certain aspects of the Postal Service. My remarks are supplementary to her comments.

There are 2.6 million Girl Scouts in the United States in the age range of 6 to 17 years. These Girl Scouts are guided by 537,000 adult leaders.

The organization is dedicated to the purpose of inspiring American girls with the highest ideals of character, conduct, patriotism, and service; that they may become happy and resourceful citizens.

The constitution of GSUSA embodies the principles of service to God, country, and mankind. The program is carried out in small groups with adult leadership and provides a wide range of activities developed around the interests and needs of girls.

We have depended on the U.S. Postal Service as a primary delivery system of the Girl Scouts program and in the administration of the organization. GSUSA and the 349 councils throughout the United States are heavy users of all classes of mail.

In 1970, the total postage bill for the entire organization was \$624,000. In 1977, the estimated cost will be \$1,200,000. This 100-percent increase is completely the result of increased postal rates; in fact our volume of mail has declined over this period.

Under the phasing schedules of the Postal Reorganization Act of 1970 and Public Law 93-328, we estimate that total postal costs of GSUSA will escalate to \$4 million by 1987 calculated at today's volume levels.

We want to make Girl Scouting available to all girls regardless of ethnic or economic background. To recruit and retain a maximum membership we have kept the membership dues at \$2 per year since 1969. Any change in the dues must be enacted by the national council of GSUSA.

Girl Scouts of the United States of America is dependent on dues as its major source of revenues. Girl Scout councils are dependent on community and federated fund groups for the bulk of their operating funds. Neither of these sources have increased to help us defray the costs of increased postal rates; nor are they likely to keep pace with scheduled increases over the next 10 years.

We therefore face a bleak future of escalating postal rates with no alternative but curtailing our services to girls and the community, unless Congress acts to hold the line on rate increases for educational and social institutions operating in the public service.

It is for these reasons that we cannot support the position of the Commission on Postal Service, that holds that preferred mailers pay the same postage rates as other mailers. Congress has traditionally and consistently granted organizations like GSUSA preferred mail rates.

We can endorse the Commission's recommendation that the attribution of Postal Service costs be limited to 60 percent of total costs and that the remaining costs be assigned on the bases of noncost criteria.

We believe that Congress, not the Postal Rate Commission, should decide to what degree institutions in the public service should be subsidized through preferred postal rates.

We live in present danger of even higher postal rates if Congress should fail to appropriate postal service funds for revenues forgone, as provided in Public Law 93-328.

We respectfully request that the Senate give consideration to the fact that unless GSUSA continues to mail at preferred postal rates, it is almost assured that the public services of Girl Scouting will be diminished in the United States of America.

Thank you.

Mr. DOHERTY. Thank you.

Mr. BRIEF, do you have a prepared statement? Here is Senator Glenn. Mr. Brief is next.

Senator GLENN. Go ahead, Mr. Brief. I got back just in time.

Mr. BRIEF. Yes; absolutely. For a moment, I thought I was going to join Mr. Albert in his bathtub.

[Laughter.]

Mr. BRIEF. My name is Henry Brief. I am the executive director of the Recording Industry Association of America located at one East 57th Street, New York City. Our 59 member and associate member companies account for close to 90 percent of the phonograph records and prerecorded tapes made and sold in the United States.

I thank the Subcommittee on Postal Affairs for giving us the opportunity to appear here today.

With me is Mr. Alan Kayes, manager, business affairs, RCA Music Service. We have submitted a prepared statement that we now ask be incorporated in the record of this hearing. However, in the interest of brevity, and particularly because our purpose is to discuss the recording industry, its relationship to, and the extent of its dependence on the Postal Service, I ask the committee's indulgence to play a very short recording.

The Narrator. It's hard to believe only a century ago there were no recordings. A word once spoken, a sound once made, a note once sung or played was lost forever, impossible of being recaptured and preserved.

Then, in 1877, Thomas Alva Edison recited into a horn, "Mary Had a Little Lamb." The vibrations of his voice made a stylus cut grooves on a piece of tin-foil he wrapped around a rotating cylinder—and that's how it all began.

In the hundred years since then, the world has been entertained by recordings and educated by them. Recordings today serve as books for the blind, as texts for learning, as priceless historical documents that preserve for future generations the voices and artistry of performers and public figures.

Today, for example, we can still hear the immortal Caruso * * *
[Excerpt of Caruso's "Vesti la Giubba"]

The NARRATOR. Or a symphony conducted by Toscanini * * *

[Excerpt from Beethoven's "Fifth Symphony"]

The NARRATOR. Or Gershwin himself knocking out his "Rhapsody in Blue" * * *

[Excerpt from "Rhapsody in Blue"]

The NARRATOR. We can go back to the early days of jazz, and listen to Kid Ory play "Tiger Rag" * * *

[Play "Tiger Rag,"]

The NARRATOR. Or take a nostalgic trip back to the Swing Era of the 40's, and hear Duke Ellington play "Take the 'A' Train" * * *

[Excerpt from "Take the 'A' Train"]

Senator GLENN. That is the best we have had in the hearing until now, I will tell you that.

[Laughter.]

The NARRATOR. We can be thrilled once again by Richard Burton as "Hamlet" * * *

["To Be or Not To Be" soliloquy]

The NARRATOR. Or have Julie Andrews repeat her unforgettable performance in "My Fair Lady" right in your own living room * * *

["I Could Have Danced All Night"]

The NARRATOR. Think what it would be if we could hear George Washington or Abraham Lincoln, but we can still reawaken the memory of some of our great public figures by listening to them again * * *

[Excerpts from speeches by Adlai E. Stevenson and John F. Kennedy]

The NARRATOR. Perhaps the most exciting event of this century, man's first landing on the moon, has been preserved for all time on a recording * * *

[Commentary on moon landing by Walter Cronkite and Wally Schirra]

The NARRATOR. Making a recording is the business of selling art—art which has brought pleasure and cultural enrichment to the peoples of the world—a priceless heritage that we are able to pass on to future generations.

This is Francis Robinson of the Metropolitan Opera. An enthusiast once said that recorded sound was the loveliest miracle in a century of miracles. He wasn't far wrong.

Mr. BRIEF. Mr. Chairman, members of the committee, we hope this all-too-brief montage of what the recording industry has produced over the past century will heighten your appreciation of what we are and what we do.

We appear here because mail-order distribution has become an increasingly important supply channel for a broad segment of the American public whose cultural interests are served by sound recordings played in the home, in schools, and colleges, in libraries, churches, and community centers through the land.

In many areas of our country, there are no retail record outlets or there exist only small outlets with little depth or spectrum of catalog. The U.S. Postal Service is therefore the only practical distribution system that is fully responsive to the varied and diverse tastes of the public.

Having investigated other means of distribution, we have come to the conclusion that lack of sufficient density of customers in a given area gives us no practical, cost-effective alternative to the U.S. Postal Service.

Although the Congress has recognized sound recordings as cultural and educational materials by according them the special fourth-class mail rate, postage costs even within that rate have risen so rapidly and alarmingly over the past 8 years that we are reaching the point at which the public will be either unable or unwilling to pay the costs of obtaining cultural materials through the mails.

We therefore urge this subcommittee to recognize in its report the public service aspects of the special fourth-class rate and to recommend that Congress include in an increased public service appropriation, that is necessary to the very survival of the postal system, sufficient funding to maintain a uniform postal delivery service for educational and cultural materials throughout the country at reasonable rates.

Thank you, Mr. Chairman. My colleagues and I are now open to any questions that the members of the subcommittee may have.

Senator GLENN. Thank you, Mr. Brief. That was very good and very entertaining. I didn't see whether it was a record or a tape. If I thought it was a record, I thought it would end up saying that the Postal Service "costs too much, too much, too much, too much, too much."

[Laughter.]

Mr. BRIEF. We would have to take that one back and give you a new one.

[Laughter.]

Senator GLENN. I don't know how our court reporter is going to sing Enrico Caruso into the record here, but we will make every effort.

The point has been made that the administrative proceedings in particular before the Postal Rate Commission are prohibitively expensive. In adherence to the Administrative Procedures Act they are intended to assure all parties' rights are given fair hearings.

Mr. Fink, I think you commented on this. You believe the costs involved are so great that you believe rights are being hampered rather than helped. Does that express it?

Mr. FINK. Yes, Mr. Chairman, we do feel this. No individual publisher or association of our size can afford to become a prime participant in the postal rate hearings. We just do not have the money either as a publisher or as an association to do this.

What we called for in our association was an office of some type within the Postal Service, if possible, that would enter into the proceedings on behalf of the nonprofit press.

Senator GLENN. Something like an ombudsman?

Mr. FINK. Yes.

Senator GLENN. Are we talking about one person for a day, or a whole staff for a month, or what?

Mr. FINK. That we cannot say, sir. I think that your staff probably would have a better idea on that than I would but—

Senator GLENN. Is your counsel with you here today? I thought maybe they could give us some idea of this, because I didn't think that the administrative proceedings were that expensive.

I was rather suprised.

Mr. LUCER. Mr. Chairman, they are expensive in two ways, please.

First of all, the Postal Rate Commission is allowed 10 months' maximum to process proposed rate increases and to promulgate the increases. For us to participate on a day-by-day, week-by-week basis does require regular attendance, and requires or at least suggests that we procure copies of the transcript which in itself is prohibitively expensive, and in addition to that, those are the costs of being there day in and day out.

The greater costs are the assemblage of the data required to respond to the Office of the Commission and other parties in response to interrogatories, preparation for testimony, preparation of the exhibits, and so on.

Our prepared statement details the number of publishers we have in our association. Our publishers don't have the means or wherewithal to gather the data in a computer printout form which is useful for testing evidentiary purposes in a postal rate proceeding.

Then, too, several association members may in fact have this data printed out, but it is not necessarily representative of the whole industry itself. So if we came into a postal rate proceeding, there is no way that the data or the evidence or the testimony that we would provide could in fact stand up under prolonged cross-examination by the Office of the Commission or by parties having adverse positions to our positions.

Senator GLENN. Have the rest of you had experience with this? Mr. Albert, do you have experience with this?

Mr. ALBERT. Our legal counsel is here today, and if you look at his fine suit, you know how expensive it is. Mr. Schmidt would like to comment.

Mr. SCHMIDT. It is very expensive, Mr. Chairman.

[Laughter.]

Senator GLENN. You are a great help.

What I was getting at is that I don't have a feeling of whether it is \$10 twice a day for 2 days, or whether it would cost a couple of hundred dollars. What is the expense?

Obviously, if you have an ombudsman, we have to have an idea of the expense. Is it \$10,000 to do the job, or what?

Mr. SCHMIDT. One trade association that intervened in the first rate case spent over \$350,000 for economists, expert witnesses, and legal fees.

Now, they attended each session, and they did a first-class job. I am sorry to say that the association I represent, we were not, because of economic limitations, able to do the first-class job that we would have liked in hiring expert witnesses and consultants. I don't think it is out of line at all to say that a full-fledged participation in a current hearing to do the job properly would run anywhere from a quarter of a million up.

Senator GLENN. That is a lot of hearings.

Mr. SCHMIDT. Yes; it is. The first hearing went an unusually long period of time. It has been cut down thanks to the action of Congress in cutting the Postal Rate Commission's deliberation time to 10 months.

Also, we all learned from experience and we tried to cut down the costs by reading the transcript as it comes out daily and not being at every hearing every day.

Senator GLENN. Does the Rate Commission operate as a quasi-judicial body? In other words, do they sit more or less in judgment as to how each side is to develop its own evidence, or do they go out and try to produce evidence and look at both sides of the issue themselves on their own initiative?

Mr. SCHMIDT. They have been functioning in a quasi-judicial and quasi-legislative capacity. The Postal Service makes its presentation and its proposal, and the intervenors come back with their questions

and discovery with respect to the basis and validity of that proposal and present their own proposals.

The Office of the Commission, which is there as a sort of an ombudsman for the general public, but I don't know that he has any contact with the general public, they, too, come forward with a staff of experts and made their own proposals.

The Commission weighs this evidence. They have been sitting with an administrative law judge, but they no longer have one, and are sitting en banc, or sometimes only with the chairman or other members of the Commission present.

Basically, we do not have criticism of the methods in which they have conducted the hearings. They have made every effort to expedite them and to do so fairly.

Mr. FINK. Mr. Chairman, I might state that at the time when we first had the opportunity to become an intervenor, the associations I represent had to make a decision about what they should do, and there is absolutely no money available for such a thing, so we decided that there is no way that associations could intervene.

Senator GLENN. We run into the situation of ombudsmen and the quasi-judicial functioning of regulatory groups in many different fields. Of course, there have been efforts made to provide public funding for groups that do not have money, and that should be represented before these groups.

It is a very controversial area, obviously. Then the argument comes up, "Are you in turn going out to sponsor Common Cause, all of Nader, or are you publicly funding groups that should get their funding from some other source?"

It is a very difficult problem. The other side of it, of course, is to set up regulatory commissions or boards, or whatever, on the basis not just of sitting in judgment and having all information brought to them. Then they are out actually looking at both sides of the issues.

That establishes them on a different basis, and, to some extent, makes them a little more liable to political pressure at times. It is not an easy thing to say, "We provide money for somebody to go before the board."

We may have to change completely the structure of how regulatory matters operate.

Mr. LUCEY. One point, over the past 4 or 5 years that the Commission has been functioning, the nonprofit press has been overcharged by \$50 million for the cost of their mail. That is equal to one-third to one-fourth in 1977 of carrying the mail.

If we had justice here, we would have prepaid our rates by 3 months. We cannot recover overcharges by the Postal Rate Commission.

Senator GLENN. What are your views on what the attributable charges should be?

Mr. FINK. Our testimony sets out that for a long time now we have tried to get it written into the law at 50 percent. We note that the Postal Commission has recommended 60 percent, and we had hoped that perhaps a percentage between those two figures would be final.

Senator GLENN. Any of the rest of you?

Miss GRINSTEAD. We support the Commission report at 60 percent.

Mr. ALBERT. We do, too.

Senator GLENN. How about on the yearly subsidy? Ms. Cooke, I believe you got into that in passing.

Ms. COOKE. Mr. Chairman, I am not sure exactly what the subsidy should be. I was going to speak to your previous question. We were intervenors in the postal proceedings early on and found that it was far too rich for our blood, eventually we had to drop back to become limited intervenors, because it meant staff time in gathering facts on additional postal charges, and also legal fees which we were not able to continue to bear.

But in the course of being limited intervenors, it was our understanding that the directly attributable costs were about 50 percent. Like everything else, I am told the costs have gone up, and 60 percent may now be the right figure, but we would hope that it be kept at the lowest possible rate.

Senator GLENN. I am sure you followed the legislation on the Agency for Consumer Advocacy, ACA, which generates a lot of strong feeling. People are very much for it or dead set against it. It is very controversial.

The President has come out for it. His major function would be to make sure that people are represented before the various boards and regulatory agencies such as we are talking about here. Because I think most people do not fully understand the quasi-judicial function of most boards and commissions here in Washington, they think that those boards should be doing the job of looking out for both sides of issues and making up their own minds. But that isn't the way most of the boards and commissions actually function.

That is the heart of the need for an ACA-type agency.

Let's get back to the question of the yearly subsidy which is rather controversial. The Commission recommended 10 percent. Would anyone care to comment on that?

Mr. ALBERT. Yes, Mr. Chairman.

First, I would like to—I forgot to mention at the outset that I would like our full comments made part of the record if that could be done.

Senator GLENN. That will be done.

Mr. ALBERT. We recommended one-third of all expenses be recommended by Congress. We make that statement on the basis that on the Postal Commission staff study in fiscal 1975, the cost of providing delivery service to 77 million delivery boxes in the United States—

Senator GLENN. You are talking about one-third of the total, not a 33½ increase each year?

Mr. ALBERT. One-third of total operational costs.

Senator GLENN. All right. That is a little different. The Commission had recommended a sort of an automatic 10-percent increase every year over the previous year's subsidy.

Mr. SCHMIDT. No; no.

Senator GLENN. All right. Ten percent of the previous year's budget as an increase each year.

Mr. SCHMIDT. Yes.

Senator GLENN. All right. The 10 percent would be of each year's previous budget, so you get an increase on the previous year's 10 percent, and that would have a cumulative effect, as I understand the recommendation.

Is that your understanding of it?

Mr. LUCEY. It would be an increase from year to year as postal operations increase, but not 10 percent cumulatively each year.

Senator GLENN. It would be compounded, though, on a previous year's increase, and would pyramid?

Mr. LUCEY. Precisely.

Senator GLENN. Various people have recommended that we go up to 20 percent on that basis. What you are talking about is one-third of the total cost.

Mr. ALBERT. Yes; one-third of the total costs. Mr. Chairman, we make that suggestion on the premise that the Postal Service is there to benefit the recipient much less than the mailers.

As a book publisher, I have alternatives to send my books to the buyer. The recipient has no other means of receiving information but through the mail, and, therefore, we think it is a public service that should be recognized and paid equally by all citizens, like defense.

If you live in Podunk, or New York City, you pay the same amount for residence, even though Podunk has a lesser chance of being bombed than New York City in time of war. We support this as a public service concept, and, therefore, each citizen should pay for that privilege.

We feel 33 percent is what that public service is now costing.

Senator GLENN. When the Postal Service was established the aim was to put it on a self-sustaining basis to the extent possible. This proposal goes in the other direction, assuming we would make a fixed subsidy each year on a regular and good-sized basis.

Mr. ALBERT. There is no way that the Postal Service, in my opinion, can operate as a business, and that fact ought to be recognized, unless we want to cut down 20,000 post offices and cut back services to 3 days a week, and fire half of the postal force, there is no way it can operate at a profit or a break-even point.

Senator GLENN. We are going to have to end this hearing very shortly. Does anyone else have any comments on the issues we have been discussing?

Mr. DAY. Senator, just one thing, I don't know if it was made clear that the Postal Rate Commission already has an ombudsman. The existence of that ombudsman has a big part in creating the terrifically long and expensive proceedings.

I think if one would study the operations of that ombudsman, we would have a wonderful example of why it should be an agency for consumer advocacy, because he is slowing down the whole process over there.

Senator GLENN. Let me ask, Mr. Day, if he did not do what he is doing, how would people get recommended in this intervenor situation, or how would both sides get presented in this quasi-judicial function?

Mr. DAY. The Postal Rate Commission has recently established a method, though informal, for limited intervention. An individual can come in and represent himself, if he wants to, or he can file a statement with them.

The Commission has shown great interest in trying to make it possible for people of limited means to come in and be represented there on an inexpensive, limited basis. I don't think having an ombudsman who in the current case is really manufacturing a case, and making it expensive for everything else in the classification area, I don't think that is any solution to the problem.

Senator GLENN. How would you feel about having the ombudsman being appointed by the Commission instead of the officer of the Commission?

Mr. DAY. The officer of the Commission—that is, the ombudsman?
Senator GLENN. Yes.

Mr. DAY. I don't think there has been any objection that I know of to the method by which he is appointed. He does seem to be completely independent. I don't see much difference on that subject. It is simply the fact that he is there with a large staff and unlimited resources to get expert witnesses and to file pieces of paper, and it drags out the proceedings twice as long as they would be otherwise.

Senator GLENN. I gather what you are saying is that there has been a tendency for this to become an empire all of its own, with the more work generated, the bigger the office?

Mr. DAY. A perfect example of Parkinson's law; yes.

Senator GLENN. We are going to have to end. We are late getting done now, I appreciate your being here. It has been very interesting.

[The prepared statements on the panel consisting of Mr. Cooke, Mr. Fink, Mr. Albert, Miss Grinstead, and Mr. Brief follows:

Statement of
Eileen D. Cooke, Associate Executive Director
American Library Association

Before the Subcommittee on
Energy, Nuclear Proliferation and Federal Services
of the
Senate Committee on Governmental Affairs
on the Recommendations of the
Commission on Postal Service

June 28, 1977

I am Eileen Cooke, Associate Executive Director of the American Library Association and Director of its Washington Office. The Association is a nonprofit educational organization whose membership includes some 35,000 librarians, educators, trustees and other public-spirited citizens who are committed to the development and improvement of library and information services as a contribution to the educational, economic, business, scientific, and cultural life of the nation. Our concern covers all types of libraries: state, public, school and academic libraries, research and law libraries, special libraries serving persons in government, commerce and industry, the arts, the armed services, hospitals and other institutions.

We are pleased to have this opportunity to comment on the recent recommendations of the Commission on Postal Service with regard to postal rates, classification, acceptable service levels, electronic communications, and related matters.

Postal Rates

The American Library Association has been very much concerned over many years with postal matters. Libraries use all classes of mail, but our interest has been concentrated on two subclasses of fourth-class mail: (1) the library rate, which is used by libraries for loans of materials between libraries and their patrons; and (2) the special fourth-class rate which covers books and other educational and cultural materials.

Since the Postal Reorganization Act of 1970 (PL 91-375), libraries have experienced sharply escalating postal costs with no apparent relief in sight. The

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recent increases in the library rate provide a good example. Five years ago, a library could mail a three-pound package of books to a patron for a 10¢ stamp. Today this same package costs 17¢, and on July 6 when the newest rate increases take effect, libraries must pay 19¢ to mail this same three-pound package of books. Thus, within a five-year period we have had a 90 percent increase in the cost of mailing a package of library books.

It is generally true to say that every dollar libraries spend for postage means a dollar less spent for books, magazines, tapes or films for the use of the American people. Postal costs aside, library budgets are severely strained today. In many cities, libraries have been forced to sharply reduce their purchase of materials. And to make matters worse, curtailed hours of service and staff layoffs necessitated by shrinking budgets have been the rule rather than the exception, particularly in major urban areas. Let me give a few examples. Buffalo has lost 42 percent of its library work force, with the result that branches are open only two or three days a week. San Francisco Public Library's book budget has been slashed from \$850,000 to \$650,000 and service hours have been reduced. Los Angeles has lost more than forty library staff members in the budget crunch. Brooklyn has suffered broad curtailments and is expecting more. The City of Detroit was unable to provide any funds for its public library this year. The plight of the New York City Public Library is well known.

Spiraling postal costs are just one more problem adding to the fiscal crisis libraries face today. Wherever they can, libraries are searching for delivery schemes more reliable and less costly than the Postal Service. While they have traditionally used the fourth-class library rate to lend books to other libraries, we are increasingly hearing reports that libraries are looking to bus transportation or private delivery services instead, because they may be cheaper and because the service is more reliable. The fact that countless packages of library books have been mutilated beyond recognition by the machinery at the Postal Service's new bulk mailing centers, claimed by the Postal Service and subsequently auctioned to

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the highest bidder, does not encourage libraries to send books and other educational materials through the mails. We are very distressed by these trends of rapidly rising postal rates and continually deteriorating service.

The report of the Commission on Postal Service seems to indicate that the Commissioners have at least some understanding of the social and cultural aspects of postal rate setting, an understanding that has not been notably present among rate setters in recent years. The report is not altogether free of contradiction, however, and we are troubled by a reference on page 68 which seems to suggest that the Commission may be recommending that a share of institutional costs in addition to allocated costs be added to the library rate after a ten-year phase-in period from 1987-1997. We strongly oppose such a suggestion, which would result in adding to the severe financial crisis libraries throughout the country are facing today.

Enactment of postal legislation in the 93rd Congress extending the phase-in period for rate increases (PL 93-328) and in the 94th Congress allowing publishers and distributors to use the library rate in their mailings to libraries and educational institutions (PL 94-421) was helpful to libraries throughout the country. As a result of these two laws, libraries today are paying less in postal costs than would otherwise be the case. Yet, despite the significant help afforded libraries by PL 93-328 and PL 94-421, the problem of continuously escalating postal costs remains. For this reason, we support a substantial increase in funds authorized for public service purposes. We were pleased to see that the Commission, too, recognized the need for increased public service appropriations, although its recommended moderate increase "to 10 percent of postal expenses incurred in the preceding fiscal year" may not be adequate. We note, for example, that the postal amendments now pending before a House subcommittee (HR 7700) would provide a 15 percent public service contribution by the federal government. In any case, it is certainly clear by now that the present level of public service appropriations is totally inadequate to meet the financial needs of the Postal Service.

Acceptable Levels of Service

We agree with the Commission that the Postal Service must take specific steps to meet reasonable delivery standards. Recent experience with the automated bulk mail system has been a disaster for libraries. For example, the bulk mail facilities are not properly equipped to handle film cases, and as a result films shipped to and from libraries are being delayed for low-priority manual processing, with the consequence that those who order films for viewing are receiving them only after the scheduled viewing date has passed. The Postal Service has proposed as an answer to this problem that all film shippers invest in new standard-sized film cases. This would be a major expenditure for film shippers, some of which are non-profit libraries which simply cannot afford it. We believe the bulk mail facilities could have been designed to accommodate existing film cases, and that every effort should be made to so modify them now rather than requiring major financial outlays on the part of film shippers.

There are other problems. Frequently, materials shipped to libraries from publishers are never received because the packages are torn apart by the machinery in the bulk mail centers. Libraries often must pay for what they order whether or not it is received. A librarian in Southern Illinois reported that last December some 10,000 books and 3,500 records received from the bulk mail center in Chicago were auctioned at the post office in his community. These materials were claimed by the Postal Service because their labels had been torn off by the bulk mail machines so neither sender nor intended recipient was known. A librarian in up-state New York has reported to us that the Postal Service there recently auctioned library books that had met the same fate in the bulk mail centers, but in this case the books could be identified by the library's charge-out card still in the book pockets. Apparently the Postal Service looked no further than the missing mailing label to determine the owner of the books in question. We believe these stories are not isolated instances but symptomatic of a pervasive pattern of generally unacceptable postal procedures and practices that must be corrected. In our opinion,

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the Commission's report is somewhat inadequate in not taking a stronger stand on this kind of totally unacceptable service.

Classification

The Commission opposes any proposed new classification system based mainly on the size, shape, and handling characteristics of mail. Under such a proposal, in some of the more memorable words of the Commission's report, "The content of mail matter -- whether a piece of mail is a package of yarn or a literary journal -- would never be relevant to the classification of the mail or the rate charged for handling it." The American Library Association agrees with the Commission on this point. We have consistently opposed such classification schemes. Moreover, we wish to emphasize that a uniform national rate for special fourth-class library and book rates is of utmost importance to libraries, particularly those remote from the publishing centers in the East and Middle West which would otherwise have to pay several times as much in postage on their book purchases as libraries and other consumers close to the publishing centers. At the time of enactment of the Postal Reorganization Act, we were worried that unless Congress specified otherwise, the new Postal Service and Rate Commission might throw books into the zoned parcel post rate. Fortunately, we were able to interest the minority and majority leaders of the Senate in this cause and the Scott-Mansfield amendment was added on the Senate floor. This was subsequently retained in conference, and appears in the Postal Reorganization Act as section 3683.

Electronic Communications

The American Library Association concurs with the Commission's recommendation that the Postal Service should immediately pursue opportunities to provide services which utilize existing electronic communications with the unique collection and delivery system of the Postal Service. We also support the Commission's recommendation that the Postal Service should determine within the next two years whether the communications needs of the American public require the Postal Service to provide services using electronic communications. Based on the experience of most

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libraries to date, we find that electronic transmission of extensive data is still too expensive except for urgent needs. The electronic alternative is being closely watched by libraries, however, and we expect that it will become more within the reach of nonprofit institutions like libraries in future years.

Other Recommendations

Finally, the American Library Association supports those recommendations of the Commission on Postal Service calling for far greater progress in the selection and appointment of women to higher level positions in the Postal Service, and for establishment of a simpler rule-making proceeding that would allow the public an opportunity to present views to the Postal Rate Commission. The Commission on Postal Service recommends that future Postal Rate Commissioners be required by law to have professional competence in postal affairs, law, economics, or utility regulation. We agree such backgrounds are important and would recommend as well that at least some of the commissioners have a demonstrated record of public service in fields such as education, consumer affairs, or library/information service.

Proposed Amendment to Correct Inequity Created by PL 94-421

Finally, Mr. Chairman, we would like to call your attention to the need to correct an anomaly that was created by the Postal Amendments of 1976 (PL 94-421). As you know, PL 94-421 made it possible for publishers and distributors to mail materials to libraries at the library rate. Previously they had been required to pay the higher fourth-class book rate. The savings made possible by this new provision are expected to benefit libraries that receive by mail materials they purchase from publishers and distributors, because postal costs have traditionally been passed on from publisher to purchaser. We supported this amendment.

We were, however, dismayed to learn that PL 94-421 contains no provision allowing a library to pay the library rate on material it may return to the publisher or distributor. Should a library wish to return a book to the publisher, it must pay the higher fourth-class book rate. We believe this inability on the part of libraries to use the library rate when mailing materials to publishers or

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distributors is an inequitable result of PL 94-421 that was neither anticipated nor intended by the 94th Congress. We urge you to correct this inequity early in the 95th Congress, by enacting legislation that would allow material mailed from a publisher or distributor to a school, college, university, or library at the library rate to be also returned to the publisher or distributor by the school, college, university, or library at that same rate.

Conclusion

We appreciate this opportunity to present the views of the American Library Association on the recent report of the Commission on Postal Service, and stand ready to provide you with whatever assistance we can in your efforts to move the nation forward toward the establishment of a modern, reliable, prompt, and reasonably-priced mail service to all Americans.

STATEMENT OF THE CATHOLIC PRESS ASSOCIATION,
ASSOCIATED CHURCH PRESS, EVANGELICAL PRESS ASSOCIATION
AND THE AMERICAN JEWISH PRESS ASSOCIATION TO THE
UNITED STATES SENATE GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON ENERGY, NUCLEAR
PROLIFERATION AND FEDERAL SERVICES

June 28, 1977

The four named associations are pleased to present to this Subcommittee their views on matters of critical importance affecting the United States Postal Service, the Postal Rate Commission and non-profit and preferred second-class mail users which require your attention and study.

Since the inception of the Postal Reorganization Act, these associations have spoken as one in testifying many times before committees of Congress and in proceedings before the Postal Rate Commission. These religious press associations -- as one -- support the views expressed in this statement.

Together, the Catholic Press Association, the Associated Church Press, Evangelical Press Association and the American Jewish Press Association represent some 700 non-profit religious publications or publishers. The total per issue circulation of our member publications is approximately 70 million, of which about 20 million is attributable to newspapers

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and about 50 million attributable to magazines. Member religious publications deliver over 1 billion pieces of mail, read by several billion subscribers and others.

Our member publications are primarily users of second-class postal services, but they also make extensive use of first, third and fourth class postal services in the normal operation of their publishing businesses.

The Associated Church Press, a membership association of about 200 publications, most of which are Protestant, but some of which are Catholic or Orthodox, is headquartered in Geneva, Illinois.

The Catholic Press Association, a membership association of 139 newspapers, 108 magazines and 10 publishers of general Catholic literature, such as pamphlets and books, is located at 119 North Park Avenue, Rockville Centre, New York. Its members represent approximately 60 percent of the total Catholic newspaper and magazine circulation in the United States -- or about 27 million per issue or one-half billion circulation per year.

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The Evangelical Press Association, headquartered in La Canada, California, has approximately 175 member publications, mostly magazines, with a total circulation of 20 million.

The American Jewish Press Association, founded in 1943, is an association of 52 English language publications in the United States and Canada, with headquarters at 611 Olive Street, St. Louis, Missouri. Its member publishers have a weekly circulation of 400,000 newspapers and magazines.

The sheer inequity of subjecting the non-profit and preferred press -- religious, agricultural, scientific, labor, veterans, fraternal, cooperatives and others -- to postage rate increases adopted in the last four years aggregating well over 1,000% when effective prompts our appearance here today.

When the annual postage bill for Decision Magazine increases from 1971 to 1976 by 44% to \$1.8 million and when "Our Sunday Visitor," of which I am President, sees its second-class postage bill similarly rise on its family of religious publications from \$70,000 to \$153,000 (\$496,000 at the end of the "Stretch-out") with circulation for both remaining relatively

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constant, those publications and their fellow religious publishers cannot idly suffer the financial hardship being worked upon them.

Therefore, we have singled out six areas for comment where we think this Congress can and should have great impact in alleviating and otherwise correcting the imbalance which has occurred since Congress delegated authority over the setting of rates. Those six areas are:

1. The irrationality and inequity of the Postal Service's definition of "attributable" costs which has resulted in spiraling postage rate increases for non-profits far outstripping the percentage increases visited upon "for-profit" publications in the same mail class classification. Congress should adopt a definition of "attributable" costs which will serve at once as an instruction, and guideline to the Commission in its future rate-making deliberations. We note that the Report of the Commission on Postal Service recommended a precise definition which we endorse.

2. For whatever reason, the Postal Service, the Postal Rate Commission and the Board of Governors

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have been unable to agree on the setting of a ceiling on attributable costs. We have long urged the Congress to step into this void and fix such a ceiling at 50% of total costs. We note that even the Report of the Commission on Postal Service recommends a ceiling of 60% and perhaps somewhere in between these two figures Congress can find a fair and logical limitation.

3. We fully understand the desire of Congress to remove itself from the intricacies of the postage rate setting and classification decisions -- as it did by the passage of the Postal Reorganization Act. However, we believe just as strongly that Congress should retain a review or oversight function over the final actions of the Board of Governors with respect to these two matters.

4. We view with great alarm and disappointment the proposal of the Postal Service to further curtail by one day the already limited postal delivery service. Saturday delivery is essential for many businesses and publications.

5. The PRC has established administrative proceedings so expensive to parties (and, therefore, prohibitively burdensome) as to effectively freeze out the non-profit religious press from any participation in rate increase proceedings before the Commission.

6. The Postmaster General should be appointed by the President, subject to the approval of Congress and thereafter responsible to the Congress for his actions.

We wish to expand on each of these topics:

- I. The irrationality and inequity of the Postal Service's definition of "attributable" costs which has resulted in spiraling postage rates for non-profits far outstripping the increases visited upon "for-profit" publications in the same mail class classification. Congress should adopt a definition of "attributable" costs which will serve at once as an instruction and guideline to the Commission in its future rate-making deliberations. We note that the Report of the Commission on Postal Service recommended a precise definition which we endorse.

Historically, the non-profit press was recognized by Congress for the special contribution it has and can make to the religious, educational and fraternal fibres of this great country -- contributions which are not and will not be met or substituted for by the commercial "for-profit" publications. In so focusing upon the contributions of these non-profit institutions, Congress long ago established a postal rate niche for the non-profit press of approximately one-half of the rate otherwise to be paid within the same classification. In fact,

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going back into the 1940s and beyond, the rate fell well below one-half.

In Title 39, Section 3622, subparagraph (4), a provision of the Postal Reorganization Act, Congress charged the Postal Rate Commission to give due consideration to

the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters.

Not only has the Postal Service and the Postal Rate Commission failed to give any regard to the earlier mentioned criteria as they affect "non-profits," those two bodies have set rates for such publications -- by the Commission's own admission -- of approximately \$50 million in excess of costs attributable to handling non-profit mail during the past four years. (See Appendix I, Testimony of Paul D. Kagen, Postal Rate Commission Docket No. MC 76-5, October 7, 1976.)

Why would Congress direct and require that, in setting rate adjustments, consideration be given by the Commission and the Board of Governors to social, cultural and intellectual factors as well as cost

factors only to have the Commission and the Board ignore the former and abuse the latter.

We note that the Report of the Commission on Postal Service recommended proposed legislation which define attributable costs as "those ... which vary with volume over three years or less." We endorse this definition and urge its enactment.

II. For whatever reason, the Postal Service, the Postal Rate Commission and the Board of Governors have been unable to agree on the setting of a ceiling on attributable costs. We have long urged the Congress to step into this void and fix such a ceiling at 50% of total costs. We note that even the Report of the Commission on Postal Service recommends a ceiling of 60% and perhaps somewhere in between these two figures Congress can find a fair and logical limitation.

If the United States Postal Service and the United States Postal Rate Commission have their way, attributable costs as a percentage of total costs may well hit a high point of 80% or more within the next few years. Already, the Officer of the Commission has recommended an amount closely approaching this percentage. This would mean that non-profit and preferred publications would be carrying close to a full burden of the costs of running the postal service.

Congress certainly did not intend this result and permitting the Postal Service and Commission to further flaunt their determinations and frustration of the Congressionally enacted mandates for the setting of postal rates is intolerable. Non-profit and preferred publishers cannot pass rate increases of this magnitude on to their readers and there is no way that advertising rates can be pushed up to compensate for increased postal costs.

We note that the Report of the Commission on Postal Service recommends legislation fixing a ceiling of 60% of total costs as attributable costs. We have long urged a ceiling of 50% and somewhere in between these two figures is a fair mark to shoot for.

III. We fully understand the desire of Congress to remove itself from the intricacies of the postage rate setting and classification decisions -- as it did by the passage of the Postal Reorganization Act. However, we believe just as strongly that Congress should retain a review or oversight function over the final actions of the Board of Governors with respect to these two matters.

We strongly urge that Congress retain to itself the authority to veto what it considers to be unwise, unjustified or unduly burdensome postal rate increases and classification changes put into effect by the Board

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of Governors. This would not only insure to mailers the protection of their elected representatives against inept action of the Board of Governors, but it would clearly make the Board more responsive to the Congress -- and, therefore, to the people -- in making its rate and classification decisions.

Retained veto power is not without precedent in other areas of the government and we believe it to be particularly apt where the financial and economic arteries of large and small publishers across this land may be threatened.

IV. We review with great alarm and disappointment the proposal of the Postal Service to further curtail by one day the already limited postal delivery service. Saturday delivery is essential for many businesses and publications.

We are sure that Congress will examine most carefully the Postal Service's proposal to cut out 6th-day delivery. Not only are the jobs and incomes of many at stake, the timeliness of deliveries and the freshness of news is threatened by such action. If the Postal Service is to be permitted to further curtail its delivery as a stopgap

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measure to temporarily ease its largely self-induced financial problems, what service or what days delivery will be cut out next as a temporary solution to a future problem.

Churches depend on Saturday delivery of their bundled papers and magazines for Sunday delivery to church-goers as well as individually delivered papers on which some churches are just as dependent. Non-subscription sales of religious publications occur at the church doorstep on Saturday and Sunday -- not the following Monday or Tuesday! Further, dated program material in many of the weeklies (Sunday School lesson aids, youth programs, etc.) will lose most of their value to publisher and reader if not delivered before Sunday. Not only is there no delivery mechanism for bundled papers if delivery is postponed from Saturday to Monday, the news becomes impossibly stale. To accelerate publication by one day would also result in a further "staling" of the news. We would like to see later deadlines -- not earlier.

Even if the Postal Service is correct in its estimate of dollar savings as a result of elimination of

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6th-day delivery, the amount saved pales in the face of the postal deficit.

- V. The creation of administrative proceedings so expensive to parties (and, therefore, prohibitively burdensome) as to effectively freeze out the non-profit religious press from any participation in rate increase proceedings before the Commission.

By definition -- money -- publishers of religious publications have no voice in the setting of relevant rates. No individual such publisher or association of such publishers can afford the cost of day-to-day representation and participation in Postal Rate Commission proceedings. They do not have the financial wherewithal or the statistical data with which to produce their own testimony and exhibits or to refute and rebut testimony and exhibits offered by other parties, including the Postal Rate Commission staff and the Postal Service staff.

Witness the fact that the Postal Service has urged and the Postal Commission has adopted a rate structure for non-profits which by the Commission's own admission has resulted in the collection since 1972 of \$50 million in excess of costs attributable to the handling of such mail. (See Appendix I to

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testimony of Paul D. Kagen, dated October 7, 1976, in Postal Rate Commission Docket MC 76-5.) Indeed, this is in excess of one-third of the Postal Rate Commission's estimated attributable cost for non-profit publications in fiscal 1976. Putting it another way, these publications have prepaid four months of their fiscal 1977 postage bill with no credit being given therefor.

Postal Rate Commission rules which allow for limited intervention are no solution. To mount any effective participation -- limited or full -- with direct and rebuttal exhibits, expert testimony and opportunity to cross-examine would cost the publishers of the religious press many thousands of dollars which they do not have and cannot obtain through subscription price increases, increase in number of subscribers or otherwise.

One solution to this administrative and financial mire is to create a select office within the Postal Service or other rate-making forum which would be charged with the specific responsibility of participation in the proceedings on behalf of the

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non-profit and preferred press - an ombudsman to the Commission or whatever rate-making forum ultimately evolves.

- VI. The Postmaster General should be appointed by the President, subject to the approval of Congress and thereafter responsible to the Congress for his actions.

The Postmaster General should be appointed by the President of the United States and subject to the confirmation of the Senate. This individual's authority and influence is so pervasive throughout the government and private sectors that he must be responsible to the Administration, to the Congress and to the people of the United States. His actions are not taken in a void and his appointment, therefore, should be subject to all the checks and balances to which other Cabinet officials are subject.

We thank the Subcommittee for its time on

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behalf of all the previously named associations
and we are available now for questioning.

Respectfully submitted,

THE CATHOLIC PRESS ASSOCIATION
ASSOCIATED CHURCH PRESS
EVANGELICAL PRESS ASSOCIATION
AMERICAN JEWISH PRESS ASSOCIATION

By

John F. Fink
President
Our Sunday Visitor
Noll Plaza
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STATEMENT OF
ASSOCIATION OF AMERICAN PUBLISHERS
BEFORE THE
SUBCOMMITTEE ON ENERGY, NUCLEAR
PROLIFERATION AND FEDERAL SERVICES

UNITED STATES SENATE
WASHINGTON, D.C.

The Association of American Publishers is pleased to respond to the request of this Committee to comment on the recent recommendations of the Commission on the Postal Service.

The Association of American Publishers is a non-profit organization with a membership of over 320 publishing organizations, including not only trade book houses, large and small, but also school and college textbook publishers, book clubs, university presses, and the publishing departments of religious denominations.

The AAP maintains its headquarters at One Park Avenue, New York City, 10016, and a Washington office at Suite 480, 1707 L Street, N.W., 20036.

Public Service Aspects of the
United States Postal Service

The Commission on Postal Service has stated:

"(7) The level of public service appropriations should be increased moderately to 10 percent of postal expenses incurred in the preceding fiscal year.

"(8) Congress should appropriate \$625 million to eliminate the present Postal Service accumulated indebtedness incurred for operating expenses."

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We agree with "(8)" but point out to this Committee that the concept of the United States Postal Service as a public service is fundamental. Every citizen has an equal right to postal service, which is to say a right of equal access to information through the mails. It is estimated that there are 77 million home mail boxes in the United States. Postmen must accordingly cover these postal routes at regular intervals, whether or not any particular household receives or sends mail on a particular day. The cost of this is illustrated by the Postal Service staff study, "The Necessity for Change," under date of December 1, 1975 (Committee Print #94-26, House of Representatives Committee on Post Office and Civil Service), which states at page 5:

"Postal delivery services cost \$3.8 billion in FY 1975, approximately 32% of total postal cost ... The major determinants of this cost are the frequency of delivery (six days a week and the mode of delivery whether to the door, a curb line box, etc.)."

In accordance with the public service concept, the service must be available whenever the householder needs it. He normally receives through the mail a good deal of basic information--i.e., tax statements, utility bills, social security checks, bank statements, books, magazines and newspapers--which is important to the orderly operation of society and which justifies funding the Postal Service through general tax revenues. Moreover, the principle of equal citizenship makes it necessary that certain rates be uniform and moderate.

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In recognition of this principle, First Class and Special Rate Fourth Class Mail is based on uniform rates with no differentials for geography or distance, and this should continue because a common public service concept is involved. By the same reasoning, the citizens of New York and Podunk are assessed equally for military defense even though Podunk has a lesser chance of being bombed in war than the larger city. In the circumstances, it is our considered judgment that one-third of the total budget of the Postal Service should be allocated as a public service appropriation out of general revenues, and two-thirds of the revenue requirements of the Postal Service should be obtained from the mailers through the payment of postage.

The United States is by far the largest producer of books in the world, in absolute terms, and probably leads in the per capita production and consumption of books as well. The United States is also the largest exporter of books in the world. The book publishing industry depends on the educational system, including libraries, for fully half of its market.

It depends for its freedom to publish on the First Amendment and the adherence to its principles by all levels of governments.

It is heavily dependent upon the Postal System, domestically and internationally, for equitable and preferential rates, adequate service and satisfactory conditions of mailing.

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The U. S. book publishing industry is both relatively small and highly competitive. While large in comparison with book publishing in other countries, the total annual sales (\$3.8 billion) are smaller than the sales of many individual U.S. corporations in other fields. As to competition, Robert K. Nathan, Consulting Economist, stated in a report for the book publishing industry of November 1970: "The book publishing industry is not very large, as mass production industries go; its importance is far out of proportion to its size. It is a highly competitive and high-risk industry." Moreover, it is predominantly an industry of small firms: nearly three-fourths had twenty employees or less, and even the larger firms averaged only about 170 employees. No book publisher controls more than a small fraction of the total market, and many new firms are launched each year.

The unique role of books as an educational, cultural and political resource has long been recognized in our society. Books are essential in a society whose functioning depends upon the prompt, widespread and dependable dissemination of information. But if they are to fulfill the needs of society, they must be readily available in all sections of the country at reasonable rates.

The Congress and Executive Branch of the Federal Government have also recognized the educational, cultural role of books in many ways, and thus the justification for a preferential book rate. Congress established special mail rates for books so that a citizen, a school, or a library in California, Alaska or Hawaii

is obligated to pay no more for a book from the publishing centers of the East and Midwest than does the suburban resident outside New York City or Chicago. The growth in the per capita consumption of books in the United States to the highest level in the world is not unrelated to this farsighted policy of the Congress.

Books, along with music, newspapers and magazines, are accorded special treatment under the Universal Postal Convention. Also, the United States imposes no custom duty on the importation of books (nor on music, maps, newspapers and magazines) from any country in the world under the terms of Public Law 889-651. This law was enacted in 1966 pursuant to U.S. adherence to the International Convention entitled "Agreement on the Importation of Educational, Cultural and Scientific Materials" (Florence Agreement). Some 62 other countries are also parties to the Florence Agreement.

In 1942 Congress established by statute a nationwide book rate, separate from zoned parcel post in Fourth Class, which continued a special classification for books set up by President Roosevelt by Executive Order in 1938. From 1942 to 1958, no essential change was made in the definition of those materials eligible for book rate, i.e., consisting of "books containing no advertising except incidental announcements of other books."

In 1951 Congress took decisive action to preserve the single nationwide book rate and to prevent it from being reabsorbed

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into zoned parcel post. In that year, the Interstate Commerce Commission approved a Post Office Department proposal to increase the rate for Fourth Class mail by limiting the nationwide book rate to book packages weighing less than 10 pounds. Book packages over that weight would have been required to be mailed via zoned parcel post. Faced with this action by the ICC, Congress (by Public Law 233, 82d Congress) removed the book rate from the jurisdiction of the Interstate Commerce Commission and reserved it entirely to the Congress; at the same time, it provided that books, along with a limited number of other materials, would continue to enjoy the maximum weight and size limits for Fourth Class mail, namely, 70 pounds weight and 100 inches in length and girth-combined.

In 1958, the Congress, acting on the recommendation of the Post Office Department (Public Law 85-426), added other educational materials such as films, sheet music, educational tests, authors' manuscripts and sound recordings to the book rate. This same law also gave books and other educational materials special status by authorizing public service appropriations to make up the difference between estimated postal revenues and actual postage costs.

Other than some modest rate increases and the addition of some minor categories of materials, there were no further legislative changes with respect to the Special Fourth Class Rate until the Postal Reorganization Act of 1970.

The Postal Reorganization Act of 1970 was, with respect to the nature and location of responsibility for setting of postal

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rates, the result of a compromise between the House and Senate bills. By and large, the Senate provisions prevailed.

The House bill provided that Congress would continue to set rates for nonprofit organizations, books and other educational and cultural materials, and for libraries. Congress was also authorized to appropriate a subsidy for these rates to make up the difference between the revenues they would produce and the actual cost to the Postal Service. The Senate bill preserved no role for the Congress in setting rates of any type, but turned over the entire responsibility for rate-setting, within certain broad policy standards, to the Postal Service and the Postal Rate Commission.

At the same time, the Senate bill introduced the principle of phasing rate increases over a period of years, and the Senate Committee Report expressed the expectation that the Postal Rate Commission would give careful consideration to "the public service which certain preferred rates have historically performed."

The Committee Report went on to state:

"Reduced rates for within county newspapers, for libraries, for books, and for associations of rural electrification co-ops were enacted for very good reason -- that the public generally benefits from such rates."

When the Senate Committee bill came to the floor of the Senate, an amendment was proposed by Senators Mansfield of Montana and Scott of Pennsylvania (the Majority and Minority

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Leaders) that was accepted by the Chairman of the Post Office Committee. It was designed to remove any possibility that the Postal Rate Commission might create differential rates (based on distance) for books, for other educational and cultural materials in the Special Fourth Class category, and for materials eligible for the library rate.

The statements by Senators Mansfield, Scott and other co-sponsors of the amendment also make clear that the Senate expected that the Postal Rate Commission would take into account the educational and cultural values of the materials in this Special Fourth Class category, both in maintaining a uniform rate and in setting the level of the rate, even though the Senate was not directly instructing the Commission to establish specific rates.

The following quotations are from the Congressional Record of June 30, 1970:

Senator Mansfield:

"These uniform rates serve important educational and cultural purposes, insuring that all citizens, libraries, and educational institutions have the same access to these materials, no matter where they may be located." (Cong. Record, June 30, 1970, page S10324).

Senator Scott:

"We are dealing here with the Postal Service not as a mere transportation device, but as a vital link in the distribution of educational and cultural materials. ***

'The importance of library materials specifically was first recognized when Congress in the 1920's established, by law, the so-called library rate covering the exchange of library materials between libraries, and between libraries and their patrons. A second

special rate for educational materials, started in 1939, applied a nationwide flat rate for books at the same level as that for the editorial content of magazines and newspapers. Under this rate, which has been continued by successive acts of Congress, the buyers of books, educational films, music, and other educational and cultural materials pay the same transportation charges for their purchases, whether they live near the large publishing centers of the East and Midwest, or whether they live in the most remote areas of the continental or off-shore States.

* * *

'Present law sets forth certain classes of mail which the Congress has designated as a public service function not required to bear the full overhead of their cost to the Post Office Department. The special fourth-class rate for books and other educational materials, and the library rate, are among these classes so designated.

'Mr. President, the Kappel Commission of Postal Reform, the administration's original proposal on postal reorganization and the House-passed bill on this subject ... all go much further than the amendment which I am co-sponsoring today. They provide that not only shall there be a flat nationwide rate for library and educational materials, but they also reserve the level of that rate to the Congress itself, rather than turn the question of this rate level over to the Postal Rate Commission.

'Our amendment, however, does preserve the essential element of national uniformity. ***

'It is, of course, our hope that members of the Postal Rate Commission ... will take carefully into account the historical recognition of the importance of educational materials when they are faced ultimately with this rate decision." (Cong. Record, June 30, 1970, Page S10325).

Senator Cranston:

"It is basic to our democracy that all of our people have free and easy access to books and other printed materials through our libraries and in our schools. This open circulation of the words and ideas of men is the very currency of our democracy.

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'I believe we must take whatever steps are necessary and pay the price to assure that we maintain the free flow of printed words throughout our Nation.' (Cong. Record, June 30, 1970, page S10326).

But it should be noted that uniform rates for Second Class editorial material (magazines) are also recognized by the law and such rates are much lower than those charged for Special Rate Fourth Class.

The Congress again acted in 1976 (Public Law 94-421) to give further recognition to the public service aspect of the Special Rate Fourth Class and similar materials. It amended Section 3622(b) of Title 39 U.S.C. by adding new criteria for the setting of rates and fees by the Postal Rate Commission--specifically that the Postal Rate Commission must take into consideration "(8) the educational, cultural, scientific, and informational value to the recipient of mail matter."

Preferred Rates

The Report of the Commission on Postal Service (pp. 67, 68) discusses certain preferred rates and while emphasizing Second and Third Class mail, appears also to include the "Library Rate." In the history of the recommendation, it states, "Very low rates also existed for non-profit Second Class publications, small rural newspapers, and library mailings." As it points out that while these rates are phased, the final rate cannot exceed the rate level necessary to pay their attributable costs.

While the Commission specifically recommends that "non-profit mailers" would be paying their share of institutional costs by July of 1987 under the present phasing schedule,

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the Commission recommends that preferred rates should be eliminated by July 1997. The chart at page 68 (Figure 15) also shows the continuing appropriations for the Library Rate which, according to the figures set forth in the chart, were \$14 million for 1977.

Although it is certainly not clear from the language, if the Study Commission recommendation is meant to apply to the Library Rate, we most vigorously oppose the same.

Only last year did we see further congressional recognition of the public service aspect of the distribution of books through the mails as shown in the House of Representatives Report accompanying H.R. 8603 (Report 94-391). Commenting on Section 13 of Section 3682 of Title 39 U.S.C., which permits books (when mailed by a publisher or distributor to a school, college, university or library) to be entitled to the Library Rate, the report states:

"Libraries and schools currently receive at least half their books by mail. As a result, every dollar paid for book postage further erodes library and school budgets. The situation is worse for small rural libraries and schools which receive an estimated 90% of their books by mail. Under this amendment, these libraries would benefit from the lower rate. The potential cost of applying the library rate to this situation is considered a minor item in postal finances."

As shown by Congressional action, the potential cost of applying the Library Rate is considered a "minor item in postal finances", but is most important for the libraries and educational systems of this country. We urge your rejection of any proposal to eliminate this small cost item but nevertheless significant action on the part of Congress.

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Criteria

We heartily endorse the Postal Study Commission's recommendation No. "(9)" which states:

"Congress should amend the law to prescribe criteria for the establishment of postal rates so that factors other than cost causation shall be taken into account in distributing a significant portion of total postal costs."

It was obviously the intent of Congress with its most recent amendment (Pub. L. 94-421) to the Postal Act to give further recognition to the public service aspect of Special Rate Fourth Class and similar materials by amending Section 3622(b) of Title 39 U.S.C., ordering the Postal Rate Commission to take into consideration "(8) the educational, cultural, scientific, and informational value to the recipient of mail matter."

Unfortunately, the United States Court of Appeals for the District of Columbia in its recent decision overturning the ruling of the Postal Rate Commission totally ignored this Congressional mandate, and it is apparently necessary for Congress to reiterate the public service aspects to be considered by the Postal Rate Commission in setting rates.

Private Express Statutes

The Postal Study Commission in recommendation No. (11) states that, "A general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nationwide service obligations."

Our position is fundamentally opposed to any modification or repeal of the Private Express Statutes. This position rests

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on our conviction that any loss of mail volume (e.g., by transferring all Third Class mail to other types of carriers) would result in higher cost to the remaining users. Indeed, since Third Class mail is apparently now a profitable element of the Postal Service operation, any loss of that volume would have a devastating effect on all other classes. Accordingly, AAP is in support of a postal monopoly tied to a public service concept.

Current and Futura Service Levels

Special Rate Fourth Class is a "deferred" service, meaning that normal delivery time is measured in many days and weeks as compared to "preferred" service such as First Class.

We do not contend that Special Rate Fourth Class, which carries knowledge to the people of this country in the form of books, requires the expedited service of First Class or even "Red Tag" Second Class mail. But people ought to receive mailed books within reasonable periods of time. This means that the Postal Service must improve its present delivery performance relative to the standards for Special Rate Fourth Class which have been established by USPS.

Book publishers, individually and collectively, do not have adequate information as to service standards set by the Postal Service and thus do not know whether or not present standards are reasonable, but we are aware that Special Rate Fourth Class is not a speedy service.

The Postal Study Commission has recommended "(2) Mail delivery to all addresses should be reduced from six days to five days a week, but window service should be available on the day mail is not delivered."

As stated above, books through the mail are handled as a "deferred" service, which means that six-day service is not needed for the delivery of books. We take no position as to whether six-day service is needed for other classes of mail, or for the service of patrons generally, but we do vigorously contend that the costs incurred for six-day service should not be attributed to the delivery of books.

Organizational Changes

The Postal Study Commission has recommended "(12) The Board of Governors of the Postal Service should be preserved and the Postmaster General and Deputy Postmaster General should continue to be appointed by, and serve at the pleasure of, the Governors."

From our vantage point, it appears that the Postmaster General and the members of the Postal Rate Commission should be appointed by the President and confirmed with the advice and consent of the Senate.

If that were accomplished, we would recommend that the Board of Governors of the United States Postal Service be abolished and its oversight responsibility assumed primarily by the Congress, ideally through a joint Senate-House Postal Committee,

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but otherwise through the existing committees of Congress. Congress should function in particular as the ultimate authority on postal rates, reviewing recommendations from the Postal Rate Commission and accepting, rejecting, or modifying these recommendations before they can take effect. Congress should, as it does under governmental reorganization acts now in existence, have sixty to ninety days to conduct such reviews.

We feel strongly that this proposed enlargement of congressional responsibility concerning postal rates would be in keeping with present realities: (a) Congress has been removed from rate-making since 1970, but the result has been increasingly large postal deficits, which Congress is being asked to make good; (b) there is evidence of congressional desire to play a larger policy role (although not to return to the detailed rate-making function of pre-1970); and (c) in organizational terms, it is sound and prudent to relate participation and authority more closely to ultimate responsibility for postal funding, and such ultimate responsibility resides in Congress.

There is need for congressional oversight not only on postal rates, but also on postal wages, since the one cannot be controlled unless there is also control of the other. AAP believes that Congress should establish the principle of equality for the pay of all government employees, recognizing that the Postal Service is a governmental function and truly a public service; specifically, Congress might authorize or direct the Civil

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Service Commission or the Wage Board in the Executive Branch to be the judge of such equality, thus making such judgments a matter of presidential authority. The 1970 statute was designed to equalize postal wages with those in the private sector. This has now been more than accomplished.

The Postal Study Commission (Volume I, page 14) states:

"The Postal Service has signed three collective bargaining agreements with its AFL-CIO postal unions since reorganization, effective in 1971, 1973 and 1975. The current contract expires in 1978. The total increase in compensation between 1971 and 1976 was \$4.964 billion, or 63 percent. During the same period, the consumer price index rose 40 percent while the price of a first class stamp went up 117 percent. Most other postage rates rose even more. Postal wage increases, although much higher than the private sector generally, raised wages to levels comparable with wages of employees in major industrial private employment."

A government-owned and operated postal monopoly is not compatible with unfettered collective bargaining power and endless wage increases. For unlike business enterprises, the Postal Service is precluded from cutting back any wages, even in periods when it is incurring severe operational deficits.

Postal workers should be adequately and fairly compensated, but this must be determined within a framework of fairness to other government employees and with dominant concern for the general public interest. Postal salaries and wage scales must be accepted once again as a responsibility of Congress and the President.

The Commission on Postal Service in its report dwells at great length on the impact of attributing costs (Chapter 6). It states (page 63):

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"Several important conclusions can be drawn from these developments. The ability of users of all classes of mail to absorb rate increases and continue to increase mail volume is no longer a valid assumption. Shifting institutional cost to attributable cost in requiring the subordinate classes to assume a greater rate burden will further erode total mail volume."

It also states:

"This Commission recommends that Congress enact into law a method of allocating costs that will preserve Second, Third and Fourth Class mail volume for the Postal Service. The decision of the United States Court of Appeals for the District of Columbia Circuit, rejecting the assignment of a substantial portion of postal costs on the basis of non-cost criteria, is not in the best interest of the Postal Service and the nation it serves because of its severe future impact on volume, revenues and costs. Allocating costs without regard to non-cost criteria may appear to benefit First Class mail users. In the long run, however, that method of allocating costs will drive away Second, Third and Fourth Class volume and revenue and in turn require even greater increases in First Class rates."

They further state:

"The delivery of First Class mail is the real reason for the existence of the Postal Service system and First Class mail receives service priority in all cases. The value of the service provided is sufficient to require its cost coverage to be the highest of all major classes of mail."

Unless this recommendation is followed by Congress, inequitable allocations of costs will be inevitable and as certain as night follows day, books and other items shipped through Special Rate Fourth Class will be driven out of the system because of excessive rates.

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Unless Congress by legislative action rectifies the existing problem, we will see such items as the entire cost of the Bulk Mail Centers attributed to Fourth Class.

We are not only disturbed by the cost, but also by the inefficiency of the Bulk Mail centers. This billion dollar creation was announced as a program to guarantee the efficient movement of bulk mail (consisting mainly of packages) through the mails and to guarantee to the Postal Service an adequate business base, so that it could compete with those outside carriers who have been accused of "cream skimming" in concentrated metropolitan areas. Unfortunately, it has not worked out as planned. While the Bulk Mail system was started with great promise, the book publishing industry now loses, at a conservative estimate, something between 5 and 7 million books per year through physical battering that breaks open the cartons in which they are shipped. To make matters worse, these "loose in the mail" books are then sold at public auction -- frequently to commercial firms who resell them at discount to legitimate bookshops. We have worked with postal authorities to correct the serious deficiencies, and we credit them with a genuine desire to make the Bulk Mail Centers work efficiently. On the other hand, we have grave doubts whether major improvements are possible. Up to now, the Postal Service has relied entirely on internal staff for this remedial work. We recom-

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mend that a panel of outstanding outside management consultants be retained to determine what new approaches might produce better results.

We wish this Committee success in its efforts to untangle this very knotty problem, and pledge our assistance and cooperation.



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June 17, 1977

The Honorable John Glenn, Chairman
 Subcommittee on Energy, Nuclear
 Proliferation and Federal Services
 United States Senate
 Washington, D.C. 20510

Dear Senator:

Girl Scouts of the U.S.A. welcomes your invitation to present our views on postal matters to the Senate Subcommittee on Energy, Nuclear Proliferation and Federal Services of the Senate Committee on Governmental Affairs.

As background for the committee, Girl Scouts of the U.S.A. was founded by Juliette Gordon Low in 1912 at Savannah, Georgia. In 1950 the organization was granted a congressional charter by a special act of the U.S. Congress (Public Law 460 of the 81st Congress). Today, Girl Scouts of the U.S.A. serves 2.6 million American girls between the ages of 6 and 17 years. These Girl Scouts are guided by 537,000 adult members who have endorsed the principles of Girl Scouting embodied in the constitution of the organization - the promise to serve God, country, and mankind, and to live by the Girl Scout law. The organization is dedicated to the purpose of inspiring girls with the highest ideals of character, conduct, patriotism, and service that they may become happy and resourceful citizens. To achieve this end Girl Scouts of the U.S.A. conducts an informal education program designed to help girls put into practice the fundamental principles of the Girl Scout movement. It is carried out in small groups with adult leadership and provides a wide range of activities developed around the interests and needs of girls.

The Honorable John Glenn

June 17, 1977

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The U.S. Postal Service has been a primary delivery system of the Girl Scout program and in the administration of the organization. The national headquarters, 5 regional offices and the 349 councils rely on mail service for dissemination of program and training materials, and for the vital communications required to maintain a cohesive national structure.

Girl Scouts of the U.S.A., and the Girl Scout councils are heavy users of all classes of mail. Consolidated postage costs by classes in the Federal fiscal year 1977 are estimated as follows: Third class, bulk rate nonprofit, \$475,000; second class, nonprofit publications, \$250,000; fourth class, special and library, \$50,000; first class, all, \$425,000. For a total expenditure of \$1,200,000.

Third class bulk rate costs are incurred by the national headquarters and the councils in the mailing of newsletters, fund solicitations, catalogs, and subscription offers.

Girl Scouts of the U.S.A. publishes three national magazines, AMERICAN GIRL, DAISY and the Girl Scout LEADER. Each magazine services a segment of the membership. All magazines are mailed at the second class, nonprofit rate.

AMERICAN GIRL is published monthly for all girls 12 to 17. It is designed to serve these future women of America in news of Girl Scout activities, their broad career interest, self-development, good grooming, and interpersonal relationships. There are 600,000 subscribers to AMERICAN GIRL, and an estimated 2 million readers.

DAISY is edited for the younger Girl Scouts 6 to 11 years. It deals with self-awareness, community relations, and the fun of Girl Scouting. There are 250,000 subscribers to DAISY, and an estimated 750,000 readers. DAISY is published nine times during the school year.

The Girl Scout LEADER is designed to serve all adults in Girl Scouting with particular emphasis on service to the troop leader in her role as a leader. It is published six times each year and has a circulation of 550,000.

The national headquarters uses fourth class, special, and library sub-classes of mail for the distribution of handbooks and other program publications.

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Representatives of Girl Scouts of the U.S.A. testified before the Commission on Postal Service. Their testimony and additional material supplied to the Commission is published in Volume 3B, of the Commission's report dated April 1977. To reiterate the points we made before the Commission on Postal Service, Girl Scouts of the U.S.A. believes:

- That our educational and social services are in the public service and should be eligible for preferred postal rates.
- That Congress, not the Postal Rate Commission, should decide to what degree institutions in the public service should be subsidized through preferred postal rates.
- That the public service of the U.S. Postal Service should include wide distribution to reach remote rural areas.
- That it is imperative to the continued services of Girl Scouts of the U.S.A. that Congress annually appropriate funds for extended phasing of revenues foregone under Public Law 93-328.

The Commission's report does not reflect our position and we cannot support the recommendation of the Commission that preferred mailers pay the same rate as other mailers. Congress has consistently and traditionally ruled that organizations in the public service should be granted preferred mail rates. We feel that this element of the public service subsidy mail should be clearly legislated by Congress and the machinery should be established to determine to whom and how the subsidies would be granted under the control of the Congress.

We support the Commission's recommendation that the attribution of Postal Service costs be limited to 60% of total costs and that the remaining costs be assigned on the basis on noncost criteria. We believe that such action will be in the best interest of a strong postal service.

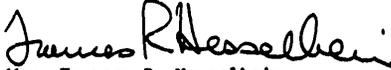
At full postal rates the cost to Girl Scouts of the U.S.A. at present volumes of mail will reach \$4 million in 1980. It could escalate to that amount before that date if phasing schedules for postal revenues foregone are not met by appropriations.

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We do not see how we can pass on these increases to the membership of Girl Scouts of the U.S.A. The only course is to curtail services to the girls and the community-at-large.

We respectfully request that the subcommittee on Energy, Nuclear Proliferation and Federal Service of the Senate Governmental Affairs Committee consider the position of Girl Scouts of the U.S.A. in its deliberations on postal rates and service.

Respectfully,



Mrs. Frances R. Hesselbein
National Executive Director
Girl Scouts of the U.S.A.

cc: Mrs. Kathleen Ross
Assistant to the N.E.D.
National Affairs

STATEMENT OF THE
RECORDING INDUSTRY ASSOCIATION OF AMERICA
TO THE
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES
U. S. SENATE

June 28, 1977

My name is Henry Brief. I am Executive Director of the Recording Industry Association of America located at One East 57th Street, New York City. Our 59 member and associate member companies account for close to 90 percent of the phonograph records and prerecorded tapes produced and sold in the United States. In 1976, estimated industry sales at manufacturers' suggested list price value were in excess of 2.74 billion dollars, approximately 300 million dollars of which is attributable to record and tape club and other mail order sales through television and other promotional channels.

In 1976, record clubs alone accounted for more than 25 million dollars worth of postal revenue, the bulk of which may be attributed to Third Class and Special Fourth-Class mailings, the balance made up of First Class.

In its written and oral testimony before the Commission on Postal Service, which is now part of the public record of those hearings, RIAA made a number of recommendations to the Commission, among which were the following:

1. The break-even concept of postal operations, embodied in the Postal Reorganization Act of 1970, has proved to be unworkable and impracticable and should be abandoned.

2. The Public Service aspects of postal operations should be more broadly defined and clarified.

3. Special Rate Fourth-Class mail should be preserved, together with the letter and spirit of Congress's intent in embodying the Mansfield-Scott Amendment in the Reorganization Act.

4. In order to reduce the constantly widening gap between postal service income and expenditures, certain service reductions should be considered by Congress.

5. RIAA also asked the Commission to recommend to the Congress that Section 3622 (b) of the Postal Reorganization Act be clarified by Amendment to reaffirm that the previous and current ratemaking methodology employed by the Postal Rate Commission is consistent with Congressional intent, and at the same time remove any question that the Postal Rate Commission has a mandate from Congress to give full effect to all of the criteria in Section 3622 (b) in its future rate recommendations to Congress.

The Commission on Postal Service has since published its conclusions and recommendations and RIAA is pleased to note that certain, if not all portions of the Commission's recommendations, correspond with those of RIAA. While RIAA does not agree with all of the 13 major recommendations that have been made by the Commission in its report to the President and Congress, we are in general agreement with some of them. RIAA's recommendations also are on common ground with those of the Association of American Publishers and the Direct Mail Marketing Association. The viewpoint and recommendations we share are summarized in a position paper that has been prepared

for discussion with the Chairman of the President's Domestic Council. A copy of that joint statement is being submitted separately.

RIAA believes that the entire legislative history of the Postal Reorganization Act manifests clear Congressional intent to treat Fourth Class Special Rate mail differently from other Fourth Class mail. The Mansfield-Scott Amendment underscores that intent. RIAA believes that both the Postal Service and, to a lesser degree, the Postal Rate Commission subverted Congress's intent to treat Special Rate Fourth-Class Mail differently, by ignoring the consideration Congress has given to the transportation of the cultural materials through the mails.

Independent studies and the findings of at least one Federal Court describe club members who select sound recordings as their chief source of home cultural involvement as a separate and distinct segment of the record buying public. They are identifiable by their need or desire to secure expert assistance and guidance in building libraries and collections of sound recordings at substantial cost savings.

Ease of selection and cost savings are the elements that have satisfied the needs of this large cross-section of the American public, at the same time permitting the clubs to operate at volume levels that provide members with economic benefits not otherwise generally available.

But the scales of cost savings are delicately balanced, and to tip them by increasing postage, shipping and handling charges so that the economies of club membership are erased, can have serious consequences.

This bears directly on membership attrition, the increasing cost of securing membership replacements, and indeed, how successfully mail-order clubs can continue to serve their members in a future threatened by successive rounds of large postal rate increases.

The geographic effect of this threat can best be appreciated by relating it to data on U. S. population concentrations by counties, prepared by the A. C. Nielsen Co., and a parallel study of distribution of membership in the Columbia Record Club, in 1970, using the same criteria.

Club membership distribution was found to be identical to national population concentrations by county. For example, it was found that in large urban counties U. S. population was 38.5 percent, as compared to club membership of 38 percent; medium urban population was 26.4 percent as compared to club membership of 27.6 percent; urban-rural population was 19.3 percent as compared to club membership of 19.2 percent; and in highly rural counties with a population of 15.8 percent the club membership was 15.2 percent -- for a total of 100 percent.

There has been no significant change since that time, so it is reasonable to state that record club membership distribution is almost identical to the population at large. This demonstrates the universal appeal to consumers of the shopping comfort, convenience, economy and breadth of selection that the clubs offer.

It should be noted, however, that the urban-rural and highly rural concentrations of club members, constituting 34 percent of the total, do not have general access to full-line retail record stores in low density areas. They would be particularly disadvantaged both as to availability and cost of cultural materials in comparison

to their large and medium-urban area counterparts, who reside in communities where retail discount record and tape stores can be found in profusion. Those record buyers have at least a cost alternative, if not the comfort, convenience and selection advantage of record clubs.

These considerations aside, the failure of Congress to meet squarely the need for increased public service appropriations will simply diminish the importance of the role books and records play in cross-fertilizing the cultural interests of all age levels of our society.

Mail order distribution has become a most important supply channel for a broad segment of the American public whose cultural interests are served by sound recordings played in the home, in schools and colleges, in libraries, churches, and community centers throughout the land.

In many areas where there are either no retail record outlets at all or small outlets with little depth or spectrum of catalog, the U. S. Postal Service is the only practical distribution system that is fully responsive to the public's varied and diverse tastes.

RIAA hopes this Subcommittee will assess the need to maintain the viability of cultural materials that are distributed through the mails. This can best be done, in RIAA's opinion, by making specific provision for an increased and permanent Public Service appropriation, and by including broadened and clarifying language with respect to ratemaking methodology that would preclude a repetition of the Federal Court of Appeals' decision that is opposed by the Postal Service itself.

Thank you.

Information From

JURIN JAY DAILY ASSOCIATES

Public Affairs Counseling - Washington Representation

Suite 702 World Center Building
918 Sixteenth Street, N.W., Washington, D. C. 20006
202/659-2925

Contact: NANCY OHILSON

FOR RELEASE: July 6, 1977

**NEW 13¢ "CITIZEN RATE" FOR FIRST CLASS
ALLOWS PMG BEN BAILAR ADDITIONAL TIME
TO PLACATE PERSISTENT POSTAL CRITICS**

Quick reaction by Postmaster General Bailar and his USPS Board of Governors* to Pres Carter's not so subtle suggestion to install a lower first-class mail rate for ordinary citizens and to delay recommending reduction in the present six-day-a-week delivery service has not only defused a volatile issue but probably also enabled the PMG to remain in his independent post. The PMG got Carter's letter on Thursday, June 30, and despite it being close to a holiday weekend, quickly called his top staff together to formulate a plan to present to the USPS Board meeting five days later. On July 11, the Board will okay plan and send it on to the independent Postal Rate Commission (PRC) for implementation. Thus, by mid-May 1978, while businesses will most likely have to pay 16¢ for one-ounce first-class mail, citizens who handwrite a portion of their ordinary mail and use the new "Citizen Rate" stamp can continue paying 13¢.

USPS is also asking the PRC to hike bulk third class mail to \$86 per M from the present \$77 per M. Second class mailers who do more presorting will enjoy a larger discount than before. The average proposed hike is 29% for publishers but only 19% for 5-digit presort.

Meantime, the PMG hopes to increase the level of public dialogue over the question of 6-day-a-week mail delivery in hopes he eventually can cut service to five days.

Other actions of the USPS Board will include postponement for an additional 6 months (until mid-November 1978) the surcharges (yet to be announced) for items less than .007" thick and requesting their experimental Express Mail System be made permanent.

**DESPITE PLETHORA OF BILLS AND VARIETY
OF HEARINGS, DON'T LOOK FOR DEFINITIVE
POSTAL LEGISLATION IN THIS SESSION.**

The simmering feuds and signals coming from Capitol Hill toward the PMG Bailar will likely diminish now that the patent political ploy of recommending no increase in the "ordinary citizens" pay for their mail has been advanced by USPS officials. Hearings on the plight of the Postal Service will undoubtedly be continued by both the House and Senate subcommittees charged with overseeing that monstrous government agency, but chances for definitive legislative to re-reform Postal Reform seems slight. Not only does the real emergency appear to be over, but in the remaining few weeks of this session Congress will be more preoccupied with their August Recess, developing the energy package and achieving an October adjournment. This won't stop postal unions and other pressure groups from making their points.

MORAL. If you've got any substantive changes you want included in postal legislation now is the time to get them to your Member of Congress so they can be part of the fabric for any 1978 legislation.

(FBI)

* of day-long meeting July 5, USPS Board is scheduled to cut off until July 11. The Board's discussions, but likelihood seems overwhelming they'll adopt plans...

APPENDIX

DES MOINES  **AND TRIBUNE**

HOMETOWN PAPER FOR ALL IOWA

P. O. BOX 957, DES MOINES, IOWA **MAY 31, 1977** CODE 515 284-8000

Honorable John Glenn, Chairman
Senate Subcommittee on Energy, Nuclear
Proliferation and Federal Services
United States Senate
204 Russell Senate Office Building
Washington, D. C. 20510

Dear Sir:

My name is Ralph I. Lynn. I am Traffic Manager for the Des Moines Register and Tribune Co. which publishes Morning, Evening, and Sunday newspapers that are distributed primarily in the State of Iowa. We ship approximately 54,000 copies of our daily newspapers in the mail each night. Our Daily Postage bill is over \$2,400 per day average, most of which is 2nd Class postage on these newspapers. All but a very small number are for rural route delivery.

The Report of the Commission of Postal Service, April 1977, Volume 1 is a good, thorough and very concise analysis of the United States Postal Service. For the period of time the Commission had in which to conduct hearings, assemble information and make their report, it appears they did so in a very conscientious, complete and in as unbiased a manner as possible. The report with its majority recommendations, dissenting views, additional views and supplemental views, points to the fact that the operation of one of the nations highest businesses is a tremendously complicated business. Obviously the answers cannot and will not apply to every problem. To meet the needs of a huge nation such as ours is not any easy task with simple solutions.

It is easy to agree with their concern for the future of "Postal Service" in view of the advancements in Electronic Communications.

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The field opens a whole new concept in communications and we concur with the Commission's views and recommendations that much more research and development will be needed. Economical and efficient postal service cannot be had if it is merely left with the residue after alternate methods of communication have drained off all the "goody" in the business. This applies to all classes of mail.

As the publisher of "The Newspaper Iowa Depends Upon" we are concerned with a good postal system. Primarily with two factors as it involves the distribution of our newspapers to approximately 52,000 Iowa subscribers mostly on rural routes. [REDACTED]

[REDACTED] and with the post office's traditional appraisal of "attributal costs" in the setting of postal rates.

The proposed 5 day service and the public service aspect of the post office are directly tied together. When the postal service was first conceived, it was the intention that rural "free" delivery was to be "free" in order to keep the rural population informed and in communication with the rest of the nation. A service was to be given that could be duplicated in no other way. Since that time, of course, other media have been developed - radio, television, many magazines and other publications. Still the daily newspaper continues to be the basic need of each rural home unit. In one of the dissenting views the statement is made that in rural areas farmers rely on the delivery of agricultural reports to keep abreast of market developments. While America has become less rural and more urban, nevertheless to those 275,000 left in rural Iowa on Rural "Free" Delivery routes, it is just as important to them as it ever was that they have

their daily newspaper. Yes, they can get market reports and much information from radio and T.V. if they are in the house and tuned in, but nonetheless they rely on the newspapers in the conduct of their daily business of farming. Dr. Henry Harmon, the late President of Drake University said "Your newspaper is a daily chapter in the textbook of the people's school." The farmer is a 7-day-a-week business operation. Stock feeds, crops grow and farming goes on 7 days a week. We supplement the rural routes in the State of Iowa with farm delivery of the Sunday papers, which because of its nature and content is distributed to more farms than is the daily by mail. Much of the daily loss has been due to the increase in subscription costs for the daily by mail, and the farmer has felt that he cannot afford the daily but does continue the Sunday. From his daily and Sunday newspaper he learns much of the information he needs to run his business. It can be easily argued that farm income and productivity has been high. However, it can be just as easily argued that the cost of that production has cut deeply into the farmers ability to absorb additional costs. Here again his "right to know" is just as important to the rural subscriber as it is to the urban dweller. To subsidize rural delivery to continue their equal status citizenship with their urban cousins will improve total economy and social functions by improving the mental attitude of one of our most important economic segments. One of the major strengths of our country has been a strong agricultural system. To maintain and improve the mental attitude of this segment will help to continue this strength.

Some segments of any business are not profitable in themselves. Feeder lines for railroads are prime examples. But these segments are

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important to the healthy body of the main business. Rural delivery was never meant to be profitable or even pay for itself. It was an effort to have first class citizens all over our country and not have some receive better service than others merely by chance of their location and chosen vocation.

A recent (May 11-19, 1977) survey was conducted by our Research Department with 473 rural households. The survey was conducted in accordance with regularly prescribed procedures for poll taking. Seven of ten Iowa rural residents contacted were opposed to elimination of Saturday postal delivery service. Newspapers came to mind more frequently than anything else in a top-of-mind open-end question posed at the beginning of the interview before any reference was made to newspapers by the interviewer. Twenty-eight percent of those interviewed mentioned newspapers bearing out the conclusion of a strong relationship between newspapers and the Saturday postal service.

Dropping of Saturday mail delivery would have a real impact upon Saturday newspapers. A substantial 84 per cent would read the paper less or not at all if it were received on Monday.

When confronted with the question of continuing their subscription to the Des Moines daily newspapers if Saturday postal service was stopped, one out of five would stop, another one out of the five was undecided, and approximately 6 out of 10 said they would continue the subscription.

The report of the Commission recommends 10% cost override for public service. The dissenting opinion of two commissioners is to retain 6 day service and make it a 13% cost override. While in large

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installations, a 5 day work week will make it possible to reduce the number of hours and shifts, however in smaller units, such as a rural carrier on a specific rural route, it will probably mean that he will negotiate for nearly as much money for five day service as for six. He will cite the factors of the same total workload, still the same weekly cost of living, overhead the same for five days, etc. There is a very real possibility that the initial savings would very quickly be used up in renegotiated rates and we would end up paying nearly as much for five day service as for six. Spreading the workload as evenly as possible makes for more economically efficient service. Bunching of the workload, by eliminating service on Saturday and Sunday, then taking Monday and Tuesday to catch up on the accumulation, will not make for efficiency and economy. In addition, on Monday holidays with a three day accumulation it will take the most of the following week for the delivery services to get back to normal and then be right into another weekend moratorium on service.

It would appear that a lesson should have been learned from the railroads and public transit. The price of a ticket went up, the service was reduced - railroads went out of the passenger service and public transit was thrown into a tailspin. Now after the horse is gone, Amtrak is trying to woo back riders and large subsidies are being given to improve mass transit in metropolitan areas. We have already seen what United Parcel Service has done to one class of mail. Private carriers have also made inroads into other classes of mail. Further use of alternate service will continue to dilute Postal revenue. A very gloomy picture can be developed when we view the dilution that

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has already occurred because of increased rates and poor service. To erode this service will make the residue subject to even higher costs and poorer service would be disastrous. Electronic communications make this picture look even worse.

We have long had exceptionally fine relations with postal people in Iowa. Over-night service to our subscribers has been good. To keep these subscribers is our goal. Whenever the costs have dictated an increase in subscription rates, losses in circulation have occurred. Loss in revenue to us and to the Postal Service. And a loss to the discontinued reader. On the other hand the cost of more subscriptions could easily be handled by us as well as the postal service with little or no additional service expense. Result - increased revenue and increased profit for us and the postal service. Increases in business, not decreases will be the success of both of us. We would also like to discuss the matter of "attributal costs" as it pertains to the handling of 2nd Class mail subscription newspapers.

In the preparation and dispatch of our newspapers, we operate as follows:

99% of the papers for the more than 1,000 towns in the State of Iowa are addressed, presorted by each town's Zip Code, bundled and delivered by us to the dock of the Des Moines Post Office, by each individual Star Route dispatch. Our drivers unload onto Post Office dock trucks, separating each dispatch on separate containers. A postal "towmotor" hooks onto the dock truck, takes them across the dock to the Star Rt. where that contractor takes them into his

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vehicle, offtime in the same container. Delivery to the Post Office is no earlier than necessary to meet the Star Rt. departure times, so no dock storage space, no sorting facility (LSM or million dollar Mail Center), no postal employee handling except the "towmotor" operator is need to handle the newspapers. At the Sectional Center Facility (SCF) the direct bundles are passed from the Des Moines Star Rt. to the SCF local star route. Again, no postal employee is involved, only the transfer from one Star Rt. to the other in a matter of minutes again necessitating no dock storage or handling facilities. Star Rt. contractors are not employees of the Postal Service, but service contractors the cost of which would be very little less even if their volume decreased substantially. At towns of destination the bundles are then passed from the SCF Star Rt. driver to the rural carrier for his distribution and delivery. Many times the rural carrier will use the daily newspaper as a holder for the balance of the mail for that postal patron.

Less than 500 copies of our paper enter into the DM Post Office or Iowa SCF's for sorting and this is due to small volumes of less than six papers per town. Whenever circulation drops below six copies this forces it into an SCF distribution sack rather than a direct package. Newspapers for mail subscribers are no longer put into a mail sack, but instead are bundled. This change was suggested by us to the DM Post Office on a trial basis several years ago and worked so well that we were requested to do it that way all over the State. Now no mail equipment (sacks) are used in dispatching Iowa newspapers. We furnish our own packaging.

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Postal Service expense comes primarily from employee payrolls. With almost no employee time and expense being used for the handling of our daily newspapers, and if the rural delivery is to be in any way subsidized or "free", then in reality there is very little cost for the daily newspapers. The 60% figure often referred to in the Postal Service is not realistic for this class of service. Star Mail routes are on contract and that network which would be there for the distribution of other mails would cost no less if the newspapers were eliminated. The postal revenue we pay of \$2,400 per day, six days per week, 313 days per year, is a very good revenue on which to base this network. If this revenue were lost, then either the service would deteriorate or the costs for other less frequency mail would go higher. We would not ask that our newspapers be distributed free, but we would ask that those functions (sorting, packaging, delivery by dispatch, etc.) be weighed, so that our \$2,400 per day is given due credit when revenues are considered. This kind of revenue on a daily basis is far more important than that of a weekly, monthly, or occasional piece of revenue. It can be depended upon from day to day. If something is done to increase circulation, then this revenue can be increased without any increase in costs. If the circulation goes down, then the revenue goes down and the cost remains the same. Each time there has been a 2nd Class Postage rate increase that has resulted in additional subscription increases, we have lost circulation that the subscriber has felt he couldn't afford.

In one of the opinions by the Commissioners it was suggested that should Saturday service be discontinued, window service should be provided by the Post Office so that patrons could come in for

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their mail. It would be of help, however, it can be easily visualized that much more energy would be used by patrons driving in to the P. O. for their mail, in lieu of a rural carrier making his deliveries with one vehicle.

A nationwide single communication delivery system is complicated, expensive, and yet essential to the country. We have seen a lot of erosion from the Postal Service, which has caused the cost for service to the residue to go up and service deteriorate even further. Iowa, which is substantially a rural state, would suffer extensively if any further erosion of service, and increases in costs are incurred. If we profit from our experience with mass transit and movement of people, we will not let communication fall into this same predicament.

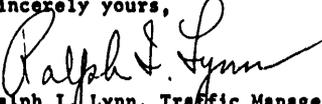
We concur with the Commission's conclusions that much more research is needed in the postal service, new electronic communications, and the whole communications field. This is essential to our nation's future and our high economic standards. The effects of a deterioration in railroads and mass transit wounded these economic standards and millions of dollars had to be pumped into these essential fields. We cannot afford to have the mail service eroded and deteriorated any worse than it already has. If we are to assume that the 13% government subsidized allocation to the Postal Service is correct for 6 day service, it is important and worth it to keep this support under a system so vital to our Gross National Product.

We would be glad to discuss this further or provide additional details upon your request.

May 31, 1977

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Sincerely yours,


Ralph I. Lynn, Traffic Manager
DM Register and Tribune Co.
P. O. Box 957
Des Moines, Iowa 50304

Mail Subscriber Survey
Telephone
May 11-19, 1977

OBJECTIVE

To determine the attitudes and feelings of rural daily Register and Tribune customers who receive their newspapers by postal delivery towards the proposed dropping of Saturday mail service.

In addition, to determine what proportion of these customers would discontinue their subscriptions if they did not receive their Saturday delivered newspapers until Monday's mail delivery.

SAMPLE

A random sample of mail subscribers to the Des Moines Register and/or Des Moines Tribune, living on RFD routes (no town residents were included) was selected from the mailing labels supplied by the circulation department.

Approximately every 25th name was listed and the interviewing completed with every 5th name in the sample listing. All interviewing was completed between May 11-19, 1977 by long distance telephone from the research department between the hours of 5-9:30 p.m. weekdays.

Daily Register subscribers comprise 90 percent of the sample.

A total of 473 completed calls were made resulting in interviews with 196 men and 277 women adult members of the household contacted. One interview was completed per household.

SUMMARY OF RESULTS

Seven out of ten rural residents contacted are opposed to elimination of Saturday postal delivery service.

Newspapers came to mind more frequently than anything else in a top-of-mind open-end question posed at the beginning of the interview before any reference was made to newspapers by the interviewer.

Twenty-eight percent of those interviewed mentioned newspapers, 33 percent among men, bearing out the conclusion of a strong relationship between newspapers and the Saturday postal service.

One-third of the respondents mentioned "no problem" if the change were to be instituted.

Dropping of Saturday mail delivery would have a real impact upon Saturday newspapers. A substantial 84 percent would read the paper less or not at all if it were received on Monday.

When confronted with the question of continuing their subscription to the Des Moines daily newspaper, one out of five would stop, another one out of five was not sure whether or not to stop, and approximately 6 out of 10 said they would continue with the subscription.

If given the alternative of no Saturday paper in exchange for no price increase due to postal rate hikes this year, the opinions were not as clearly divided. Forty-four percent said to eliminate Saturday newspapers, 35 percent want to retain the Saturday paper in spite of a possible increase in price, 16 percent did not have an opinion and 5 percent volunteered that it depended on the amount of the increase.

The following pages show the results of the study tabulated by total households contacted, men, and women...plus verbatim responses to the question of problems created by the dropping of Saturday postal service. These verbatims have been grouped by those mentioning newspapers and those not mentioning newspapers.

Also included are voluntary comments made when asked the question of stopping or continuing their subscription.

Beverly Laws
Research Associate
Project Director

Research Department
Des Moines Register and Tribune
May 20, 1977

Mail Subscriber Survey
Telephone
May 11-19, 1977

- Q. There is a strong possibility that Saturday postal delivery will be discontinued in an effort to cut expenses and keep postal costs down. Do you favor or oppose eliminating Saturday postal delivery service?

	<u>Total</u>	<u>Men</u>	<u>Women</u>
Favor eliminating	142	152	142
Oppose eliminating	69	65	72
No opinion	17	20	14
Sample Base	(472)	(196)	(276)

- Q. What problems would be created for you if you did not receive any mail delivery on Saturday? (PROBE)

	<u>Total</u>	<u>Men</u>	<u>Women</u>
Just not getting mail	112	102	122
No daily newspaper	28	33	25
Delays everything two days	12	10	13
Miss important mail	8	6	10
Inadequate mail service now	4	4	4
Business mail delayed (in/out)	15	14	15
Don't know	2	4	1
No problems	36	38	35
Sample Base	(473)	(196)	(277)

- Q. Which of the following types of publications do you regularly receive on Saturday mail delivery....magazines?....newspapers?....other publications?

	<u>Total</u>	<u>Men</u>	<u>Women</u>
Des Moines daily Register	902	912	892
Des Moines evening Tribune	12	11	12
Other dailies	32	24	38
Weeklies	3	3	4
Other publications (farm, etc.)	21	21	21
Sample Base	(473)	(196)	(277)

tabulations (cont.)

- Q. If Saturday mail delivery were discontinued, the Des Moines newspapers you now receive on Saturday would not be delivered until Monday's mail delivery. How do you think this later delivery would affect your reading of these Saturday newspapers? Would you read them more, about the same, or less than you do now?

	<u>Total</u>	<u>Men</u>	<u>Women</u>
More	1%	1%	1%
Same	12	11	13
Less	59	61	58
Don't know	3	4	2
Won't read at all (volunteered)	25	23	26
Sample Base	(472)	(196)	(276)

- Q. If the postal service discontinues Saturday delivery of your newspaper, would you continue to subscribe to your Des Moines daily newspaper or not?

	<u>Total</u>	<u>Men</u>	<u>Women</u>
Yes, continue	59%	59%	60%
No, stop	21	23	20
Don't know	20	18	20
Sample Base	(473)	(196)	(277)

- Q. Congress has voted an increase in second-class postage rates which would raise the cost of delivering your newspapers. Would you rather keep Saturday delivered newspapers and pay the increase in postage rates on your subscription or would you rather eliminate your Saturday delivered papers in return for not having an increase due to postage rates this year?

	<u>Total</u>	<u>Men</u>	<u>Women</u>
Eliminate Saturday delivered papers	44%	40%	46%
Keep Saturday delivered papers	35	38	32
No opinion	16	19	15
Depends on amount of increase (volunteered)	5	3	7
Sample Base	(469)	(195)	(275)

tabulations (cont.)

Demographics

<u>Occupation - Chief wage earner</u>	<u>Total</u>	<u>Men</u>	<u>Women</u>
Farmer	72%	69%	74%
Other occupations	18	23	14
Retired	10	8	12

Daily and Sunday newspapers taken regularly

DM morning Register	90%	90%	90%
DM evening Tribune	12	11	12
Other dailies	39	32	43
DM Sunday Register	83	80	85
Other Sundays	3	2	4

Age of respondent

Under 25	5%	6%	5%
25 - 34	15	10	18
35 - 49	30	31	30
50 - 64	34	35	33
65 and over	16	18	14

Sex

Male	41%	100%	
Female	59		100%

Sample Base	(473)	(196)	(277)
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Research Department
May 20, 1977

Q. What problems would be created for you if you did not receive any mail delivery on Saturday?

Verbatims mentioning newspapers:

Cut off communication - especially newspapers.

I guess I'd live but wouldn't get my newspaper.

Not so much except we wouldn't get our paper.

Oh, just the daily paper.

We have a real estate business and abstracts and closing papers are real slow coming now. Don't know that we'd do if no Saturday delivery. Also need the newspapers because of real estate listings.

No problems. Oh! make us get Friday paper on Monday.

Real problems? Newspapers wouldn't get here. Wouldn't get bills so soon and other mail. Wouldn't like it.

Our Saturday Ottumwa Courier. If Monday a holiday, not get it until Tuesday!

No newspaper.

No daily newspaper.

No newspaper.

None except no newspaper.

No newspaper.

No newspaper.

None, just used to it, no newspaper.

None except no newspaper.

No daily paper.

Everything would be so late, even our papers wouldn't come.

No paper delivered.

No paper.

No newspaper.

Don't think there would be much but we would miss our papers.

Wouldn't stop us from living but would be inconvenient. Wouldn't even get our newspapers.

Our papers (local) are a day late as it is and the DM Register is two days late. We wouldn't get Friday paper till Monday.

Raise hogs. Frequently get checks on Saturday and personal letters. No daily newspaper.

Verbatims (cont.) Nps

Quite a bit of mail of Saturday. Do business through the mail. It would mess that up and wouldn't get our paper.

The papers wouldn't get here.

We get our newspaper in the mail. I wouldn't get my Saturday paper. That would be my biggest reason for opposition.

Because I get the Des Moines Register in the mail on Saturday. It would be three days old when I got it.

The newspapers wouldn't come but can't think of anything else.

No paper. Do a lot of financial business through the mail.

We like to have our newspaper on Saturday. We wouldn't get it.

I get my newspapers in the mail. Important mail does come. We pay enough taxes now, we should get something for our money.

It would pile up on Monday. We like to have a daily paper to keep up with the news and Saturday is a good time to do this.

I'd miss the Saturday paper.

Wouldn't get the news.

I wouldn't get a newspaper. I like mail in Saturday.

I wouldn't get my newspaper. I want my paper on Saturday.

No newspaper.

No newspaper. Two days before delivery.

Mail a day late anyway so should be kept Saturday. No newspaper.

None except no newspaper.

The daily paper. I always sit down on Saturday afternoon and read it.

Just like the paper.

Don't know. Oh! The papers. We get Ottumwa paper so late now.

The paper.

No paper. My dad wouldn't like that.

I can't think of anything in particular. Just used to it. Also wouldn't get my newspaper.

I can't really see any. Just no paper.

None, I guess. Just the paper, some bills maybe.

We get the DM Register. Outgoing business mail would be affected, too.

Verbatims (cont.) Nps

I'm already missing funerals because we don't get our daily paper on time now.

The box would be so full on Monday you wouldn't ever look at it. The newspapers would be Friday's that we'd get on Monday.

No newspaper.

No newspaper.

No paper.

No newspaper.

No newspaper, would disrupt business.

No newspaper.

A full mail box on Monday. Lots of papers and our farm magazine that we like to see on Saturday.

I wouldn't get my bills, newspapers and maybe a check.

We wouldn't get our daily paper, one of our weekly magazines comes on Saturday too which I need for farming.

My Friday paper wouldn't get here till Monday. I can't foresee that they'd save any money. People will have to carry larger loads of mail on Monday.

We have lots of business mail on Saturday. We take a daily paper. We can't get to the post office even if it was open.

I wouldn't get my daily paper delivered or mail.

I'd miss the paper. I'd hate to see that happen.

No problems really. I'd miss a newspaper.

I'd have to figure out another way to get my paper on Saturday.

Wouldn't like it. Should be run better and get 6 days delivery, faster. Takes 4 days to get our Chicago papers.

We live in the country. Won't get the papers till 2-3 days late. Late enough now.

Just wouldn't like it. Papers would be late. Bills and rest of the mail. Takes too long now.

Just wouldn't like it. Wouldn't even get a paper. Everything would pile up.

Everything would be so late. Two days with no delivery. We never would get the papers read.

Verbatims (cont.) Nps

Won't get usual run of daily reports. No newspaper.

No newspaper. Heavy load on post office for Monday.

No daily paper.

No newspaper.

No newspaper.

No paper. Later delivery of letters.

No newspaper.

Inconvenient not getting a paper.

There are papers and mail we depend on.

I wouldn't get a paper. Special mail, letters.

For one thing, our daily paper would be 3 days late.

I'm used to having my mail on Saturday. I don't like doubling up papers on Monday.

I'd have a long weekend without news. The paper is old. The paper is delivered late anyway.

We wouldn't get our daily newspaper.

We wouldn't receive our daily paper. We wouldn't get any mail at all because we live in the country.

Wouldn't get a paper or anything till Monday. Run a business, need good mail service, get lots of mail.

Wouldn't get the daily paper.

No newspaper. No outlook letters till Monday. Wouldn't get Chicago Board of Trade reports till they were outdated.

No daily paper.

No papers. Letters and papers delayed.

We'd stop the daily paper. No use to buy it if we wouldn't get it till Monday. I've talked to several others who say they'd stop too.

Just miss the paper.

Verbatims (cont.) Nps

We have a business and people won't get our ads if they don't get the Saturday paper and we also receive checks in the mail for payment of bills. That would be inconvenient

Wouldn't get mail till Monday - cause a lot of problems - wouldn't even get our papers on Saturday.

We wouldn't get the daily paper and personal mail.

Lose out on some of the news, not get paper.

News is always a day late anyway.

No daily paper.

No daily paper.

Don't like old mail and papers.

No daily paper.

We wouldn't get current papers. I'm just thoroughly opposed to the idea.

Fruit trees always get here on Saturday, receive checks, no newspaper.

No big problem, no newspaper.

Two days without mail, no daily newspaper.

We don't have a TV set by choice, would miss that daily paper.

No mail for two days, daily paper wouldn't come.

Already get paper a day late, lots of business letters not delivered on time.

Too long between mail deliveries and no paper either.

Make papers so late.

A matter of convenience. Nothing from Friday till Monday, no papers.

We're not far from Burlington. Notices come out in the paper and everything is over by the time we get the paper now.

Wouldn't get the paper. Wouldn't know what was going on.

I like the paper and more that I receive on Saturday.

We'd get our paper 3 days after it's published.

I'd miss the paper. I'm concerned about 1st class mail being delayed an extra day. Lots of layoffs will be involved.

They wouldn't create problems. We just enjoy the paper that's all.

We get a paper and we wouldn't get a paper till Monday.

We'd miss the Saturday paper. Billing information, farm information that I need.

We wouldn't get our daily newspaper.

Verbatims (cont.) Nps

I would miss the daily newspaper delivery. Two days without mail is too long.

I like the daily paper.

I'd miss my paper. We live on a farm and I might stop the paper because who wants a Saturday paper on Monday? It's old news.

It's a long time between Friday and Monday. I run ads in Saturday paper for machinery.

We enjoy our daily paper. We get farm information on Saturday.

Additional verbatims

The pleasure of it.

Parcel post for business, need the orders, also need market reports.

Worst. Some mail that should be answered quickly would be delayed.

Who knows? Important letter might be delayed.

Too far behind, 2 days there between mail deliveries.

No great problems, business letters, inconvenience.

On the farm bills to be paid, some important mail might not come in time.

We run a business out here. We have an aviation business plus farming.

We often get things like checks or letters for weekend plans on Saturday.

We run a pure-bred livestock business and I need mail delivery.

I don't know. If we were looking for a check from livestock, letters from family.

Maybe it would create a problem if companies would need payment for something.

I like to get mail on Saturday. It would be a long wait from Friday till Monday.

Husband's practice (veterinarian). Receives drugs, sending out blood samples, getting lab reports back.

Not a great many. Monthly bills, letters would be late.

72 years old and I'm used to it.

Market news letters.

No emergency mail. Have to wait until Monday.

Bills. Payment checks that come on Saturday.

Paying bills. Too much mail logged up on Monday.

Verbatims (cont.)

A great amount of mail, business mail, so much that sometimes it won't go in the box. Don't know what we'd do if we got such heavy mail on Monday. Make our business correspondence a mess.

Waiting for a check. Need to send off things. Just too unhandy.

Some of most important mail comes on Saturday. Market closes on Friday. Get market update information on Saturday.

Just inconvenience.

Has a lot to do with my business.

Always had delivery and it's our right to have Saturday delivery. If Saturday delivery cut, maybe cut further.

Just miss it.

Delay the service that I've come to expect. Cost going up. Service going down.

Just used to it.

Three days before we get our mail.

Not as fast mail.

Sales on stock, cattle, etc.

Just the enjoyment of getting mail.

Just too long between deliveries.

Too long time stretch between mail delivery.

Important business mail.

Business mail.

Farmer's newsletters for crop report.

Having to pay something by Monday and forgetting to put it in the mail until Friday.

Some business problems. Our farm business. Payments would be late.

Can't think of any, just wouldn't like it.

Just inconvenient.

Without mail service for two days, payments for livestock through the mail, just like a paycheck and they would be delayed, make it hard on us.

Well, it just seems like a long weekend without mail.

Mainly that we live in the country and Friday till Monday is a long time without mail.

Things relative to our business, cattle and horse sales, transfer papers, ad sales for cattle.

Verbatims (cont.)

Just miss it.

Two days of no mail. Too long for business.

Be a day behind.

Going over the weekend without mail.

I'd miss the mail. It's quite a while from Friday to Monday. We receive a lot of mail on Saturday. We couldn't mail out from Friday to Monday.

None except too long period between mail deliveries.

It would take till Monday to get mail. Some of it would be old.

I like the mail.

Just not getting it.

I'd hate not getting it.

I'd like the mail.

It's a matter of inconvenience, that's all.

I don't know unless there'd be some important mail we couldn't get.

I guess more or less being used to having it and sometimes important mail also.

I work at the bank. The bank should have mail delivery going out.

My, we'd have to wait quite a while to get.

Because we're rural. We depend on the mail for business purposes. That would limit us to five days.

It might not for me. I'm thinking about the fellows who work with postal department. Create extra load for Monday's mail.

I wouldn't get my mail.

Two days without mail.

Inconvenience. No problems.

Things wouldn't move as fast and they don't move very fast now.

Markets on Friday, bean quotations, they'll be so late by Monday.

Some letters have to get going on Saturday. Inconvenience.

Wouldn't know what's going on for several days.

Mail that I might get on Saturday. Long time between deliveries.

Conduct business through mail on Saturday.

Verbatims (cont.)

Just inconvenience.

Just inconvenience.

Just inconvenience

Just an inconvenience.

I would have both Saturday and Sunday with no mail delivery. They ought to take a day in the middle of the week.

Just look forward to mail every day. Order through the mail everyday.

Family scattered. Get letters from them on Saturday.

Never know what comes on Saturday. Couldn't even pick up at P.O., would be closed.

Run travel agency a lot of times airlines tickets come on Saturday.

Substitute carrier. Saturday is quite a heavy day and Monday is quite heavy. Be two heavy days at one time.

Waiting until Monday for letters from children.

Receive check for hog sales on Saturday.

Extra day vital for communication. Mail highlight of my day.

If expecting something in mail, would be delayed two more days.

No mail from Friday to Monday.

Lose track of grain and hog markets.

Husband sells parts for tractors and these go through mail. Would be delay if no Saturday mail.

Would end up pretty much a week before receiving a letter.

Sometimes the mail is so slow anyway that we might not get important mail that we can reply to on time.

They'd still increase 13¢ stamps on letters. Wouldn't get a chance to read all that news on Monday.

I wouldn't get my mail till Monday.

I work all week and the post office is closed on Saturday morning so I wouldn't be able to mail my orders out for several days.

I get over drafts on Saturday. I need those for business purposes.

No problems. I don't like it.

It's a long time between Friday and Monday. It's a long time for me to wait to mail. Mail out. I'm in the country and not near a post office.

You have to wait for a whole weekend. Two days behind.

Verbatims (cont.)

Nothing would go out either.

Inconvenience, not serious, I guess.

I want the market reports on time. Otherwise, they're no use.

Live in the country and can't be running to the post office.

Just used to it. Inconvenience.

Can't keep up on prices, markets, would miss that. Bills would get mixed up, not arrive on time.

Can't rattle them off, very inconvenient, though.

It's so bad now that it wouldn't really matter.

Nothing too severe, but important letters.

Have enough trouble now. We have a business, it would make that very hard to run.

Build up of work at the office that would really be a problem.

Whole week getting a letter any place. Send one to here in Iowa on a Monday and wouldn't be delivered till next Monday.

We have a problem right now with mail delivery. What will this do?

No bills.

No Avon mailings.

Break the tradition.

No death notices.

Inconvenience, just spoiled and selfish.

It would be Monday before we got any mail.

I want my mail. They made a big profit this year. I don't know what the problem is.

We live in the country with no access to the post office. We need mail delivery.

Inconvenience in not getting mail delivery.

I don't know. It would be inconvenient at certain times because of checks coming in or birthdays.

Have to wait till Monday to get mail.

Parts delivery would be delayed that could be a hassle.

Could get along without it but it's very convenient.

Personal inconvenience.

Verbatims (cont.)

Some mail that required an immediate answer. Lose two days mail.

Our mail service is so poor it might not as well come at all, 2:30 p.m. delivery at end of route.

I think the mails are already inadequate, and the excessive delays. Cutting Saturday would create more delays and even greater inadequacies.

Office, professional. Make a lot of problems there and I wouldn't like it either. We get magazines and papers and professional magazines that would be late.

Two days is too long. Children are scattered. Takes three days to get a letter from 140 miles now. Could take five days.

Delay our mail. Important deadlines couldn't be met. I'm very upset about it.

Well, I don't know. We usually get notices or letters

Inconvenient, not serious.

No delivery for two days. Checks would be late.

Used to it. We paid for it so we ought to get Saturday delivery.

Wouldn't get the Farm Journal to use.

Business problems, checks, etc.

Checks and bills wouldn't come through as quickly.

So far from town, we need mail every day.

Isn't that what we pay our taxes for? I get some material on Saturday that has quite a few ads that I follow up on, on weekends when the phone rates are cheaper.

It depends on the time of the year. More farming mail during summer.

Very opposed to no Saturday delivery. Get mad when think about it.

I'm selfish. Just like to have delivery.

A long time between Friday and Monday.

Always get the stock reports. Want them current.

Long weekend.

Our mail wouldn't get out. Not so much as wouldn't receive it as not being able to send out bills, etc.

Convenience. We're used to it, we like it and we'd rather pay a little more to keep it.

Not many problems that I can think of, wouldn't like it though.

I just like to get mail. Why the hell can't we get our mail when we pay those jerks so much in congress?

Verbatims (cont.)

I'd rather not have two days without mail. Rather do without on Wednesdays. Always hear from relatives on Saturday which governs what we do on Sunday.

Emergency mail. As farmers we get this and it wouldn't get delivered till Monday, seed orders and such. Other ways to cut costs that wouldn't be as bad for the farmers.

Some out of state mail is so long getting here now. Our son is going to school out of state in the fall and we want to hear from him as soon as we can.

We send out mail out by putting in box. Would make it hard. That's the way we pay our bills.

We get checks and need to get them to the bank. The sale barn has sales on Thursday, sends checks out Friday and we want to bank ours on Saturday.

Like to hear from family. Am a news reporter and put things through the mail. Too long a time between Friday and Monday before mail delivered.

Am a County Supervisor and depend quite strongly on mail.

Last Monday got tomatoes. Sat over the week-end in the P.O. and all died. This would happen a lot.

You could miss a bill or important letter.

Q. If the postal service discontinues Saturday delivery of your newspaper, would you continue to subscribe to your Des Moines daily newspaper or not?

VOLUNTEERED COMMENTS

Yes, continue

But I don't want old news.

I suggest they stop publishing a Saturday paper.

Might drop the Sunday paper. Wouldn't want two on Monday.

Paper a tradition.

Would rather have 5 papers per week. Drop the 6th if it didn't come till Monday.

The paper should lower the rates if they discontinue one day delivery.

You take it when it comes.

If don't deliver on Saturday, cut back cost.

We need a daily paper.

Maybe you could incorporate with United Parcel, they are reasonable.

I'd expect a reduced rate.

When you're paying this high for papers, you expect papers every day.

"Don't let it happen!"

I use the newspaper for items in class.

Might just go to town and buy it.

If rate lowered.

My husband watches the markets, must have Saturday morning paper.

We need the paper.

No, stop

May stop anyhow because it's gone so high.

Lessen rates if we don't stop.

We're thinking of cancelling out now, so sure would then.

Don't get much out of paper anyway.

We want the markets. That's why we take the paper.

It's a waste of time a money to publish a paper on Saturday.

R & T should make other arrangements to get Saturday paper to their subscribers.

We are already thinking of stopping.

We are in the process of dropping DM Register so wouldn't matter.

Unless they put the price down.

About to discontinue it anyway. It comes so late it's old news and very

disgusting to us on the end of the route.

I've already stopped it but they keep sending it anyway.

Would just take Sunday. Don't read dailies that much, and do enjoy a Sat. paper.

Don't know

My husband might go to town and buy ones he wants.

Don't think too much of DM paper anyway.

It's so high we've been thinking of dropping it but have kids in high school and they need it.

I can get condensed news in the Sunday papers.

Don't want Saturday news on Monday.

There should be some price adjustment.

It's debatable. Chances are we probably wouldn't continue the paper.

As high as it's getting I'm half way in the mood of dropping it anyway.

My husband was irritated when they changed editors.

Might go down town and buy it when I want it.



A program for Cub Scouts, Scouts, and Explorers

National Office—Boy Scouts of America

North Brunswick, New Jersey 08902
 Telephone: 201 248-6000
 TWX 710-480-6262

July 7, 1977

The Honorable John Glenn, Chairman
 Subcommittee on Energy,
 Nuclear Proliferation and Federal Services
 United States Senate
 Washington, D. C. 20510

Dear Senator:

Thank you for your invitation to the Boy Scouts of America on behalf of the Senate Subcommittee on Energy, Nuclear Proliferation and Federal Services of the Senate Committee on Governmental Affairs to present our views upon the public service aspects and costs of services of the United States Postal Service.

As you know, the Boy Scouts of America was chartered by Congress in 1916 with its purpose being "to promote, through organization, and cooperation with other agencies, the ability of boys to do things for themselves and others, to train them in Scoutcraft, and to teach them patriotism, courage, self-reliance, and kindred virtues". Over the years, millions of youths have been guided by these principles.

Today over four million American Cubs, Scouts, Explorers, and adult leaders are being served by Scouting. An absolutely essential element in maintaining the widespread Scouting program is communication. Our written communication occurs in many forms; through information releases, training aids, and myriad publications sent to councils, units and individuals, as well as through Scouting, Boys' Life and Exploring magazines. The one common element in all of these communications is the delivery system of the United States Postal Service. The structure and program of the Boy Scouts of America are vitally dependent on adequate mail delivery service at reasonable rates.

The Honorable John Glenn
July 7, 1977
Page 2

Our present postage costs in all classes of mail total millions of dollars annually. Further increases would cause the Boy Scouts of America extreme financial hardship and would undoubtedly result in contraction of the Scouting movement through the ensuing diminution of services to the field.

We realize that the present rate structure can only be preserved by public subsidy, but we feel that the historical practice of subsidizing postal services relating to public service organizations is a socially desirable practice and we urge the Congress to continue the program of preferred postal rates. In particular, we wish to register our opposition to the recommendation of the Commission on Postal Services that preferred mailers should pay the same rates as non-preferred mailers.

Thank you for this opportunity to express our views and your interest and assistance in the continuation of the unique service rendered by the Boy Scouts of America to the youth of our country.

Very truly yours,



Harvey L. Price
Chief Scout Executive

td

STATEMENT OF INTERNATIONAL LABOR PRESS ASSOCIATION, AFL-CIO/CLC

TO

SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION & FEDERAL SERVICES

June 10, 1977

"The press is not only free, it is powerful. That power is ours. It is the proudest that men can enjoy. It was not granted by monarchs; it was not gained for us by the aristocracies, but it sprang from the people, and, with an immortal instinct, it has always worked for the people."

-- Benjamin Disraeli

The International Labor Press Association, AFL-CIO/CLC, an organization representing more than 500 member publications of the AFL-CIO and its affiliates, opposes many of the recommendations made recently by the Commission on Postal Service, and, further, is seeking an amendment to Section 3626 of the Postal Reorganization Act of 1970.

The ILPA's opposition is based upon its belief that the Commission's proposals present a danger to the survival of many of the union publications it represents, and also the publications of many other non-profit organizations, such as churches, educational institutions, veterans, and farm organizations.

The danger is of a financial nature. If the Commission's proposals are adopted, many non-profit organizations simply will not be able to afford to mail their publications to their members. The freedom of the press guaranteed all Americans will effectively be abridged for these organizations and their millions of members solely because it will be too expensive for these non-profit organizations of limited finances to exercise their rights.

The Labor Press: An Overview

An overwhelming majority of publications produced by members of the ILPA are entered under second class permits and qualify for preferred non-profit postal rates. Some are entered under third class, while a few are distributed through first class mail or by hand delivery. These publications have a combined per issue circulation of approximately 20 million.

These publications range from mimeographed newsletters circulating to fewer than 50 persons to newspapers and magazines with circulations in the hundreds of thousands. All are supported either entirely or to a substantial degree by the dues money of union members. Fewer than 20 per cent contain any advertising, and less than 10 per cent rely on advertising for survival. ILPA's constitution severely limits the solicitation and nature of advertising which can appear in its member publications.

Since the Postal Reorganization Act of 1970, nearly 50 per cent of ILPA's member publications have reduced their frequency of issue, cut back on the number of pages or format, or eliminated staff positions. About 75 member publications have ceased publication entirely. Increased postal rates or charges for postal services have been the principal reason for these curtailments.

Moreover, a recent survey by ILPA of non-member local union publications indicated that half of these had suffered similar cutbacks or ceased publication entirely. Postal rate increases, again, were cited as the main reason.

Union publications supply their member/readers with information that usually cannot be obtained through any other source. This information includes data about negotiations, union elections, financial reports, grievances, union policy and legal matters of concern to union members.

Union publications also supply their readers with information about the elections that are held each year for about 500,000 union offices, and report on the approximately 150,000 collective bargaining agreements that are negotiated annually. Additionally, unions have a representative democratic structure which requires rank-and-file members to be knowledgeable on national economic and social issues in order to choose as delegates to state or national union conventions those persons who best represent their views.

Except for news about strikes or contract negotiations in basic industries, the commercial media carry little information of this nature. And much of the information they do carry is incomplete, inaccurate or not timely.

Congress has recognized the poor financial standing of publications of non-profit organizations, such as the labor press. In fact, the view of Congress has been that these publications were a rich source of information for the public, and, therefore, it established a structure of preferred postal rates for qualified non-profit organizations.

But this preferential rate structure, under which non-profit publications paid less than half the commercial rate, was destroyed following enactment of the Postal Reorganization Act. In fact, the largest percentage increases in postal rates have fallen on publications of qualified non-profit organizations. Certain proposals of the Commission on Postal Service will raise these rates even higher, and eventually destroy this preferential rate structure and cause the demise of still more publications of non-profit organizations.

*Appended to this testimony is the statement of the AFL-CIO Executive Council on the Postal Service.

The ILPA Positions & Recommendations

I. Subsidies

The Commission on Postal Service has proposed a 10 per cent public service subsidy provided by general federal revenues. It would be based upon the previous fiscal year's operating expenses and subject to congressional reassessment of the level of appropriations beginning in 1983.

The ILPA believes a 10 per cent subsidy is insufficient and unrealistic in light of the historic levels of federal contributions to postal services and the current needs of the USPS. The 10 per cent subsidy would aid the Postal Service only in elimination of its debt.

The ILPA believes a 20 per cent subsidy is far more realistic, since it would help maintain service levels and stabilize postal rates. Moreover, a 20 per cent subsidy would restore the federal funding to pre-1970 levels.

II. Non-Profit Rates

Survival of the non-profit press depends upon a reinstatement of the traditional rate structure in existence prior to the Postal Reorganization Act of 1970.

The Commission on Postal Service, however, has proposed a 10-year ceiling on non-profit rates at 60 per cent of commercial rates. This "ceiling" would end and then, beginning in 1987, non-profit rates would be phased in over a 10-year period that would make them equal to commercial rates by 1997.

The ILPA supports restoration of the traditional 50 per cent limitation on non-profit rates, and urges such an amendment to Section 3626 of the Postal Reorganization Act of 1970. The amendment should set a statutory limit on the preferred rate for qualified non-profit publications of not more than 50 per cent of the rate established for comparable non-preferred or commercial second-class publications.

A preferred rate structure is essential for non-profit publications. It is a legitimate and necessary public service responsibility of a Postal Service, and should be subsidized by the federal government.

Any measure of relief for non-profit publications would not constitute a major revenue loss to the Postal Service. All non-profit second class mail combined amounts to less than one per cent of postal revenue. The ILPA believes the dollar cost to society of a subsidy for non-profit publications is far outweighed by the social value of these publications.

The proposed 60 per cent ceiling on attributable costs and the definition recommended for variable costs by the Commission are a vast improvement on the imprecise language of the Postal Reorganization Act.

III. Decreased Deliveries

The Commission has proposed a reduction in delivery service to a 5-day week in order to "save" \$412 million annually. Its report cites a "public opinion survey" in which 80 per cent of the respondents stated they would accept a 5-day delivery as an alternative to rate or subsidy increases. Respondents were offered only three alternatives -- an assumption that was either naive or designed to lead to a predetermined result.

The ILPA urges retention of the traditional 6-day delivery for a number of reasons.

We believe that public service, and that is what the Postal Service is, requires a philosophy of operation that is not always compatible with the profit motive that is now rampant in the upper management of the Postal Service. The heavy infusion of capital investment by the Postal Service in recent years has led to a decline in public services, largely through reductions in the labor force.

We also believe that a reduction to 5-day delivery would severely delay delivery of second and third class mail and is certain to lead to further reductions in volume. As the business week has expanded to 6 and 7 days in recent years, we find it ludicrous for the Commission to recommend curtailment of postal service essential for business life in America. Additionally, such a cutback would eliminate many jobs and contribute to high unemployment.

While the Commission proposed the delivery cutback as a way to save millions of dollars, it is, in our view, a method that will merely rob Peter to pay Paul. Welfare and unemployment rolls would swell, and the same money "saved" by the Postal Service would be doled out by the federal government in welfare, unemployment and other such subsistence payments. In fact, preliminary estimates of the net cost to the federal treasury in terms of lost tax revenue and increased social costs indicate, at best, that no savings would be actually realized.

IV. Third Shift Reduction

The Commission has proposed either a reduction or elimination of the third (overnight) shift for processing mail.

The ILPA opposes elimination of the third shift, or even a reduction, unless the Congress can guarantee that service will not deteriorate further. We note that decreased service standards underlie the Commission's recommendations, and we firmly believe that further erosion of service standards is unwarranted and not to be desired.

V. Mail Via Private Carriers

The Commission has proposed permitting private carriers to carry mail in cases where the Postal Service claims it cannot provide the needed expedited service.

The ILPA opposes further efforts to undermine the Postal Service by permitting private industry to compete for profitable sectors of postal business.

Further, the ILPA does not believe that private industry should be entrusted with the care and keeping of the First Amendment. Protection of the freedom of expression requires a government-run postal service; it is a responsibility the government cannot avoid.

Any changes in the Private Express Statutes should be delayed pending detailed study of expanding the research and development capabilities of the USPS into electronic transmission of messages.

The labor press fears for its unfettered voice for the workers it serves if private industry--traditionally hostile to the aims and objectives of workers' movements -- were to take over mail delivery.

VI. Postmaster Appointment & Board of Governors

The Commission has proposed that the Board of Governors be retained by the Postal Service, with the Postmaster General and Deputy Postmaster General continuing to be appointees of the Board.

The Commission, however, stated that the Board must scrutinize postal operations with more diligence than in the past. It also stated that the Board can keep the Postal Service out of the realm of partisan politics.

The ILPA strongly disagrees. We believe the spirit of public service -- which is an essential element of any government service -- would be best served by presidential appointment of the Postmaster General and Deputy Postmaster General with confirmation by the Senate. These moves, we believe, will restore public accountability to the positions and allow for much needed congressional supervision.

We further believe that the Board of Governors should be retained, but in a restructured form -- as a tripartite body representing mail users, consumers and postal workers.

VII. Postal Rate Commission

The Commission has proposed retention of the Postal Rate Commission, allowing it final authority on rate structures, but making it more accessible to the general public and non-profit mail users.

The ILPA, however, recommends abolition of the Postal Rate Commission. We believe it is an unnecessary, uneconomical procedural impediment to the efficient operation of the Postal Service.

We believe the Commission has not acted as an independent body. We believe it has adopted procedures to effectively bar participation by non-profit organizations. We believe that Congress should have the power to veto or modify rate increases or service cutbacks.

The ILPA believes the functions of the Commission should be transferred to the Board of Governors, with increased opportunity provided for public participation in rate determinations. Since the Governors are appointed by the President and confirmed by the Senate, there would be a necessary public check on the performance of members of the Board and assurance to the public that the members of the Board are qualified and representative of the public interests.

Conclusion

The solution to the maze of problems affecting the Postal Service is not spiraling postal rates. Higher rates result in declining volume, and declining volume necessitates further rate increases.

The ILPA believes the Postal Service is, and must continue to be, an essential government service. In a country as large as the United States, reasonable and equitable postal rates are vital to the well-being of the nation and its citizens.

In a democracy, the right to free speech and press is meaningless if an excessive price tag on postage prevents exercise of those freedoms.

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* Appendix - AFL-CIO Executive Council Statement, February 25, 1977, Bal Harbour, Fla.

Statement by the AFL-CIO Executive Council

on

Postal ServiceFebruary 25, 1977
Bal Harbour, Fla.

Preservation of the government-operated Postal Service is just as important to the nation today as it was when the Congress established postal service in 1792. Yet today that service is in danger of disappearing.

The current problems faced by the Postal Service result in large measure from the mistaken belief that a government postal service should somehow break-even or make a profit. Since the Postal Reorganization Act of 1970, the management of the Postal Service has operated by profit-and-loss charts, rather than performance. The result has been cutbacks in services and increases in rates that have undermined public confidence in the Postal Service.

In addition, seemingly endless postal rate increases have threatened the existence of the labor press and publications of other non-profit organizations such as churches, farm and veterans organizations. The labor press supplies its readers with important information about union elections, finances, policy, contract negotiations, grievances and other legal matters. Much of this information is required by law, and very little of it is available through the commercial media.

The AFL-CIO believes it is time to restore the philosophy of public service to the Postal Service.

The AFL-CIO Executive Council, therefore, makes the following recommendations to the Congress which will soon be considering changes in the law:

1--A public service subsidy of not less than 20 percent of estimated postal revenues should be annually appropriated to the Postal Service by the Congress for maintenance and operation of the postal system which is used by every American.

2--The Postmaster General should be appointed by the President and confirmed by the Senate. At present, the Postmaster General is hired by the Board of Governors and is, therefore, insulated from accountability to the people. A fixed term would be one method to prevent recurrence of the political patronage system that damaged the Postal Service in earlier years. The Postmaster General, however, should not serve as a member of the Cabinet.

Postal Service

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3--The Postal Rate Commission should be abolished. This body has become a procedural hurdle to efficient operation of the Postal Service. Its duties could be performed by the Postal Service or its Board of Governors, with congressional review of rate increases and service cutbacks.

4--If the Board of Governors is maintained, it should be reconstituted as a tri-partite board of postal workers, mail users and the general public. It should be a full-time body, appointed by the President with confirmation by the Senate, and oriented to public service.

5--Further erosion of the Postal Service's first class monopoly by private industry, which is not obligated to supply full services, would devastate the financial position of USPS.

6--The collective bargaining system should be maintained as essential protection for postal workers. For years, low postal rates were subsidized by low wages for postal employees. We will vigorously oppose any return to that system.

7--A ceiling should be established for second class postal rates for publications of qualified non-profit organizations at not more than 50 percent of the applicable commercial rate.

The promise of the Postal Reorganization Act of 1970 has not been matched by performance. The changes we seek would restore the vital concept of public service so lacking in postal management today.

An efficient, government-run Postal Service with reasonable rates for postal users is vital if Americans are to fully enjoy the rights guaranteed by the First Amendment.



NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

2000 FLORIDA AVENUE, N.W. · WASHINGTON, D.C. 20009 · AREA CODE 202, 265-7400

June 16, 1977

The Honorable John Glenn, Chairman
Senate Subcommittee on Energy, Nuclear
Proliferation and Federal Services
455 Russell Office Building
Washington, D.C. 20510

Dear Senator Glenn:

We are pleased to be able to comment on matters relating to our Association and its members as they are affected by the operations of the Postal Service.

First, let me express our appreciation to you and your committee for conducting hearings on the future of our postal operations. We strongly believe that there is an important role for the Congress to fill in determining the future of postal service in our nation.

The National Rural Electric Cooperative Association and the 31 state associations of electric cooperatives which publish newspapers and magazines fully support the substance of the oral comments being submitted jointly by the Catholic Press Association, Associated Church Press, Evangelical Press Association and the American Jewish Press. We especially endorse those portions of that statement which deal with rates and services affecting preferred second-class mail users.

By Act of Congress, NRECA and other associations of rural electric cooperatives -- in particular, the 31 state associations which produce consumer publications -- are entitled to mail their publications at the preferred second-class rates. These publications, often the only ones to reach many rural homes, continue to face accelerating postage costs. We estimate that by end of the "phasing-in" period established by Congress, many will have seen their postal rates increased by 10 times. Some, we fear, will not be able to absorb these additional costs.

The Honorable John Glenn
page 2

We continue to believe that it was, and remains, the intent of Congress to foster a wide variety of publications and to assure their availability throughout the nation -- at a subsidy, if necessary. Without some changes in the Postal Reorganization Act, this intent seems destined to be overruled by administrative interpretation.

In addition to this letter supporting the statement of other preferred mailers, we are submitting our own written statement more fully outlining our positions and we respectfully ask that our statement be included in the hearing record.

Sincerely,



Robert D. Partridge
Executive Vice President
and General Manager

RDP:MR:mlj

STATEMENT SUBMITTED TO THE
SENATE SUBCOMMITTEE ON ENERGY,
NUCLEAR PROLIFERATION AND FEDERAL SERVICES
BY ROBERT D. PARTRIDGE,
EXECUTIVE VICE PRESIDENT
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION
2000 FLORIDA AVENUE, N.W.
WASHINGTON, D.C. 20009
JULY 7, 1977

My name is Robert D. Partridge and I am the Executive Vice President of the National Rural Electric Cooperative Association. NRECA is the national organization of nearly 1,000 REA-financed, nonprofit cooperatives which deliver central station electricity to approximately 25-million people throughout 46 states. These rural electric cooperative systems serve in the sparsely populated areas of the United States.

NRECA publishes and mails (under the qualified nonprofit second-class rates) the following:

1. Rural Electrification Magazine (monthly)
2. Rural Electric Newsletter (weekly, except biweekly October-January)
3. Management Quarterly

In addition, NRECA has among its members 31 state associations which also mail publications under the qualified nonprofit second-class rates. The papers or magazines are circulated to the members of rural electric cooperatives within their states. These publications have a combined circulation of more than 4-million. In many cases, they are the only publications received by these rural residents.

Since the establishment of the Postal Service as an independent government agency, these publications have had to contend with ever-spiraling postal rates. As a result of already announced increases--and not including future increases the Postal Service is seeking or will seek--rates for some of them will increase as much as 10 fold over the current phasing-in period.

These publications, which for the most part are relatively small in size but with relatively large statewide circulation, are particularly concerned that the effect of the Postal Service increases is to place an extremely heavy burden on small publications.

Congress, in establishing the second-class category and its special rate, recognized clearly the need for all citizens--urban and rural--to have access to printed information at reasonable costs. It was the specific and deliberate intent of Congress to foster a wide variety of publications and to assure their availability throughout the nation--at a subsidy, if necessary.

In 1974, Congress reaffirmed this intent by overwhelmingly passing legislation which extended the phasing-in period for second-class rates sought by the Postal Service. In each year since then, the Congress has appropriated the funds necessary to implement this extended phasing-in schedule.

The 31 rural electric associations which publish magazines and newspapers for the consumer-members of the rural electric systems within their states are, we believe, performing a vital function in disseminating information on energy and other important issues. To cite just one example: they have been at the forefront of providing information on energy conservation in the home and have been promoting home weatherization programs far beyond what newspapers or other publications have been doing.

I do not exaggerate when I say that most of these publications operate on minimum budgets and that the actions of the Postal Service regarding rates could determine if they survive.

We have previously expressed our support of oral and written comments submitted by other special-rate second-class publications--specifically the Catholic Press Association, Associated Church Press, Evangelical Press Association and the American Jewish Press.

We are in full concurrence with their statements relating to rates and services affecting nonprofit second-class mail users.

Additionally, we urge the Subcommittee to carefully consider the importance of maintaining post offices in rural America. It goes without saying that without the post office, rural America would be even more isolated from the rest of the Nation.

We would also like to summarize our position on the following points as they relate to our publications and those of our member systems and to rural America in general:

1. We believe Congress should adopt a definition of "attributable" costs which would require the Postal Service and the Postal Rate Commission to give proper consideration to social, cultural and intellectual factors as well as cost factors. Cost factors appear to have dominated previous rate determinations.

2. We believe that there should be a ceiling of 50% of total costs set on attributable costs.

3. We believe that Congress should maintain a review or oversight function over the Postal Service on matters such as rate setting or classification.

4. We oppose curtailment of Saturday mail service.

5. We support simplification of administrative proceedings on postal rates and services. These proceedings are so complicated and expensive that few can participate in them.

6. We support Congressional approval of the appointment of the Postmaster General.

Let me close by saying that we appreciate the Subcommittee holding these hearings on the future of our postal operations. There is probably no single agency that more directly touches the lives of the American people than the Postal Service. Therefore it is vital that the Postal Service operate in

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the public interest. It should not be--nor have to be--so concerned with the balance sheet that it neglects to properly serve public welfare.

Somehow, the Postal Reorganization Act made the balance sheet more important. We urge the Congress to correct this inequity.



John Krinsky, Jr.
Vice President—Federal Affairs

May 17, 1977

The Honorable John Glenn
Chairman
Subcommittee on Energy, Nuclear
Proliferation, and Federal Services
Committee on Government Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The Commission on Postal Service has recommended that the Postal Service be given the right to contract with any air carrier, without advertising for bids, to transport mail by aircraft in the manner, and under terms and conditions, that the Postal Service considers appropriate. Further, the Federal Aviation Act essentially would not be applicable to the extent that an air carrier were transporting mail under such a contract. The Commission made this recommendation without hearing from any air carrier representative as far as we are aware. For the reasons stated herein, Pan Am believes that this recommendation is based on fundamental misconceptions regarding the carriage of mail by aircraft and on basic mistakes of fact. It should not be adopted.

The Commission's discussion of this issue is contained at pages 53-54 of Volume I of its report. One premise of the Commission's recommendation is that the Postal Service needs the ability to react quickly to meet changing service standards. It is well established, however, that the Postal Service, not the Civil Aeronautics Board, establishes the conditions of carriage for mail. The Civil Aeronautics Board simply sets the rates. To the extent that the CAB has not established rates expeditiously, the carriers, not the Postal Service, are hurt in this era of rapidly rising costs.

The Commission also refers to service deficiencies. In both the Domestic Mail Rates Case, Docket 23080-2, and the International Mail Rates Case, Docket 26487, the Postal Service has argued before the Civil Aeronautics Board that too much capacity has been provided for the



The Honorable John Glen
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May 17, 1977

carriage of mail and that the Postal Service should not bear a proportionate share of the cost of that capacity. As evidenced by these contentions of the Postal Service, the air carriers have historically provided ample capacity to meet the service needs of the Postal Service. Contracting for the carriage of mail on existing scheduled flights will not create additional service. On the other hand, removing mail from scheduled flights and placing it on separate contract services will create more empty space on the remaining scheduled flights that will have to be paid for by passengers and property. This is not in the interest of an efficient transportation system. Removal of mail from scheduled flights will also increase energy consumption. It is likely that the scheduled flights will have to be operated in any event. If the Postal Service contracts for flights to carry mail alone, such contracted flights will be in addition to the already scheduled flights and will consume an unnecessary additional amount of fuel.

The Commission argues that the Postal Service should have the ability to pay transportation rates available to the private sector and that it has been encumbered by differing sets of standards than the private sector. To the contrary, the Postal Service has benefitted from the existing system. ~~It pays uniform rates for the carriage of mail regardless of quantity tendered.~~ Mail is often tendered in small amounts at different times of the day in order to enhance delivery times. Mail rates are also based on total carrier costs on dense and light routes. If the mail is taken off the dense routes and shifted to contract operations on those routes, the cost basis for the transportation of mail on the remaining scheduled flights would have to be reevaluated and the mail rates increased. Further, the existing system provides the Postal Service with great flexibility. It pays only for what it ships. Under a contract concept, the Postal Service would have to pay for the space even if it could not be used. The prompt and efficient delivery of the mail would be impaired if the Postal Service waited to ship it until large enough volumes had been obtained to justify a contract shipment.



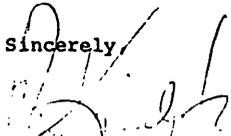
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Granting the Postal Service unlimited contracting authority, as proposed by the Commission, is not necessary to give the Postal Service parity with private shippers. No other shipper has the unilateral right to contract with an air carrier at rates which are not subject to review by the CAB. No other shipper can contract for the services of an air carrier without regard to its route structure authorized by the CAB. The statutory change proposed by the Commission, however, would grant such rights to the Postal Service. Since the Postal Service is the monopoly shipper of mail, its enormous economic power would enable it to start cut-throat bidding contests for mail contracts in major international markets. This scheme could easily lead to a reversion to the chaotic bidding wars of the 1930s for mail contracts. The ultimate result would be a deterioration in mail service and the impairment of the financial health of the U.S. scheduled air carriers. No other shipper has such monopoly power.

Mail is of crucial importance to Pan Am. In 1976 Pan Am's revenue from the carriage of U.S. mail was \$57.3 million. The subject of adequate and equitable mail rates was a major part of the International Air Transportation Fair Competitive Practices Act of 1974, which became law on January 3, 1975. In that Act, Congress recognized the importance of the carriage of mail and the revenues therefrom to the U.S. international air carriers. Pan Am's mail revenues are already declining. Further diversion of mail would be a serious blow to the financial health of Pan Am and other U.S. international air carriers.

For the foregoing reasons, it is apparent that the recommendation of the Commission on Postal Service regarding contracting for mail service has received inadequate consideration and should not be adopted. This whole subject is being dealt with in connection with the hearings on the various deregulation proposals before Congress. In that context, a more thorough airing of the issue will result than in the unilateral context in which the matter is treated in the report of the Commission on Postal Service.

Sincerely,



John Krinsky, Jr.

BEST COPY AVAILABLE

Hon. John Glenn, Chairman
Governmental Affairs Subcommittee on Energy,
Nuclear Proliferation and Federal Services,
204 Russell Senate Office Building,
Washington, D. C.



Dear Senator Glenn:

May 27, 1977

My purpose in writing you relates to one of the recommendations made by the Commission on Postal Service which are under review by your Subcommittee.

On Page 77 of Volume 1 of the Commission's Report, there is a recommendation that the reestablishment of the Postal Service Advisory Council may help solve the problem of reported Postal Service insensitivity to the needs, suggestions, and advice of labor, mail users, and the public.

It is indeed true that the Advisory Council created under the Postal Reorganization Act rarely served as a forum for Council members to advise the Postal Service. Moreover, the Postal Service itself did little to consult with and receive the advice of the Council regarding all aspects of postal operation.

However, there has been in existence for the past 12 years an advisory body that meets regularly with Postal Service management on technical and other matters that concern mail users. I refer to the Mailers Technical Advisory Committee (MTAC), which was first activated in 1965. Attached is a recent Postal Service Headquarters Circular describing the authority, purpose, and the Committee's functional relationship to the Postal Service.

The Commission recommends reactivation of an Advisory Council composed of 10 members, 6 to be appointed by the President, 3 being drawn from postal labor and 3 representing mail users. The other 4, (2 of whom would be appointed by the President Pro Tempore of the Senate and 2 by the Speaker of the House of Representatives), would represent the public.

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While the Commission's recommendation would preclude selecting all members of the proposed Advisory Council from MTAC's roster, it certainly does not foreclose calling upon the MTAC roster for the members who would represent mail users and the public. The method of selection would be to have the MTAC Executive Committee make recommendations for the representatives that would be chosen by the President, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives.

Perhaps some additional information about MTAC's membership will be helpful to you in assessing this suggestion. The present roster of MTAC includes representatives of mail user organizations that account for more than 70% of the total volume of the Postal Service. There is literally no major mail user that is not represented on MTAC, either by its trade association representative or through its own designated member. MTAC members not only have comprehensive technical grasp of postal problems, but as businessmen, are equally familiar with the financial realities of postal management and operations.

In summary, reactivation of the Postal Service Advisory Council would be in the public interest. Since a working group exists from which qualified people can be drawn, it makes sense to utilize the expertise of MTAC members in reactivating the Advisory Council.

I will be glad to provide you with any additional background information if you wish to explore this suggestion further.

Sincerely,


Alan Kayes
Manager, Business Affairs
RCA Music Service

(Industry Chairman, Mailers
Technical Advisory Committee)

File MTAC. Headquarters

UNITED STATES POSTAL SERVICE
headquarters
circular

FILING INSTRUCTIONS

Headquarters Manual

FILE IN SECTION	VII
AS PER	VII-A-2
NO	76-7
DATE	3-16-76

SUBJECT Mailers' Technical Advisory Committee

I. AUTHORITY

- A. The Mailers' Technical Advisory Committee (MTAC) was established by Headquarters Circular 65-13, dated May 27, 1965, pursuant to the provisions of Executive Order 11007, dated February 26, 1962. Circular 73-27, dated September 18, 1973, perpetuated the Committee under the newly formed United States Postal Service, more clearly defined its functions, and established its coordinating relationships to the U. S. Postal Service.
- B. This circular serves to list new sections for Executive Committee, Treasurer, and Annual Dues. It amends Items E and F under Section II, Purpose; adds the immediate past Industry Chairman to the Executive Committee; elaborates on the service of the Treasurer; adds a new paragraph covering dues for USPS members; and extends distribution of all MTAC material to association executives.

II. PURPOSE

The MTAC provides to the U.S. Postal Service, through the Customer Services Department, information, advice, and recommendations concerning the technical aspects of:

- a. Introducing mail into the postal system.
- b. Processing of mail.
- c. Transportation of mail among postal facilities.
- d. Systems for the delivery of postal products/services.
- e. New products and related market research.
- f. Experimental tests and market strategies related to postal products/services.
- g. Methods of payment for postage and other indicia.
- h. Other subjects of mutual interest raised by or through the members of the MTAC or the U.S. Postal Service.

III. CHAIRMANSHIP

- A. The Assistant Postmaster General for the Customer Services Department shall act as the permanent Chairman of the MTAC. He will be supported by a Co-Chairman from the Postal Service appointed by him.

- B. Two of the MTAC Industry Representatives will serve as Industry Chairman and Vice Chairman. Each shall serve for a (1) one year term beginning on the first of July. Prior to the end of their first term, the Industry Chairman shall appoint a committee to either nominate new Industry officers or re-nominate the current officers to serve for one additional year. If the Industry Chairman is not re-nominated for an additional term of one year, the Vice Chairman will automatically become Chairman. In the event of a vacancy in the office of Vice Chairman the committee will nominate a new Vice Chairman. Prior to the end of any second term served by an Industry Chairman he will appoint a nominating committee to select a new Vice Chairman. The Vice Chairman who previously served with the out-going Chairman will automatically be installed as the new Industry Chairman. All recommendations of the nominating committee are subject to confirmation by a majority vote of the members.

IV. EXECUTIVE COMMITTEE

The Postal Service permanent Chairman and Co-Chairman together with the Industry Chairman, Vice Chairman, and the immediate past Industry Chairman will serve as an MTAC Executive Committee. The Executive Committee will act on membership applications; determine meeting subjects and dates; and review proposed changes in policy, procedures, and functions of the full committee.

V. TREASURER

A Treasurer shall be appointed by the permanent Chairman of the Committee with the concurrence of the Industry Chairman. The Treasurer shall make a full financial report to the members at each official meeting. The Treasurer shall serve at the pleasure of the Postal Service permanent Chairman and the Industry Chairman.

VI. ANNUAL DUES

- A. Effective January 1, 1976, and for each subsequent year thereafter, annual dues in the amount of \$50 will be assessed each Principal and Alternate Representative to the Mailers' Technical Advisory Committee. The funds collected shall be used to defray administrative expenses, the cost of the meeting luncheons, and other incidental Committee expenses at the discretion of the MTAC Executive Committee with a majority approval of the members.

- B. Annual dues in the amount of \$50 will be assessed the permanent Chairman of the NTAC along with each of the six (6) postal executives appointed as permanent members and identified in Items A through F, Section IX. The dues of the USPS Chairman and those named postal executives will be paid to the MTAC Treasurer by the U.S. Postal Service.

VII. MEETINGS

- A. Meetings will be held four times each calendar year or at the call of the Postal Service Chairman at locations mutually convenient to the MTAC members and the Postal Service. Meetings of the membership without representatives of the Postal Service or the approval of the Chairman are authorized but cannot be construed as official meetings of the MTAC.
- B. Summaries of all proceedings shall be kept, and shall, at a minimum, contain a record of persons present, a description of matters discussed, any conclusions reached, and copies of all reports received, issued, or approved by the Committee. The accuracy of all summaries shall be certified by the permanent Chairman, Co-Chairman or their representative present at the meeting recorded.
- C. It shall be the responsibility of the Postal Service permanent Chairman to furnish Association Executives, Principal and Alternate Representatives, and selected USPS officials summarized minutes of each quarterly meeting and all meeting notices with planned agenda.
- D. It shall be the responsibility of the MTAC Principal and Alternate Representatives to communicate back to their parent associations, for general information and/or appropriate action, those important topics discussed within the MTAC framework.

VIII. APPOINTMENTS TO THE MTAC

The following organizations and customer groups may appoint a Principal and an Alternate Representative to the Committee for renewable terms of two years or less:

American Assn. of Nurserymen, Inc.
 and Mail Order Assn. of Nurserymen
 American Bankers Assn.
 American Business Press, Inc.
 American Life Insurance Assn.
 American Newspaper Publishers Assn.
 American Petroleum Institute
 American Retail Federation

Associated Third Class Mail Users
 Assn. of American Publishers, Inc.
 Assn. of Second Class Mail Pubs., Inc.
 Book Manufacturers' Institute
 Chamber of Commerce of USA
 Classroom Periodical Publishers
 Counsel of Public Utility Mailers of
 American Gas Assn. and Edison Electric Institute
 Direct Mail Marketing Assn.
 Envelope Manufacturers Assn.
 Fulfillment Management Association
 General Services Administration
 Internat'l Assn. of Cross Reference
 Directory Publ., Inc.
 Magazine Publishers Assn., Inc.
 Mail Advertising Svc. Assn., Int'l.
 Mail Order Assn. of America
 Nat'l Assn. of Advertising Dist.
 Nat'l Assn. of College & University
 Business Officers
 Nat'l Assn. of Greeting Card Pubs.
 Nat'l Catholic Development Conf.
 Nat'l Industrial Traffic League
 National Newspaper Assn.
 Parcel Post Association
 Printing Industries of America, Inc.
 Recording Industry Assn. of America
 Religious Press Associations
 Society of Nat'l Assn. Publications
 United States Independent Telephone
 Association/Bell

IX. MODIFYING LIST OF MTAC TRADE ASSOCIATIONS

It shall be the responsibility of the MTAC Executive Committee, to make appropriate additions or deletions to the list of organization and customer groups who are represented on the Mailers' Technical Advisory Committee.

X. U. S. POSTAL SERVICE REPRESENTATION

The following postal executives are appointed permanent members of the MTAC:

- a. Director, Office of Stamps and Customer Marketing, Customer Services Department.
- b. General Manager, Sales Services Division, Customer Services Department.

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- c. General Manager, Retail Operations Division, Customer Services Department.
 - d. Director, Office of Product Management, Customer Services Department.
 - e. Director, Office of Mail Classification, Rates and Classification Department.
 - f. Program Manager, Customer Communications, Public and Employee Communications Department.
 - g. Other members of the Headquarters Postal Service will participate as needed in meetings deemed appropriate by the Chairman.
- XI. Headquarters Circular 75-41, dated 10-22-75, filed as item VII-A-2 of the Headquarters Manual, is rescinded. Please remove it from the Headquarters Manual and destroy it. Make necessary changes to the appendix and Table of Contents, Section VII.


J. B. Applegate
Assistant Postmaster General
Customer Services Department
Administration Group

STATEMENT OF THE AGRICULTURAL PUBLISHERS ASSOCIATION
ON POSTAL ISSUES TO BE CONSIDERED BY THE UNITED STATES SENATE
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES

June 28, 1977

Mr. Chairman, the Agricultural Publishers Association, Inc. (APA) is a non-profit corporation created under the Laws of Illinois. Its membership comprises 13 companies who publish 28 State and Regional Agricultural Magazines, many of which have been providing farming "know how" to rural families of America for over 100 years. A list of the Companies, their location and publication is attached and marked Exhibit A. These are all paid circulation publications, under Second Class Mail.

Agricultural magazines have made far-reaching adjustments during the past five years in an effort to adapt to escalating postal rates.

In numerous instances subscription prices have tripled or quadrupled, and major farm magazines have revamped circulation strategies to avoid financial deficits commonly associated with subscription sales departments in years past.

As a result, many farm magazines are finishing a satisfactory financial year in 1976.

But the higher subscription prices required in order to keep pace with postage costs are forcing many worthy, but low-income farm families to discontinue their farm magazine subscriptions. They aren't renewing subscriptions at the much higher prices, and the ever-higher postage costs in prospect for the years ahead will make the problem even more acute.

This is contrary to the principle of an easy flow of information to all the electorate, as set forth in the early years of the post office system. It tends to discriminate low income, difficult to reach post office customers - many of whom have the greatest need for information supplied by farm magazines.

A mistake is made by those who consider second class postage rates as a subsidy to farm magazines. Rather than this, postage rates for farm magazines,

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the rural free delivery system, and village and small town post offices should be considered as service functions to help keep the electorate informed through low cost print media.

The strongest magazines, serving the Nation's best farmers, can survive almost any exorbitant postal rates we are likely to face. These magazines will simply serve high income customers who can afford to pay \$25 to \$50 a year for a farm magazine subscription. But poorer, less fortunate families will be deprived of a variety of helpful information sources, and the less affluent magazines serving small special groups of farmers will face financial difficulties.

This means that costly less satisfactory government information programs will likely be demanded in some future year to fill these information voids in rural areas.

It will be so much more logical, and less costly, to maintain a strong service oriented postal system like we have know in the past - one designed to serve all the people. To say that the Postal Service must operate like a business is to refute the "service to all of the electorate" concept. Rural routes and small town post offices should not be expected to pay their way like profitable businesses. Nor should city postal service customers and American businesses be expected to shoulder the deficits from rural areas. It is simply a matter of recognizing that the delivery of mail is a service that should be available to all citizens just like roads, educational systems and other similar services are provided by the government.

What is seriously concerned here is the "Science of Agriculture" category in the Law. Public Law 91-375 provided that Agricultural Magazines shipped for delivery to rural patrons in Zones 1 and 2 be considered in the "Science of Agriculture" subclass and granted the full Preferred-rate category.

- 3 -

APA believes the Agricultural Magazine is a vital artery of scientific information from the laboratory to the land. Our Department of Agriculture has advised that by the end of this century, the American farmer will have to provide much more food and fiber on fewer acres. An estimated 80 million people will be added to our United States population and about 3 billion more to the world population in the next quarter century. According to former Secretary Earl Butz, "We must give him (the farmer) the tools of production. We must help him find safe ways to use them. We must expedite discovery and testing of new and even safer agents of production. We must shorten the time span from discovery to practical application".* (Underscoring added.)

What better method to achieve this vital education in the national interest than the dedicated publication and use of the Agricultural Magazine! This tool of agricultural production has demonstrated its efficacy over the past century in America. In survey after survey conducted by colleges of agriculture, farmers have rated the Agricultural Magazine in first place as a source of information on the business of farming.

It is in the public interest to preserve this tool of production, and recognition and support by our Federal Government will go a long ways towards this end. The Congress would be justified in returning to the 1.5 cents per pound rate (both editorial and advertising content) that existed for 1st and 2nd Zone Second Class mailings from 1935 to 1958, at least as a source of encouragement to paid circulation "Science of Agriculture" magazines. The difference in alleged costs should be added to Public Service Appropriations.

The problem is preserving the force and effect of "Science of Agriculture" magazines.

*Boise, Idaho, October 8, 1974

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A large segment of uninformed persons in rural areas is a potentially dangerous and costly situation. The founding fathers recognized this in organizing the postal system.

Persons who doubt the need for a strong rural press in the present day are misinformed. No other part of the mass media is geared to filling this information void in rural areas. Radio and television do not provide solutions to the lack of "how to..." information for farmers. And newspaper distribution in rural areas is already following, or will follow, the same trends as magazine circulation - that is, circulation will tend to concentrate in easier to reach, higher income families.

In the discussion of this postal rates issue, we must not lose sight of Rural Mail Delivery and our small town Post Offices. Rural Delivery was formed as Rural Free Delivery to provide rural residents with mail service comparable to that of the city dweller. Both Rural Delivery and the local, small town Post Offices do not raise sufficient revenues to cover their costs, and they were never intended to be self sustaining. Their losses should be included in Public Service Appropriations as a means for extending the unifying force of our Postal Operations to the entire nation. As with Rural Free Delivery, we certainly have not reached a point where we tell our citizens we shall continue the service only if they pay and pay excessively for it.

APA also supports the 50% ceiling on nonprofit cost allocations, as being in the public interest.

What better example of the effects of mounting postal costs than with the Farm Publications now facing a 500% hike over 1971 rates. In a recent hearing before the Postal Rate Commission (Docket MC 76-2) a Senior Officer of the Harvest Publishing Company, Cleveland, Ohio, testified that since 1971 his Company had been forced to raise subscription rates from \$1 per year to \$4 per year with a resultant

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loss in circulation of 2 million copies per year. Also, that as they seek an increase to \$5 per year, they are meeting heavy buyer resistance and further losses. Do we provide an effective postal service to rural communities as provided by Public Law 91-375, when we are forced by rate hikes to price our magazines out of the market?

APA urges that greater consideration be given to the Second Class user preparations of the mail, as in the case of Agricultural Magazines which are coded, sacked and transported by publishers in order to avoid "In-Office" postal costs. APA Publishers spend 3¢ per piece in this mail preparation, and are currently seeking a 1¢ discount per piece in current Classification Proceedings, Docket MC 76-2. (See attached Exhibit B representing the findings of Ernst & Ernst on Agricultural Publisher's cost of User Service.) For many years APA has engaged in this cooperative effort with the Postal Service in order to reduce Postal Costs and speed the delivery of APA magazines.

APA obtained the "Science of Agriculture" category in 1967, (Public Law 90-206). The Congressional Reports and debates clearly indicated that Congress intended that Agricultural Magazines shipped for delivery to rural patrons in Zones 1 and 2 be classed "Rates of Postage; preferred". However, the Postal Rate Commission has ruled that the Science of Agriculture preferred rate applies only to the advertising portion of APA magazines, by Law. This results in a hybrid Class of Mail - half regular (Editorial Content) and half preferred (Advertising Content). At the urging of the Postal Rate Commission we have previously approached the Congress on this problem.

In Report No. 93-369 on H.R. 8929 dated June 10, 1973 the House Post Office and Civil Service Committee reaffirmed legislative intent with a clearer statutory amendment and the following statement:

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"The editorial content of publications devoted to the science of agriculture will receive the same phasing and preferred rate as will apply to the advertising content of these same publications, that is, nine-year phasing in biennial increments. This will correct an anomaly arising under former postal rate provisions and continued under the Postal Reorganization Act which granted the preferred second-class phasing and rate only to the advertising content of such magazines when mailed to zones 1 and 2. Without this adjustment nonadvertising content would have been charged a higher rate than advertising content. This language merely provides that all of the contents of an agricultural publication will receive the same rate treatment."

APA urges the Congress to resolve this conflict and establish the full Preferred Status for Agricultural Magazines shipped for delivery in Zones 1 and 2, as the House of Representatives was willing to do in 1973.

The financial impact or risks involved in these Issues are limited. APA involves less than 2% of total Second Class volume and a tiny fraction of the 34,000 publications with Second Class entry in the United States Postal Service. In 1971, Mathematica, Inc. in referring to Agricultural Magazines callously stated that "from the point of view of the Postal Service, however, this segment accounts for about 1 percent of total Second Class mail revenues, so that the continued decline of farm magazines is not likely to have larger repercussions on mail revenues".*

Gentlemen, in the national interest we must halt the disfranchising of a large segment of the population - low income rural people - and make it practical for all of the Nation's farmers to receive this important tool of farming, the Agricultural Magazine.

*Docket No. 71-1, Exhibit 222, Tr. 62/11702

Exhibit A

AGRICULTURAL PUBLISHERS ASSOCIATION

	<u>Average Circulation*</u>
1. American Agriculturist	124,020
2. Arizona Farmer Ranchman	5,129
3. California Farmer	63,078
4. The Cattleman	27,593
5. Colorado Rancher-Farmer	30,427
6. The Dakota Farmer	78,127
7. The Farmer	188,180
8. The Florida Cattleman	7,865
9. Hoard's Dairyman	262,423
10. Idaho Farmer Stockman	23,634
11. Kansas Farmer	73,343
12. Kansas Farmer-Stockman	71,832
13. Michigan Farmer	82,017
14. Missouri Ruralist	94,533
15. Montana Farmer Stockman	26,020
16. Nebraska Farmer	81,434
17. Ohio Farmer	100,638
18. Oklahoma Farmer Stockman	74,183
19. Oregon Farmer-Stockman	30,583
20. Pennsylvania Farmer	86,183
21. Prairie Farmer	275,054
22. Progressive Farmer	936,162
23. Texas Farmer Stockman	181,953
24. Utah Farmer Stockman	11,780
25. Wallaces Farmer	163,786
26. Washington Farmer Stockman	38,512
27. Wisconsin Agriculturist	104,128
28. Farm Journal	<u>1,554,199</u>
.TOTAL	4,796,816

* ABC Publishers Statement 6/30/76

APA Membership comprises of 13 companies with 28 publications with a total circulation of 4,796,816.

BEST COPY AVAILABLE

APA MEMBERS

Exhibit A-1

American Agriculturist

Mr. Albert Hooper, Jr.
 President and General Manager
 American Agriculturist
 P.O. Box 370
 DeWitt Building
 Ithaca, New York 14850

Arizona Farmer-Ranchman

Mr. Elliott Cushman, Publisher
 Arizona Farmer-Ranchman
 2214 North Central Avenue
 Phoenix, Arizona 85004

California Farmer

Mr. Jack T. Pickett, Editor
 California Farmer
 83 Stevenson Street
 San Francisco, California 94105

The Cattleman

Mr. Paul W. Horn, Editor
 The Cattleman
 410 East Weatherford Street
 Fort Worth, Texas 76102

The Dakota Farmer

Mr. L. T. Laustsen, Publisher
 The Dakota Farmer
 Aberdeen, South Dakota 57401

Farm Journal, Inc.

Mr. Dale Smith
 President and Publisher
 Farm Journal, Inc.
 230 West Washington Square
 Philadelphia, Pennsylvania 19105

Farm Progress Publications

Mr. Richard E. Albrecht
 President and Publisher
 Farm Progress Publications
 2011 Spring Road
 Oak Brook, Illinois 60521

Prairie Farmer

Mr. James Thomson, Editor
 2011 Spring Road
 Oak Brook, Illinois 60521

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Wallaces Farmer

Mr. Monto Sesker, Editor
1912 Grand
Des Moines, Iowa 50305

Wisconsin Agriculturist

Mr. Ralph S. Yohe, Editor
Box 4420
2976 Triverton Pike
Madison, Wisconsin

The Farmer

Mr. Bert Lund, Publisher
1999 Shepard Road
St. Paul, Minnesota 55116

The Farmer-Stockman Publishing Company

Mr. Alex M. McCommas, Jr.
President and Publisher
The Farmer-Stockman Publishing Company
10111 North Central Expressway
P.O. Box 31368
Dallas, Texas 75231

The Kansas Farmer-Stockman

Mr. Steve Cornett, Editor
3435 West Central
Wichita, Kansas 67203

The Oklahoma Farmer-Stockman

Mr. Ernest Shiner, Editor-in-Chief
P.O. Box 25125
Oklahoma City, Oklahoma 73125

The Texas Farmer-Stockman

Mr. Charles Taylor, Editor
10111 North Central Expressway
P.O. Box 31368
Dallas, Texas 75231

The Florida Cattleman and Livestock Journal

Mr. Aldus M. Cody, Publisher
The Florida Cattleman and Livestock Journal
P.O. Box 1030
Kissimmee, Florida 32741

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The Harvest Publishing Company

Mr. Hugh Chronister, President
The Harvest Publishing Company
9800 Detroit Avenue
Cleveland, Ohio 44102

The Ohio Farmer

Mr. Andrew L. Steven, Editor
1350 West Fifth Avenue
Columbus, Ohio 43212

Kansas Farmer

Mr. George L. Smith, Editor
719 Mills Building
Topeka, Kansas 66612

Michigan Farmer

Mr. Richard Lehnert, Editor
3303 West Saginaw Street
Suite F3
Lansing, Michigan 48917

Missouri Ruralist

Mr. Larry Hopkins, Editor
Fayette, Missouri 65248

Pennsylvania Farmer

Mr. Robert H. Williams, Editor
P.O. Box 3665
Harrisburg, Pennsylvania 17105

Hoard's Dairyman

Mr. W. D. Knox
Editor and General Manager
W. D. Hoard & Sons Company
Ft. Atkinson, Wisconsin 53538

The Nebraska Farmer Company

Mr. Robert Fensler, Publisher
The Nebraska Farmer
P.O. Box 81208
Lincoln, Nebraska 68501

Mr. James F. Austin, Publisher and Advertising Manager
The Colorado Rancher and Farmer
2765 South Colorado Boulevard
Denver, Colorado 80222

Northwest Unit Farm Magazines

Mr. W. H. Cowles, III
Publisher
Review Building
Spokane, Washington 99253

Idaho Farmer-Stockman

Mr. Gale H. Chambers, Editor
Suite 101
413 West Idaho Street
Boise, Idaho 83702

Montana Farmer-Stockman

Mr. Leland P. Cade, Editor
Professional Building
Great Falls, Montana 59401

Oregon Farmer-Stockman

Mr. Michael L. Wohld, Editor
Terminal Sales Building
Portland, Oregon 97205

Utah Farmer-Stockman

Mr. Grant P. Taylor, Editor
610 Crandall Building
Salt Lake City, Utah 84101

Washington Farmer-Stockman

Mr. John B. Armstrong
Managing Editor
210-210 Review Building
Spokane, Washington 99253

The Progressive Farmer Company

Mr. Emory Cunningham
President and Publisher
The Progressive Farmer Co.
P.O. Box 2581
Birmingham, Alabama 35202

Exhibit B

AGRICULTURAL PUBLISHERS ASSOCIATION

Estimated Cost Providing User Service to
The U.S. Postal Service

Compiled by Ernst & Ernst, July 14, 1976

1. Total cost per unit of mail preparation - 1975 total 1,874,653 ÷ 57,780,105		\$ 0.03
2. Average percent loss of monthly circulation from 1973 to 1976:		-8.99%
3. Average percent increase in annual subscription price from 1973 to 1976:		+50.00%
4. Annual Cost - 1975	<u>Total Dollar Amounts 1/</u>	<u>Percent of Total Annual Cost 1/</u>
a. Direct Labor	\$1,054,748	56.26%
b. Overhead Cost	509,045	27.15
c. Transportation	180,131	9.61
d. Equipment, Maintenance, and Depreciation	23,561	1.26
e. Supplies	41,578	2.22
f. Clerical and Office Help	65,590	3.50
Total Annual Cost	<u>\$1,874,653</u>	<u>100.00%</u>

1/ Two companies were not included since they did not breakout total annual cost.

BEFORE THE
SENATE SUBCOMMITTEE ON
ENERGY, NUCLEAR PROLIFERATION AND
FEDERAL SERVICES

STATEMENT OF
CLASSROOM PERIODICAL PUBLISHERS ASSOCIATION

Stephen F. Owen, Jr.
General Counsel
LOOMIS, OWEN, FELLMAN & COLEMAN
2020 K Street, N. W.
Washington, D. C. 20006
(202) 296-5680

June 28, 1977

THE CLASSROOM PERIODICAL PUBLISHERS ASSOCIATION

The Classroom Periodical Publishers Association (CPPA) is a group of publishers who publish classroom periodicals and religious school materials. These periodicals are utilized in public schools, parochial schools and religious instruction classes. Current members are Xerox Education Center, Inc.; David C. Cook Publishing Co.; Scholastic Magazines, Inc.; Scripture Press Publishers, Inc.; and Standard Publishing Co. This group of publishers provide 30,000,000 classroom and religious school periodicals each week aimed at supplying pupils, teachers, Sunday schools and school boards with current materials for instruction in social studies, religion, current affairs, civics, citizenship, language, arts, science, homemaking, health, physical education, and a variety of other subject areas.

It should be noted that these educational and religious publications are devised for use in connection with student instruction and are not circulated to the general public either on newsstands or through general means of distribution. The subscriptions for these educational and religious training tools are paid for by the children themselves, by the churches they attend, or by the schools they attend. These publications and their dissemination are, therefore, particularly sensitive to increases in cost. Our members have made every effort to keep these subscription costs at as low a level as is feasible

so as not to deny access to this material in any community for reasons of price. Unfortunately, postage has become an increasingly large component of the cost of individual subscriptions.

MEMBER EFFORTS TO REDUCE DELIVERY COSTS

The Association's interests are in the maintenance of a postal system which is operated in as efficient a manner as possible. Increasing postal costs have the effect of deterring and restricting the dissemination of these valuable educational and religious materials since the subscribers, whether they be the school children or the churches or schools they attend, may not be able to afford what has, in recent years, been a spiraling increase in the cost of providing these publications. The Association and its members strive to maintain the lowest cost to the subscriber, and to this end have been actively involved in seeking the lowest postal rates and the most efficient methods of delivering their publications. The CPPA has been involved as a limited participant in every rate case since Postal Reorganization.

While the Postal Service has generally done an excellent job in delivering classroom periodicals over the years, there have been deficiencies. To help facilitate efficient delivery of classroom periodicals, classroom publishers prepare the mail in zip sequence, pre-sorting to three and five digit zip codes, plant load and ship directly to destination mail centers for bulk delivery to schools by the USPS. This extensive mail

processing results in less in-office handling of the mail by the Postal Service, and saves the Postal Service money. In addition, the way in which classroom and religious school periodicals are delivered at their destination reduces the amount of Postal Service handling and, thereby, reduces the Postal Service's costs. These publications are delivered in bulk to a school system or religious school, addressed usually to a teacher who then further distributes the publications to the individual subscribers. This is unlike a magazine such as Time or Newsweek magazine which must be delivered to each individual subscriber by the Postal Service carrier. The additional handling required for such other newspapers and magazines is avoided by the method of delivery associated with classroom periodicals. As is evident, the method of processing and delivering classroom and religious school periodicals requires little handling by the Postal Service, thereby minimizing the attributable and institutional costs associated with classroom publications.

**PUBLIC SERVICE ASPECT OF CLASSROOM AND
RELIGIOUS INSTRUCTION SCHOOL PUBLICATIONS --
RECOMMENDATION OF COMMISSION ON POSTAL SERVICE**

By charging the Commission on Postal Service with the responsibility for examining the public service aspects of the Postal system, Congress has recognized that there are elements

of the Postal system which relate solely to a public service function.

We strongly endorse the recommendation of the Commission on Postal Service that the level of public service appropriations should be increased to ten percent (10%) of postal expenses incurred in the preceding fiscal year. In fact, serious consideration should be given to raising this figure to twenty percent (20%) for reasons which we will explain.

We believe that classroom and religious school periodicals clearly fall within the public service aspect of the Postal system. It was in recognition of the educational and social value and public service contribution to good citizenship that classroom and religious instruction school periodicals make, that the Congress saw fit to provide a preferential rate to classroom and religious school publications in 1961. While the preferential rate for these publications still exists, it is now subject to the discretion of the Postal Rate Commission as established under the Postal Reorganization Act (P.L. 91-375, August 12, 1970).

Notwithstanding the Postal Rate Commission's discretion in the establishment of postal rates for classroom publications, an examination of the legislative history of the Postal Reorganization Act makes it clear that Congress intended that value of public service be the basis for postal rates of certain preferential classes, including classroom and Sunday school publications.

A brief review of the history of postal rates as they relate to classroom publications will provide insight into the public service considerations which led to the establishment of preferential rates for classroom publications.

Between 1939 and 1947, there were no postal rate increases. In 1947, Congress considered a bill to increase postal rates. This bill eventually became Public Law 900, approved July 3, 1948. Significantly, while the law approved rate increases of all classes of mail, rates for second class mail were not increased. At this time, classroom publications were included within the second class regular rate.

In 1951, Congress once again considered and passed postal rate legislation. As a result of testimony by the Classroom Periodical Publishers Association and others, classroom and religious instruction publications were exempted from rate increases. Again, in 1958, Congress considered postal rate legislation, and specifically classroom publications. While regular second class rates were further increased, the classroom rate remained the same.

In 1961, Congress passed legislation which was enacted as Public Law 87-793, approved on October 11, 1962. This law established the rate of classroom publications at sixty percent of the regular second class postal rate. This fixed rate of sixty percent of the regular second class postal rate continued

during subsequent rate increase legislation and became known as the "classroom rate".

This brief history of postal rates affecting classroom and religious instruction publications serves to illustrate Congress' intent to provide preferred rates for this type of mail. Congress has long recognized the public service aspects of the Postal system and has evidenced an intent to maintain certain public service aspects in the future. Significantly, in establishing the Postal Rate Commission pursuant to the Postal Reorganization Act of 1970, Congress specifically stated its intention that the public service value of certain publications not be excluded from the consideration of the establishment of postal rates. At page 12 of the Senate Report Number 91-912, the Senate Post Office and Civil Service Committee had this to say about public service:

"Notwithstanding its rejection of a proposal to impose its views on the new postal service by law, the Committee agreed that this report should specifically express Committee concern over the rates to be established for certain classes of mail. Accordingly, the Committee alerts the rate commission established by this Bill to the public service which certain preferred rates have historically performed.

* * *

The Rate Commission should take into account...the rates for classroom publications, which are religious, educational, and scientific materials designed for use in school classrooms or in religious instruction classes. " [Emphasis supplied]

* * *

In summary, the concept of providing a general Congressional appropriation for public service would assist publications such as ours which are mandated by Congress to pay no more than the direct and indirect postal costs attributable to our publications.

Let us now discuss this issue more directly in light of a specific recommendation of the Commission on Postal Service.

WE ENDORSE THE COMMISSION RECOMMENDATION THAT
ATTRIBUTABLE COSTS BE LIMITED TO
60 PERCENT OF TOTAL POSTAL COSTS

The Commission on Postal Service carefully reviewed the overall situation on allocation of costs to various classes of mail and concluded that some limitations on the attribution of costs should be made.

We strongly support the recommendation of the Commission that attributable costs be limited to sixty percent (60%) of total postal costs.

On page 63 of its Volume I, the Commission well summarizes the situation in these words:

"This Commission recommends that Congress enact into law a method of allocating costs that will help preserve second, third, and fourth class mail volume for the Postal Service. The decision of the United States Court of Appeals for the District of Columbia Circuit, rejecting the assignment of a substantial portion of postal costs on the basis of non-cost criteria, is not in the best interest of the Postal Service and the Nation it serves because of its severe future impact on volume, revenues, and costs. Allocating costs without regard to non-cost criteria may appear to benefit first class mail users. In the long run, however, that method of allocating costs will

drive away second, third, and fourth class volume and revenue, and in turn require even greater increases in first class rates. Third class commercial mail now pays its attributable costs and contributes more than \$450 million toward the institutional costs of the postal system--the maintenance of 40,000 postal facilities across the land. If more costs are attributed to subordinate classes of mail and volume continues to decline, either the burden on the first class mail user or on the taxpayer must increase. A method of allocating costs, reflecting volume variability which encourages the retention and growth of mail volume, will help avoid this result."

There are two factors associated with classroom and religious instruction periodicals which have historically contributed to generally lower postal rates: the public service function and the extensive mail preparation characteristics which result in lower costs to the Postal Service. For these reasons, the Postal Reorganization Act of 1970 included the following provision:

"§ 3626. Reduced rates

If the rates of postage for any class of mail or kind of mailer under former sections 4358 (classroom & religious instruction publications)...of this title, as such rates existed on the effective date of this subchapter, are, on the effective date of the first rate decision under this subchapter affecting that class or kind, less than the rates established by such decision, a separate rate schedule shall be adopted for that class or kind effective each time rates are established or changed under this subchapter, with annual increases as nearly equal as practicable, so that --

(1) the revenues received from rates for mail under former sections 4358...shall not, on and after the first day of the tenth year following the effective date of the first rate decision applicable

to that class or kind, exceed the direct and indirect postal costs attributable to mail of such class or kind (excluding all other costs of the Postal Service)." [Emphasis supplied]

We concur with Congress' judgment that classroom and religious instruction periodicals pay their fair share of attributable costs, with the difference between revenues and attributable costs being paid out of public funds. However, it should be noted that at the time of Postal Reorganization, attributable costs made up about 45% of total postal costs with the other 55% deemed institutional costs which would not be attributed to any particular class of mail. The proportion of attributable costs to total postal costs have steadily increased from approximately 45% to about 60% because of action taken by the Postal Rate Commission with indications of even higher percentages in the future. Should this trend continue, Congress' intent in establishing preferred and reduced rates for these publications (based on paying only attributable costs) will be circumvented and will become meaningless. Thus, the Commission is correct in recommending that the proportion of attributable costs allocated to classes of mail be stopped at the sixty percent (60%) level.

Congress clearly views the Postal Service as encompassing a public service. To this end, Congress clearly mandated in Section 101 of the Postal Reorganization Act of 1970 that public

service and social value be the foundation for providing postal services:

"The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people."

As further evidence of the Congress' intent concerning the public service criteria of rate setting, Congress passed the Postal Reorganization Act Amendments of 1976. In particular, Section 3622(b) of Title 39, United States Code, which directs the Rate Commission to take account of certain factors in setting postal rates, was amended by adding the following:

"(8) the educational, cultural, scientific, and informational value to the recipient of mail matter; and".

This is direct recognition by the Congress of the importance of publications such as classroom periodicals to our Nation's citizens.

Classroom publishers produce material which is clearly in the public interest. This has historically been recognized by Congress going back as far as 1948, and has continued to date. Any plan for the continuance of the Postal system must take account of the public service aspects of that system and provide for their continuance. There can be no greater public service than the education of our children and to this end, classroom publishers will continue to produce quality material which can

be used in the instruction of our children over a wide range of subjects, and will continue to cooperate with the Postal Service in its efficient distribution.

POSTAL RATE COMMISSION

In setting postal rates for second class mail (classroom publication), special rate fourth class mail and library rate mail, the Postal Rate Commission has ignored the criteria recognized by Congress as essential to the proper establishment of such rates. Prior to postal reorganization, the following rates were applicable to classroom publications:

Second Class Mail

Nonadvertising	2.04 cents
Advertising Zone Five	6.66 cents
Per Piece	...
Minimum per piece	0.78 cents

Special Rate Fourth Class

Per pound	12 cents
Each additional pound	6 cents

Library Rate

Per pound	5 cents
Each additional pound	2 cents

Since the first rate case after postal reorganization, which began in 1971 (Docket No. R71-1) and finally ended on June 5, 1972 with the decision of the Postal Rate Commission, the rates applicable to classroom publications have dramatically

increased. As a result of the Commission's decision in the postal rate and fee increase case, Docket No. 76-1, the rates now applicable to classroom publications are as follows:

Second Class Mail - Classroom Publications

Nonadvertising	5.4 cents (Full, unphased rate)
Advertising Zone Five	9.5 cents (Full, unphased rate)
Per Piece	2.5 cents (Full, unphased rate)

Special Rate Fourth Class

First pound	40 cents (Full, unphased rate)
Each additional pound through 7 pounds	14 cents (Full, unphased rate)
Each additional pound over 7 pounds	8 cents (Full, unphased rate)

Library Rate

Per pound	29 cents (Full, unphased rate)
Each additional pound	9 cents (Full, unphased rate)

Presorted Special Rate Fourth Class*

First pound	
Five digit presort	4 cent discount phased
Three digit presort	3 cent discount phased

The Postal Rate Commission is an inefficient means of establishing postal rates. The rate proceedings and classification proceedings are much too long and burdensome to small groups such as ours. The fragmentation of the proceedings in the classification case, Docket No. MC73-1, was unnecessary, and has led to further delays in establishing a new classification system for the Postal Service.

* This rate was established as a result of a settlement in the classification proceeding, Docket No. MC73-1, phase one. It is interesting to note that the way in which this presort discount has been interpreted and applied by the postal service actually acts as a deterrent to presortation because it does not provide a large enough discount to offset the costs to the mailer of presorting its mail to five and three digit zips.

Our Association has repeatedly attempted to get the Postal Rate Commission in each rate case to take some account of the educational and public service value of classroom publications. The Postal Rate Commission has consistently ignored "public service" as a factor to be weighed in setting postal rates. The Commission has taken a strictly mathematical approach to the setting of postal rates and seems unable to handle the public policy aspects involved in considering factors such as educational value and public service to our country at large. Public interest, public service and social benefit are not concepts that can be measured on any mathematical or economic scale.

If the Postal Service is to be treated as a public service, many if not all classes of mail will need to be subsidized. Such a system, based on public service costs, will need to provide for the Nation's needs. At the same time, the Postal Service must strive to provide its public service in the most economical manner. Nevertheless, should the Postal Service fail in this regard, Congress must not shirk its responsibility to provide for the general welfare.

For these reasons, the Classroom Periodical Publishers Association strongly supports the two recommendations of the Commission on Postal Service above enumerated.

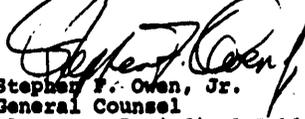
CONCLUSION

The long history of the postal system indicates that it is viewed as a public service. There is no doubt that adjustments in the manner of providing postal services are needed. But adjustment must not eliminate the public service aspects of the postal system. Providing educational, cultural, religious, social, scientific and informational publications to our Nation's children is probably the most important public service provided by the Postal Service. Enabling our citizens to acquire these publications at low subscription rates is a desirable goal which must be achieved, even if it requires a continuous subsidization of the postal costs associated with such publications.

Most of the information communicated today by television, radio, newspapers and magazines is geared toward the adult world. But children need cultural, social, educational and religious materials aimed exclusively at them. This kind of material reaches the Nation's children primarily by mail. Any postal system which does not enable the children to obtain these materials at low cost does a disservice to the Nation. Delivery of the mail is critical to providing classroom and religious school publications. All the cost of this delivery function cannot be borne by the children, schools, or churches. It

must be at least partially borne by the postal system as part of its public service function.

Respectfully submitted,



Stephen F. Owen, Jr.
General Counsel
Classroom Periodical Publishers
Association
2020 K Street, N.W.
Washington, D. C. 20006
(202) 296-5680

June 28, 1977

STATEMENT OF

AMERICAN RETAIL FEDERATION, INC.

on

REPORT OF THE COMMITTEE ON POSTAL SERVICE

before the

SUBCOMMITTEE ON ENERGY NUCLEAR PROLIFERATION
AND FEDERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE

June 30, 1977

The American Retail Federation, composed of the Central Council of National Retail Associations, made up of 31 national retail associations (list attached); the National Conference of State Retail Associations, made up of the 50 state-wide retail associations (list attached); together with corporate sustaining members, represents, through this membership, an industry that is vitally concerned with the postal services of this country. On December 20, 1976, the Federation submitted its policies pertaining to the postal service to the study commission of the Congress and its comments on those policies. Subsequent to the issuance of the report of that commission in April of 1977, the members of the Federation's Transportation and Postal Committee reviewed the issues, comments, and legislative recommendations in that report in relation to the approved Federation policies and authorized the filing of this statement as to the following determinations and recommendations thereon.)

LEVELS OF PUBLIC SERVICE

Four items are embraced within this category in the Postal Service Commission Report (page 6), including: 1) the conditions under which certain Post Offices should be closed; 2) a reduction in mail deliveries from 6 to 5 days a week; 3) the necessity to allow the Postal Service the flexibility to meet changing circumstances; and, 4) dependability of

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timely delivery service as the primary objective rather than fast delivery or lower cost. The Federation policy supports the Postal Service as an essential government institution with a duty to provide universal service which should be administered according to sound business management principles included in which should be the authority to exercise effective control over new appointments and personnel and over its physical plants and facilities. Therefore, on this premise, the Federation is in accord with the above four recommendations as being sound business principles. If, in the judgment of the Congress, there is found reason for the limitation on the Postal Service to effectuate these recommendations, then the continued services are to be considered as public services for which the deficiencies in revenue should be met by the taxpayers as a whole through the appropriation process.

ELECTRONIC COMMUNICATIONS

The Commission report (page 6) recommends that the Postal Service should 1) pursue the possible use of existing electronic communications systems, and 2) determine the public need for a Postal Service system to collect, transmit, and deliver messages electronically. The Federation has previously expressed its views that electronic communications facilities having the ability to receive and transmit

on-line data regarding financial transactions between depository and non-depository institutions be permitted to develop in response to the pressure of the competitive marketplace and must be neither owned nor operated by the government. (Before the Committee on Regulatory Issues of the National Commission on Electronic Fund Transfers, October 29, 1976.) Further, as to message communications, the first recommendation of the Commission report indicates the use of existing systems for the electronic transmission and the Postal Service to provide the collection and delivery service. Although the Federation does not oppose the Postal Service's use of electronic communications systems, it does oppose the use of public financing to develop an electronic communications system which would compete with private electronic fund transfers systems, especially where the Postal Service by deficit financing could secure a virtual monopoly over such communications, even outside of the private express monopoly. The Federation also urges that electronic fund transfers of any type, whether the transfer of value or accounting data, are not and should not be within the scope of the private express monopoly. Therefore, the adopted Federation position is in support of studies by the Postal Service of opportunities of utilizing existing electronic communications with existing systems and to determine future public needs for electronic communications,

provided that electronic transfers of any type, whether the transfer of value, or accounting data, or communications, are not within the scope of the private express monopoly. In so recommending, the Federation points to the need for adequate provisions for safeguarding the privacy and confidentiality of any material transmitted through the Postal Service in any electronic system.

PUBLIC SERVICE APPROPRIATIONS

Two recommendations are made as to appropriateness to cover the public service aspects of the Postal Service: 1) 10% of the postal expenses incurred during the preceding fiscal year and 2) \$625 million to eliminate the present Postal Service accumulated indebtedness. The Federation policy recognizes that there are many functions performed by the Postal Service for which there may be an annual public service appropriation which takes into consideration the social and public interest costs of maintaining the facilities for a national postal establishment. As indicated above, this may occur in the number of days service or in the number of post offices maintained. The Federation does not endorse any percentage of specific amount, although it does concur in the recognition of the need for reimbursement appropriations of social or public interest costs as distinguished from those incurred under sound business management principles.

POSTAL RATES AND CLASSIFICATIONS

Recommendation (9) of the report (page 7), together with the legislative proposal (pages 88-89), attempts to deal with various interpretations by Administrative Law Judges, the Postal Rate Commission, the Postal Service, and the courts, as to what constitutes "attributable costs" to be assigned each class and subclass of mail and does so by limiting such costs to a maximum of 60% of total costs. The balance of costs, otherwise referred to as institutional costs, would then be subject to pricing factors or principles. The Federation policy as to ratemaking fundamentals urges, first, a modernized cost accounting system. Then, supported by evidence that the Postal Service is establishing measurable procedures, policies, and methods to improve productivity and service, the rate schedules should be formulated with considerations of pricing, classification, and modern marketing techniques which would provide more efficient economical service and encourage greater use of the services. The rate schedules should not be self-defeating from a revenue return standpoint and should be established in conformity, and in coordination with, business practices. Therefore, although appreciative of the efforts of the Commission to be definitive as to the application of costs to the ratemaking process, the Federation does not support any specific maximum or stated

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percentage such as 60%, and would prefer that Congressional guidelines, if legislated, be in the nature of, and consistent with, the Federation policy.

It is further recommended that the mail be retained in four major classifications with rather difficult standards for changes therein. (Report, #10, page 7 and pages 89,90) Although some radical changes have been proposed by the Officer of the Commission, such as a proposal to substitute a size-shape-weight based classification in lieu of the existing four classes of mail, the Federation believes that the present system for proposing and considering classification changes before the Postal Rate Commission, with each proposal judged on the merits, is satisfactory. As indicated heretofore, the Federation policy supports those classification changes that would provide more efficient service and would encourage greater usage. The Federation wishes to stress its support of the United States Postal Service's efforts to develop a "work sharing" system that fosters cost savings to the Post Office through presort discounts to mailers. We do not recommend the proposed changes.

The last item under this category of recommendations is (11) which, although making an exception in the case of the private carriage of time-value letter mail, would not allow any "general" relaxation of the private

express statutes to be determined by the Congress. In creating the United States Postal Service, the enabling act of Congress called for a two year study of the existing statutes dealing with the governmental monopoly on letter mail. The Postal Service did undertake such a review in which the Federation submitted its views, including the fundamental argument that only the Congress had the responsibility and authority for expressing and defining the private express statutes. The Postal Service did provide, as urged by the Federation, for a suspension of the application of the statutes as to data processing materials, although a specific hourly limitation was appended. (Comprehensive Standards for Permissible Private Carriage, Fed. Reg. Vol. 39, No. 180, Mon., September 16, 1974, pages 33209 et. seq.) The Postal Rate Commission also undertook a proceedings to determine its jurisdiction, or lack thereof, as to regulations implementing the private express statutes. Again, the Federation urged that this was a matter for the Congress and the Commission, in fact, determined not to assert a general jurisdiction thereon. (Docket RM 76-4, Aug. 14, 1976) The Federation policy supports reform of the private express statutes, without repeal thereof, which would provide in the definition of "letter" a specific exemption for data processing materials (as distinguished from a suspension with time restrictions for such material) and an exemption

for communications between corporations when one is a wholly owned or majority owned subsidiary of the other, and no expansion of the "letter" definition without Congressional approval. The Federation, while concurring in opposition to any general relaxation, does urge the adoption of the above limitations.

ORGANIZATION OF THE POSTAL SYSTEM

The Commission report includes its major recommendations with one for the preservation of the Board of Governors and for their appointive powers as to the Postmaster General and Deputy Postmaster General and, two, for the continuation of the Postal Rate Commission with final authority in rate and classification proceedings subject only to judicial review. The Federation approves the first and has some reservations as to the second of these suggestions. Federation policy calls for "adequate procedural safeguards" as to rate and classification matters and the present system of Commission review, Board of Governors approval, and judicial review seems consistent with this policy. Although it may be said that many regulatory agencies presently have final authority to deal with matters within their jurisdiction subject only to judicial review, and can be said to be examples which could reasonably be the pattern for the postal determinations coming before the Commission, it must be pointed

out that the postal rate and classifications affect almost every segment of the economy and the public. Unlike other regulatory agencies, there may be added justification for the present system and the Federation urges its retention.

GENERAL SUGGESTIONS AND RECOMMENDATIONS

In other sections of Volume 1 of the Commission's report, various suggestions are made as to which the Federation has the following views.

The Postal Service is urged to take effective action to improve every aspect of parcel post service and make it competitive to ensure the continuation of this vitally important -- and unique -- postal service (page 53). One of the most important means of accomplishing this objective is within the power of the Congress. In creating the United States Postal Service, the Congress carried forward the provision, long protested by the American Retail Federation, for different sizes and weights of parcel post packages dependent on the type or class of post office (Public Law 91-375, 91st Congress, H.R. 17070, August 12, 1970 §3682). The Federation again urges that the Congress reestablish the size and weight limits on parcel post to a uniform 100 inches in girth and length combined, and 70 pounds in order to restore this postal service as a competitive small package system for the public.

The Commission recommends unlimited air transportation contacting authority for the Postal Service (pages 53-54). The Federation has no objection to easing the slow and cumbersome methods now used to set rates for the air carriage of the mails, but cautions against the reinstatement of the equivalent of Sec. 22 of the I.C. Act. We urge that the Postal Service be permitted to deal or contract directly with the air carriers for transportation services on the same basis as private shippers with no special rates, services, or facilities not equally available to all like users.

After a discussion of differing percentage amounts, the Commission recommends a 2% budget allocation for unforeseeable and uncontrollable expenses (page 70). The Federation concurs that sound business management would include a provision for contingencies, but believes that this should be stated as a "reasonable amount" and not prescribed by a percentum.

As to the recommendation for greater employment of women in positions of higher levels (page 80), the Federation has, and will continue to, support equal employment opportunity for all persons, and reasonable and practicable measures to achieve that end.

The Commission recommends the reinstatement of the Postal Service Advisory Council, consisting of ten members

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(page 77). The Federation does not agree. Although in agreement as to the need for greater attention to the voice of the public on postal policies, much of which is directed to the members of the Congress, and to a lesser degree to the Postal Service and the Postal Rate Commission, we do not recommend the creation of a Council for that purpose.

The Commission endorses a research and development program (pages 80-81) and a better public relations organization (page 54). It is the view of the Federation that these two suggestions are related. While in agreement that the research and development program might be improved, the Postal Service has accomplished a significant public relations improvement. The Federation favors greater emphasis on research and development in keeping with its recommendations for business-like decisions, but that they should be coupled with public hearings on the specific matters under consideration in order to obtain a greater degree of user observations and comments.

As to other recommendations dealing with postal operations, such as the number of collection boxes, an increase in non-profit rates, and expanded zip code to facilitate mechanical sorting, greater use of optical character readers and Bar Code systems, a new weighted system for measuring productivity, and the establishment of more convenient Post Office and Station hours and locations, the

Federation believes that these should be determined on sound business management principles with the objective of postal operations at the lowest possible cost compatible with efficient service.

The American Retail Federation is appreciative of the opportunity of presenting its views for your consideration on this most important matter.

ASSOCIATION OF SECOND CLASS MAIL PUBLICATIONS, INC.
1518 K Street, N.W., Washington, D. C. 20005

STATEMENT TO THE
ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES
SUBCOMMITTEE OF THE
SENATE COMMITTEE ON GOVERNMENTAL SERVICES

The Association of Second Class Mail Publications, Inc., is an association of publishers of newspapers and magazines - both profit and non-profit - which have Second Class Mail entry in the U. S. Postal Service.

We wish to comment briefly on some of the various recommendations made by the Commission on Postal Service.

1. Post Office Closings: ASCMP believes that if a community post office is performing a significant service, it should not be closed; however, if such a facility does not perform such a service, and the area can be adequately serviced by another nearby post office, it should be closed.
2. Five-Day Delivery Week: This association opposes a reduction from a six-day weekly mail delivery schedule to a five-day weekly schedule, or any other further deterioration in postal service. There has been service deterioration enough.
3. Delivery Service Standards: We favor prompt timely delivery of all classes of mail.
4. Public Service Appropriations: We favor increasing the level of "public service" appropriations to at least 10% of postal expenses incurred in the preceding fiscal year, and, in fact, sincerely feel that a 15% appropriation would be more realistic and appropriate.

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5. Attributable Costs: We agree that Congress should enact legislation amending existing law to prescribe criteria for the establishment of postal rates so that factors other than costs causation shall be taken into account in distributing a significant portion of total postal costs.
6. Existing Classes of Mail: We have no objection to continuing the existing classes of mail, including the Controlled Circulation category, for the transmission of the various kinds of mail.
7. Private Express Statutes: ASCMP feels that a general relaxation of the Private Express Statutes is not in the public interest because it would impair the ability of the Postal Service to meet its nation-wide service obligations. The Postal Service should however, permit private carriage of time-value letters, provided U.S. Postal Service is not prepared to offer generally comparable service.
8. Postal Rate Commission: We do not feel that the Postal Rate Commission as it is now constituted is responsive to all those concerned with postal rates and problems. The proceedings of the Commission are so time-consuming and costly, that the financially modest organization, firm or individual has no input. This association petitioned the Postal Rate Commission a few years ago to create a limited participator category of intervenor to permit participation of those with limited means and staff. The petition was granted and such a category was created. This step proved to be fine in theory but not in practice. A legislative type hearing would get a more meaningful response from the mailing public than the current rigid judicial proceedings which only attorneys can cope with - and not always very successfully.

Richard D. Green
President

June 22, 1977

COMMENTS OF ANPA GENERAL MANAGER, JERRY W. FRIEDHEIM
BEFORE THE SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERA-
TION AND FEDERAL SERVICES OF THE SENATE GOVERNMENTAL
AFFAIRS COMMITTEE.

I am Jerry W. Friedheim, general manager of the American Newspaper Publishers Association. I submit these comments on behalf of the Association.

ANPA's 1246 member newspapers constitute more than 90% of total U.S. daily and Sunday newspaper circulation and include a number of non-daily publications as well. In addition we have members in Canada and elsewhere in the Western Hemisphere.

ANPA appreciates your invitation to submit testimony on the recent recommendations of the Commission on Postal Service and on other appropriate aspects of the Postal Service and its future.

ANPA is pleased that the Commission recommended that the level of public service appropriations be increased; however, we do not feel that 10% of postal expenses incurred in the preceding fiscal year is sufficient.

We feel the retreat from the philosophy of nearly two centuries of treating the Postal Service as a public service is the main cause of the problem which exists today. In our judgment, it is only realistic to recognize the necessity of operating the Postal Service as a national public service.

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We also believe there has been more than a little wishful thinking associated with the desire to develop a totally self-supporting Postal Service.

From the beginning of the republic, the concept of the Postal Service has been that it is a national communications system with an obligation to serve every citizen, whether the citizen lives in a metropolitan or a rural area. The original concept of "Rural Free Delivery" recognized a national obligation to serve citizens in rural areas.

This historic concept is simply incompatible with recent goals to operate the Postal Service as a financially self-sustaining business entity. An enterprise totally dedicated to balancing expenses with revenues can not afford to maintain costly daily service in sparsely populated rural areas. It can not afford to maintain more than 30,000 post offices, branches and stations -- as the Postal Service now does -- to serve all citizens everywhere. An efficient postal communications system capable of serving all citizens in a timely manner is a national asset of incalculable value. As a national asset, it must benefit from public funds. ANPA believes the cost of the Postal Service should be fairly apportioned: partly to mail users and partly among the taxpayers generally. It always has been agreed that there are substantial costs which cannot be fairly apportioned to the four classes of the mails but instead should be

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paid by the U.S. Treasury in recognition of the public service aspects of the Postal Service.

Two major efforts to determine the level of public service costs were made by the Senate in the 1950's. These efforts were bipartisan; one was conducted under a Republican chairman of the Senate Post Office Committee and one under a Democrat chairman. Both were termed Citizens Advisory Councils.

The first council, with Sen. Frank Carlson (R-Kan.) as chairman of the Senate Post Office Committee, engaged the services of Price-Waterhouse, which estimated public service costs for fiscal 1952 at \$274 million -- or 13.1% of total operating expenses.

The second council, with Sen. Olin D. Johnston (D-S.C.) as chairman, set public service costs in fiscal 1955 at \$392.4 million -- or 17.3% of total operation expenses. In addition, the report enumerated many "hidden costs" of postal operation without attempting to place a dollar value on them because accurate information was not available. Nevertheless, the report said such costs do exist as a part of the operation of the postal system and should be paid from the U.S. Treasury. The history of the public service concept was clearly set forth in the report of the Citizens Advisory Council to the Senate in 1957. This brief history is attached as Appendix A.

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More recently, using existing market research data, the Postal Service staff itself estimated in "The Necessity For Change," that public service costs for fiscal 1975 approximated \$2.8 billion -- far above the \$900 million appropriated under the Postal Reorganization Act. The Postal Service estimate amounted to 22.6% of total operating expenses for fiscal 1975.

We believe a proper accounting of the public service aspects of the postal system could demonstrate the proper level of public funding needed to augment the actual cost of each of the several classes of mail. We think the three studies mentioned provide ample evidence of the need for increased "public service" appropriations.

Public service costs always have been associated with this nation's postal system. They should always be. Public funding should be recognized as a just and reasonable means for paying public service costs. Public funds should be appropriated every year, within reasonable tolerances which recognize minor fluctuations from year to year. One way to accomplish this would be to provide that the public service appropriations shall be not less than 20% nor more than 25% of total Postal Service operating expenses for the previous year.

It is increasingly apparent that only a substantial and permanent public service appropriation will prevent postal

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rates from going outrageously high.

We respectfully suggest that the only way to get the Postal Service back on the right track is to abandon the "break-even" concept, which simply amounts to wishful thinking.

The ANPA Postal Committee at its April 24 meeting in San Francisco, during ANPA's 91st Annual Convention, strongly opposed and protested any curtailment of deliveries." The chairman and president of ANPA highlighted this position in his keynote remarks to the membership on April 25 and they met with overwhelming agreement.

Last year ANPA conducted a survey to learn the extent of newspaper dependency on the mails for Saturday delivery.

Our survey was sent to all ANPA members and non-member dailies -- about 1800 altogether. Replies were received from 847 newspapers for a 47% return. Of the 847 newspapers responding, 67 reported they did not use mail for Saturday delivery. The remaining 780 newspapers accounted for 1.9 million copies placed in the mails for Saturday delivery. Thus, it can be readily seen that elimination of Saturday mail delivery would affect a significant number of newspaper readers -- especially those in rural areas.

In general, the elimination of Saturday delivery would

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work an extreme hardship. Saturday newspapers would not be delivered until Monday. When Monday is a mail holiday they would not be delivered until Tuesday to mail subscribers. One small daily newspaper in a rural area says it would completely wipe out the delivery of their Friday afternoon edition since it is mailed on Saturday morning. This would mean the Friday and Saturday editions would be delivered together on Monday, or Tuesday in the case of a Monday holiday. The effect would probably be that the newspaper would have to discontinue at least one day of publication, throwing some people out of work. At the same time, subscribers would be without the services of their newspaper from Friday morning until at least Monday morning.

Another member reports "most of us who are city dwellers receive our newspapers at our doorstep, or we are a few steps away from a dispenser of copies, so we have ready access to our daily newspaper. We have many mail subscribers who live 10, 15, 20, 25 and even 30 miles or more, from our plant. They will be denied the same opportunity we have to maintain newspaper contact with local, state, national and international happenings. The U.S. mail service is their communication link with the outside world."

A member weekly newspaper is concerned about small-town America and the people living there because they greatly depend

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on mail service for many of their products and services. It points out that in an age when retail businesses are not only open six days a week and many nights, but expanding to seven days a week, it seems to be a regressive move for the Postal Service to talk about cutting its delivery service back to five days.

In a letter written to Postmaster General Bailar the publisher of a rural mid-West newspaper said:

"Rural America relies on six day mail service and the daily newspaper is vital to the business decisions made by our country's farmers. If Saturday deliveries are eliminated our farmers will not receive adequate marketing information, weather forecast prediction and other news items necessary for successful farming. Do you realize that a farm business man would not have this information from Thursday market closings until Tuesday? I might add that Agri Business is big business; there are many farms in North Dakota worth millions and millions of dollars. I have enclosed copies of letters from two farm organizations concerned about the elimination of Saturday service. I am sure you are interested.

"The cost factor in rural elimination of Saturday service is questionable. The back-log of mail would certainly require extra manpower to handle. Why don't you call the Postmaster in Hillsboro, North Dakota and ask his opinion."

Another newspaper in rural America said in part in a

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letter to President Carter:

"Up until the U.S. Postal Service took over the Post Office Department in 1971, the postal operations were no more supposed to pay their way than were the Army, Navy, and dozens of other federal departments set up to serve the people.

"The dilemma that daily newspaper mail subscribers find themselves in (we have 12,000 of them) is that the Saturday edition which is normally delivered on same date of publication won't be delivered until Monday. When Monday is a mail holiday it won't be delivered until Tuesday - or 3 days later!

"Free people must be informed daily of the events affecting their lives. Newspapers have been and still are playing an extremely vital and important role in this regard. The federal government should be assisting, not hindering, newspapers in their efforts to carry out this role."

The cost savings of \$412 million a year, as reported by the Commission, which would result from a reduction of delivery services to five days is unrealistic in light of the decreasing volume of newspapers in the mail due to the continuing Postal Service problems and curtailment of delivery services. Many of our members report they will be forced to take steps to regain control of that portion of their business handled by the Postal Service and reduce their dependence on it.

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While the Nielsen public opinion survey conducted for the Commission indicates 80% of the respondents said they would accept five day delivery in place of rate or appropriation increases, other surveys by newspapers show different results. Attached as Appendix B is an article from Findlay (Ohio) Courier May 13, showing results of a survey conducted by that newspaper. This survey showed only 39% of the respondents favored such a move. Rural residents were particularly strong in their support for maintaining Saturday delivery. Only 10% felt Saturday delivery should be stopped.

In a study by the Des Moines (Iowa) Register and Tribune different results from the Nielsen survey were also found. This newspaper has one of the largest mail subscription circulations in the country, approximately 54,000 copies daily. This survey showed seven out of ten rural residents contacted are opposed to elimination of Saturday postal delivery service. When given the alternative of no Saturday newspaper in exchange for no price increase due to postal hikes, 44% favored eliminating Saturday newspapers, 35% wanted to retain the Saturday newspaper in spite of a possible increase in price, 16% did not have an opinion and 5% said it depended on the amount of the increase.

In a recent reader poll, the Aberdeen (South Dakota) American News, asked "Do you favor five-day mail delivery as a means of reducing the postal deficit?" of the 391 readers

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who responded 85% were emphatic about their need for retention of a six day mail service. Almost without exception those responding from rural areas opposed any reduction in service.

The findings of these surveys drastically differ from those of the Nielsen survey which serves as a precautionary note that the results of one particular survey should not necessarily be accepted as universal. Six day mail delivery is vital to many citizens throughout the country. The real victim of any cutback in service will be the reader, the small town resident and the farmer who depend on the Postal Service for their daily informational needs.

ANPA disagrees with the Commission's recommendation that, if carried out, would mean the end of traditional in-county second-class rates. It is our understanding that these recommendations for a gradual increase in non-profit mailing rates to bring them in line with other mail classes would include all preferred sub-classes which would include in-county rates. In-county mail was distributed free at one time, and Congress in its wisdom many years ago, saw fit to establish a separate in-county mail category with low rates. The reason was because of the national interest in the dissemination of news and information. The need for low in-county rates is still necessary today and should be maintained. This especially benefits readers in rural areas who are dependent upon newspapers for their source of news and information.

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ANPA endorses the recommendation of the Commission on Postal Services that rates be made more sensitive to market conditions, and that costs attributed to specific classes of mail be limited to 60% of total costs. In testimony before the Postal Rate Commission (the three rate cases since the Postal Reorganization Act) ANPA has warned of the declining number of newspapers in the mails because of steadily increasing postal rates. In its Report on Postal Service, the Commission states that second-class mail regular rate volume reached an all-time peak of 5.5 billion in 1971, the year in which postal reorganization became effective. ANPA agrees with the Commission's report that, if cost attributions are increased, rates will climb more steeply, and that even more volume will be lost to the Postal Service. Attached as Appendix C are the findings of a survey of daily newspapers in second-class mail in 1973 compared with survey findings of 1966 and 1970. It clearly shows the decline of U.S. newspapers utilizing second-class mail from 8.8% of total circulation in 1966 to 5.4% in 1973. This has taken place while total newspaper circulation has increased. There is no doubt that mail circulation is even lower today. Higher costs will curb newspapers from counting on the mails for distribution of their product. In sparsely populated rural areas, newspaper readers have no feasible alternatives to mail service and are in imminent danger of postal rates pricing the newspaper beyond their means. Higher postal rates necessarily have to be passed

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on to subscribers. There are many thousands in our country, retired citizens with fixed incomes, as example - who cannot afford higher subscription rates. It may mean cutting down on the number of newspapers or other publications read or it may mean in some cases that the person just cannot afford a subscription to any newspaper.

We appreciate the opportunity to present this testimony and will be pleased to furnish additional supporting information to your distinguished committee if you so desire.

Respectfully,


Jerry W. Friedheim
General Manager

Enclosures

American Newspaper Publishers Association
P.O. Box 17047
Dulles International Airport
Washington, D.C. 20041

June 10, 1977

Excerpt from Report "The Post Office
as a Public Service" by Citizens'
Advisory Council to Senate Post Office
Committee February 26, 1957]



Appendix A

HISTORY SUPPORTS THE PUBLIC SERVICE CONCEPT

Our Post Office is older than our Nation. Even before the Declaration of Independence was framed, the Continental Congress legislated on postal rates. Significantly, this first American postal rate legislation was a REDUCTION of 20 percent in the rates imposed on the Colonies by the British Parliament. The Continental Congress made it clear that its motive was not revenue but to provide a communications system which would aid in building a Nation. That service came first and revenue second was made plain in these words:

"If the necessary expense shall exceed the produce, the deficiency shall be made good by the United Colonies."

Thus the British notion of a postal service designed primarily to raise revenue was summarily rejected in favor of a service concept.

1794.

The novel American idea of a Post Office designed primarily to serve the public was put to an early test. The infant Republic soon found itself heavily in debt, and budget balancing became imperative. So it was in 1794 that the Congress of the United States attempted to meet the fiscal emergency by deciding that new postal routes would be established only if they produced revenue equal to their cost of operation. This was the first effort to put the Post Office on a pay-as-you-go basis. It is noteworthy that the effort failed, just as the same thinking in modern dress has failed throughout our history. The public protested violently. Settlers moving Westward demanded mail service as a right. Progress was being impeded by the effort to make the Post Office pay its way.

Reflecting the will of the people, Congress reestablished its "service first" concept by an 1814 law which read:

"All post roads necessary to furnish mail communication to country towns which have no mail were exempt from paying their own way."

1844

Congress decided to take a new look at the postal service, by establishing a Postal Commission with the responsibility of determining the real purpose and value of the service. This Commission's final report rejected the self-sustaining theory, and again endorsed the public service concept, as follows:

"The United States postal service was created to render the citizen worthy, by proper knowledge and enlightenment, of his important privileges as a sovereign constituent of his government; to diffuse enlightenment and social improvement and national fellowship; elevating our people in the scale of civilization and bringing them together in patriotic affection."

Congress promptly accepted this philosophy, and in 1845 reduced mail rates substantially. The result was to double mail volume in a five-year period.

This experience led to another rate reduction in 1851. This law again buried the pay-as-you-go philosophy by stating firmly:

"The Post Office is primarily a service organization."

The Postal Act of 1851 clearly set forth the philosophy that the Post Office was primarily for "public service." The law was designed to reject definitely two previous concepts that had proved to be a handicap to the growing republic. The first was the "profit basis" of charging for postal service and was a carry-over from the English concept of a post office that existed primarily to produce revenue. The second was the "pay-as-you-go" policy then called "Service Limited to Revenues Received." Under this policy of a "balanced" budget, service fell so such a low estate that the public requirements were impossible to meet, and as a consequence revenues fell. The Act of 1851 was designed to put new emphasis on a policy of "service first" in direct contradiction to the disproved philosophy of a "pay-as-you-go Post Office."

Nor has this service concept been limited to Congress. While many heads of the Post Office Department have urged that the service pay its way, this view has been by no means unanimous. Postmaster General Cassell took office in 1869 with the conviction that the Post Office should be self-supporting. Two years later he had made a complete about-face; and in his report to Congress he spelled out the distinction between the service motive of the Post Office and the profit motive of a private business:

"The natural policy of private enterprises is to extend facilities slowly and only to profitable points; to let their business augment slowly and to reach large profits from a small number of messages, while a Government system, managed in the interests of the people, pursues exactly the opposite course."

1889

Similarly, Postmaster General John Wanamaker told Congress in 1889:

"The Post Office is not a money-making enterprise. It is not intended to be, and it is a mistake to expect it to be self-sustaining until it is fully perfected...Why the people should be expected by direct tax to supply annually all the money needed to maintain and extend the postal service, I cannot see. I cannot see any more reason for this than for a direct tax levy to cover the cost of ships for the Navy or to feed and clothe the Army."

Again, in 1920, Postmaster General Will Hays said:

"The Post Office is not for profit nor for politics, but for service."

1954

As recently as 1954, Congress took another look at the question of whether the Post Office is primarily a public service, or primarily a business. In the 83rd Congress, the Senate unanimously adopted Senate Resolution 49, authorizing the establishment of an Advisory Council. This group, commonly known as the "Carlson" Committee, reported on its investigation in 1954, urging that Congress adopt a policy resolution, the first plank of which read as follows: "Be it Resolved, That the Post Office Department is fundamentally a public service to the people of the United States and should be so considered."

1955

Said Senator Olin D. Johnston on October 13, 1955 in an address in Chicago:

"That the issue is bipartisan is best evidenced by the unanimous approval given both House and Senate resolutions in the last session of Congress to further investigate the postal service. I can assure you we are not taking our tasks lightly. The Congress has refused to be stampeded into hasty and ill-advised action. It stood firm in the face of the government prosecutors."

The historical record is clear. For 165 years, Congress has repeatedly followed the public service concept. The attitude has been that the postal service is worth what it costs, even in these modern days when costs have risen substantially. The Continental Congress set the pattern in 1775, and Congress has followed it ever since.

The Courier, Findlay, Ohio

Friday, May 13, 1977

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Courier Poll Respondents Oppose Mail Service Cut

Responses to a Courier survey on the possible elimination of Saturday mail delivery show drastically different results than a national Postal Commission survey on the subject.

While the Post Office survey says 80 per cent of those contacted favored elimination of Saturday delivery as a means of keeping postal costs within bounds, a Courier survey showed only 39 per cent favor such a move.

The Courier survey shows nearly 50 per cent of respondents favor either higher postal rates (11 per cent) or an increase in the government postal subsidy (33 per cent) to cover public service aspects of the postal service or a combination of the two (5 per cent), if necessary to keep Saturday delivery.

Rural residents, who depend upon Saturday mail delivery for receipt of their Courier were particularly strong in support of maintaining Saturday delivery. Only 10 per cent of these respondents felt Saturday delivery should be stopped.

Courier readers were invited to respond on a questionnaire published several days in the newspaper.

"The wide discrepancy in the results of our local survey and the Commission on Postal Service survey makes one wonder about the authenticity of the post office figures," Courier Publisher Edwin L. Heminger said.

Readers were invited to comment on postal rates and service, and reactions covered a wide range.

Responses ranged from urging the elimination of so-called junk mail (or higher rates on same) to proposals for turning mail delivery over to private enterprise. Efficiencies in postal operations

were called for by many.

One reader commented, "Ending Saturday postal delivery or increasing postal rates are the most ridiculous things I've heard of; the government is supposed to work for us, not against us."

Another reader commented, "No one needs daily mail service; we might profit from every-other-day service."

A rural mail carrier said: "Service is the only thing the post office has to sell; I feel we should offer more service, not less!"

A rural Courier subscriber noted, "If Saturday delivery of the newspaper stops, a friend could die and even be buried before we read the obituary."

The Courier is sending the results of its survey to postal authorities and members of Congress.

ANPA-ICMA SURVEY OF DAILY NEWSPAPERS IN SECOND-CLASS MAIL IN 1973

Circ. Group		No. of Newspapers Reporting	Total Circ.	Total Mail Circ.	(a) In County	(b) In Zones 1&2	(c) Other Zones	Pct. of Circ. in Mail	No. Copies Delivered to Outlying P.O.	Copies Delivered to Star Routes	"Over-side" Mail	Mail Circ. on Rural Rts. (Away Postal Zone)
Up to 5,000	Morning	8	31,278	10,225	5,246	2,415	2,058	32.0%	337	1,285	1,544	4,157
	Evening	54	187,812	65,423	39,320	18,877	8,786	33.1%	11,828	275	983	30,493
	Subtotal	62	229,090	75,648	46,086	21,092	10,843	32.9%	12,276	1,540	2,527	34,650
5,000 to 10,000	Morning	20	133,829	55,815	30,811	17,808	4,572	41.8%	7,982	4,791	1,378	31,349
	Evening	182	1,329,948	249,689	130,754	81,802	38,029	18.9%	32,027	6,906	5,838	131,813
	Subtotal	202	1,463,877	306,284	161,565	99,405	42,601	20.9%	40,009	11,697	7,212	162,962
10,000 to 25,000	Morning	41	730,518	131,348	63,851	51,885	15,813	17.8%	35,147	4,768	4,840	70,243
	Evening	267	4,402,888	373,828	124,201	188,423	71,163	8.5%	44,123	8,545	18,122	177,410
	Subtotal	308	5,133,114	604,377	188,052	218,308	86,778	9.8%	79,270	13,311	22,962	247,653
25,000 to 50,000	Morning	51	1,861,460	235,744	51,576	155,743	30,184	12.7%	62,328	20,016	16,741	188,883
	Evening	140	4,805,731	170,870	39,262	95,536	35,328	3.5%	17,823	3,260	4,004	73,237
	Subtotal	191	6,767,191	406,414	90,838	251,278	65,512	6.0%	79,851	23,286	20,745	242,130
50,000 to 100,000	Morning	40	2,856,711	278,988	45,229	206,769	25,653	10.5%	91,582	29,494	8,057	181,074
	Evening	48	3,183,811	60,289	9,438	36,482	14,388	1.9%	1,986	1,282	3,985	31,687
	Subtotal	88	6,040,522	339,275	54,667	243,231	40,061	5.8%	93,568	30,756	12,042	212,761
Over 100,000	Morning	52	14,812,226	807,875	28,082	425,215	210,435	4.7%	88,129	86,859	33,574	326,355
	Evening	49	10,911,885	123,878	3,095	58,346	83,740	1.1%	5,750	2,945	4,367	41,126
	Subtotal	101	25,823,712	821,563	31,177	483,561	274,175	3.2%	108,879	89,804	38,041	367,480
Totals	1973	853	45,258,286	2,462,551	571,385	1,316,878	519,958	5.4%	411,873	170,474	100,529	1,267,638
Results of Survey in:												
	1970	907	42,678,775	2,841,953	554,296	1,405,462	682,195	6.7%	402,246	136,740	151,820	1,480,464
	1968	956	42,916,877	3,789,861	8.8%	888,474	...	174,563	...



POST OFFICE BOX 7047
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(703) 765-7584

June 20, 1977

Senator John Glenn
Committee on Governmental Affairs
Washington, D. C. 20510

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Executive Vice President

BENTLEY HAHN

Dear Senator:

Enclosed are two copies of the comments of the Mail Order Association of America on the recommendations of the Commission on Postal Service, submitted in response to your letter of May 17, 1977. As the time allocable to mail users will be short, MOAA will not present a witness before the Committee unless specifically requested to do so.

The Mail Order Association of America is an Association consisting of companies engaged in mail order retailing throughout the United States. All of its members make extensive use of first-, third- and fourth-class mail. The current members of the Association are as follows:

Aldens, Inc.
Spiegel, Inc.
J. C. Penney Co., Inc.
Sears, Roebuck and Co.
Lane Bryant, Inc.
Montgomery Ward & Co.
Jewel Companies, Inc.
General Mills (LeeWards)
Warshawsky and Co.

MOAA appreciates your invitation to participate in these deliberations and will be happy to provide additional appropriate data upon request.

Sincerely yours

Bentley Hahn
Bentley Hahn
Executive Vice President

COMMENTS OF THE
MAIL ORDER ASSOCIATION OF AMERICA
ON THE RECOMMENDATIONS OF THE
COMMISSION ON POSTAL SERVICE

1. PUBLIC SERVICE ASPECTS

Postal services should be categorized as follows:

- a. Services required to meet the business needs of the mailers, and
- b. Services in addition to "a", above, otherwise deemed to be in the public interest.

If the Postal Service were to be operated strictly as a business designed to meet only the needs of its business customers, it probably would completely overhaul its delivery system and reduce the number of post offices in order to achieve cost savings. However, it is the policy of Congress that the Postal Service be operated as a basic and fundamental service. There is a certain tension between these two concepts. Thus, the level of service needed to meet both the "business" and public service needs should be established by legislation. The mission of the Postal Service should be to provide the authorized level of service in the most efficient and economical manner.

2. PUBLIC SERVICE FUNDING

The public service aspects of the Postal Service should be funded by appropriations. Changes in the levels of service would be made in determining the amount to be appropriated so that Congress would control the use of tax dollars for this purpose. If the appropriations failed to cover the costs of the public service aspects, the Postal Service would be required to reduce the level of service accordingly.

- 2 -

3. POSTAL SERVICE POLICIES

The Postal Service should continue as an independent establishment of the executive branch responsible for providing the postal services authorized by law. There should be a Board of Governors appointed by the President, by and with the consent of the Senate. The Postmaster General and the Deputy should be appointed by the Governors and should answer to the Board of Governors as any corporate executive does to the directors of the corporation. Placing the total burden for management decisions on any one person, regardless of the method of appointment, would be counter to years of experience in management of very large enterprises. The Postmaster General has been accused of dominating the Board of Governors. Surely there would be a greater tendency to do so if he were not subordinate to the Board.

The Postal Rate Commission should continue as it is presently constituted. In the earlier cases before the Commission there were delays which, due in large measure to the high rate of inflation, placed the Postal Service in a financial bind. The most recent cases have been handled expeditiously and in the best interests of all concerned. The Commission should be independent of the Postmaster General and his staff and, after full and open hearings, should report their findings and recommendations to the Board of Governors. The Governors then would be in a position to make management decisions based on all factors involved and all alternatives available to them. For example, the Governors might seek additional appropriations, schedule reductions in service and/or approve deficit spending.

- 3 -

The Postal Service role in the electronic transmission of messages should be defined by law. The Postal Service is best qualified to handle the hard copy before and after the electronic transmission. What does the future hold for this method of communication? Will it be an expansion or an addition to the present teletype service? Will messages be portrayed on a home television screen? For the present, the Postal Service should keep abreast of developments and should participate in research and development in this field in order to be prepared to better serve those who send and receive such messages.

The Postal Service role in the delivery of parcels is becoming more and more that of serving nonbusiness mailers. There is a sizeable potential for parcel post service but at current rates and methods of operation parcel post volumes are likely to decline. The improvement that requires legislation is removing the size and weight restrictions on parcels between first-class offices. These restrictions bear heavier on individuals who do not have ready access to other modes of transportation and the need for such restrictions can no longer be sustained.

The Postal Service should continue to have a monopoly on the delivery of letters to the extent necessary to prevent the erosion of savings to postal customers resulting from having a single supplier of letter-mail service. There is a need to establish by law a more realistic definition of a letter.

- 4 -

No attempt is made here to evaluate the work of the former Postal Service Advisory Council. There is a question as to the need for such a Council. Mailers have ample opportunity to confer with and advise Postal Service personnel through the Mailers Technical Advisory Committee. Employees have contacts with management through union contract negotiations and consultations. The general public has access to the Postal Service through local post offices, customer services officers and the Office of Consumer Affairs. There is a need, however, for some provision for the Governors to receive input from other than the Postal Service top staff. The Advisory Council, as it was constituted, might be of limited value in this respect. It may be that the Board of Governors should have a small staff to review communications from the public and bring to attention any that merit policy consideration.

SUMMARY OF POSITION

MOAA's position on the major recommendations of the Committee on Postal Service may be summarized as follows:

The level of postal services required to meet the needs of the business community should be set by law and the costs thereof borne by the mailers.

Additional services deemed to be in the public interest should be financed through appropriations.

No changes should be made with respect to the Board of Governors or the Postal Rate Commission.

The Postal Service role in the electronic transmission of messages should be defined by law.

- 5 -

The Private Express Statutes should be changed to provide a more realistic definition of a letter.

There should be some provision for the Governors to receive input from other than the Postal Service top staff.

The restrictions on size and weight of parcels between first-class offices should be removed.

MOAA does not take a position with respect to the other recommendations of the Committee. The Postal Service should perform the tasks assigned to it by law in an efficient and economical manner. Postage rates should be fair and equitable. Changes affecting mailers should be made only after careful study and consultation with the mailers involved. Subject to the above, the Postal Service should be given a further opportunity to demonstrate that it can serve the needs of the American people and thereby merit their support.



NATIONAL COUNCIL ON CRIME AND DELINQUENCY

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July 6, 1977

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*Executive Committee Member

Senator John Glenn
Chairman
Subcommittee on Energy, Nuclear
Proliferation and Federal Services
Government Affairs Committee
U.S. Senate
Washington, D.C. 20510

Re: Preferred Mail Rates for Nonprofit
Organizations

Dear Senator Glenn:

I am writing to strongly urge your committee's rejection of the recommendation of the Commission on Postal Services that the preferred postage rate for nonprofit agencies be phased out over the next several years.

Such a change would greatly hamper, if not cripple, an organization such as ours, which is the nation's largest citizen-based criminal justice reform organization. (Attached please find a brochure which describes our aims and methods.)

The existence of groups such as ours is essential to the "free marketplace of ideas" on which our national democracy is predicated. You may recall de Toqueville's observation that the multiplicity of nongovernmental voluntary groups was the most unique and ingenious feature of American society. That is still true. But in our era, more so than in de Toqueville's day, access to the mails is vital to the sustenance of an active citizens organization.

Our preferred mail rate allows us to distribute a wide variety of journals, newsletters and pamphlets (many of them free), all designed to explore the issues and alternatives in criminal justice policy. Without our preferred rate, it is clear that our publications program would have to be severely curtailed, if not all-but-eliminated.

The mail subsidy is also a good investment. Use of the preferred postage rate enables us to earn many times the subsidy's direct value in citizens' contributions that would otherwise be difficult, if not impossible, to obtain.

Page Two
Senator John Glenn
July 6, 1977

Therefore, we ask that Congress reaffirm its previous decisions to retain the preferred postage rates for nonprofit organizations in the interests of a diverse and vigorous American society.

Thank you for your consideration of our views.

Cordially yours,



Milton G. Rector
President

MGR:gw

cc: Margaret O'Brien, Assistant Director for Administration,
National Assembly of National Voluntary Health and Social
Welfare Organizations, Inc.

Enc.

Direct Mail/Marketing Association, Inc.

COMMENTS OF THE DIRECT MAIL/MARKETING ASSOCIATION, INC.
SUBMITTED TO THE SENATE SUB-COMMITTEE ON
ENERGY, NUCLEAR PROLIFERATION AND FEDERAL SERVICES

July 29, 1977

DMMA is the largest and oldest international trade association representing firms involved in direct mail advertising. The majority of DMMA's 1700 member companies use direct mail as an integral part of their business -- manufacturers, wholesalers, retailers, publishers, mail order houses, insurance companies, fund-raisers, public utilities, financial services, and so forth. In addition, DMMA's membership includes those who produce or create direct mail such as advertising agencies, letter shops, and printers, as well as suppliers such as list brokers, paper producers, and envelope manufacturers.

Direct Mail Contributes Substantially to the Economy

Advertising is one of the country's largest businesses. It is a significant contributing force to economic and social progress and one of the major forms of communication that binds the Country together.

Marketing by direct mail is almost infinite in variety. It is used to reach pinpointed markets and for mass distribution. It is used to deliver products, to raise funds for charitable causes, to get candidates elected to public office. The wide array of products and services promoted and sold by direct mail is estimated to have a value of more than \$60 billion annually and supports a substantial number of jobs.

Direct mail advertising goes primarily by bulk third-class mail, although a significant amount goes by first-class, too. Both classes are money-makers for the

Direct Mail/Marketing Association, Inc.

Postal Service in the sense that each makes a large (and in percentage terms, about the same) contribution to fixed costs. The old canard that third-class bulk mail did not cover its costs stemmed from the obsolete accounting system which the old Post Office Department once used and which did not permit segregation of costs on the basis of which class of mail caused them. Under the modern principles now used by the USPS, it has become clear that advertising mail returns a handsome profit to the Service which it can ill afford to lose.

Direct Mail is Being Priced Out of USPS

A lot of advertising mail has already been lost and much more will be if postal prices continue to rise precipitously. Direct mail is but one advertising medium and, since it is typically used by businesspeople who continually evaluate the relative economic advantage of their advertising mix among various modes of advertising, it is extremely sensitive to changes in postal prices.

Magazines, newspapers, newspaper inserts, and radio/TV, all offer competing advertising opportunities. The radical increase in newspaper inserts and radio/TV advertising -- contrasted with the relative stagnation of third-class mail volume -- indicates that direct mail is being priced out of the market. Further, in many densely populated areas, private delivery systems offer delivery alternatives to the USPS.

Postal Service statistics show that third-class circular mail dropped from 14 billion pieces in 1972 to 13 billion in 1976. By contrast, newspaper preprinted inserts have shown steady growth in volume -- from 10 billion inserts in 1971 to 18 billion in 1976 according to the Newspaper Advertising Bureau. Private delivery systems are also growing; while overall volume statistics are not yet published, we have estimated, based on figures from organizations like National Association of Advertising Publishers, National Postal Service and Impact Media, Inc., that private delivery has already passed 2 billion pieces per year.

Direct Mail/Marketing Association, Inc.

We set forth these facts to show that DMMA has had a long-standing and crucial interest in the continued viability of the Postal Service, and that it has a background of knowledge and experience which gives it a reasonable basis for constructively commenting on some of the issues facing the Committee. We now turn to those issues.

An Institution Both Political and Economic

Since DMMA represents mailers who utilize all classes of mail, its interests transcend inter-class boundaries. DMMA's primary interest is in reliable postal services that fulfill the national need for a nationwide communications network at the least possible cost.

The major challenge is to define the proper role for our political institutions in the management of an institution that functions in a competitive economic environment. The Postal Service performs valuable public services and is an institution in whose well-being the nation as a whole has a vital interest. At the same time, it functions within, and is affected by, an environment of competitive economic forces and requires the maximum possible efficiency of operation.

DMMA believes that the reform set in motion by the Postal Reorganization Act of 1970 was basically well-conceived, except for the break-even concept -- a fatal error. The Postal Service has benefited from an organizational structure designed to maximize the efficiency of, and remove politics from, day-to-day operations. On major policy issues it has, however, suffered from a lack of guidance from its constituency, the American public. Thus, DMMA urges retention of most of the current institutional structure, but provision for ultimate Congressional responsibility for major policies, such as rates, wages, service levels and public appropriations.

Public Service Appropriations

The single most important point is that a significant portion of Postal Service operations are performed as a public service to the nation as a whole and the nation should pay the reasonable costs of those functions that cannot be justified on an economic basis.

As was emphasized in the recent report of the Commission on Postal Service (CPS), the nation derives enormous intangible benefits from an effective means of communication between any two parts of the country. The CPS report also properly focused on those tangible aspects of the service provided by the Postal Service that are in excess of commercial, profit-making enterprise.

Those USPS functions that cannot be justified on an economic basis, such as readiness to serve any area no matter how remote or sparsely populated, universal six-day deliveries, door delivery, and the like, are justifiable only on the basis that the recipients or the nation as a whole, or both, desire such service even though the mailers do not. The recipient pays nothing for delivery which in frequency (i.e., six days a week) and mode (i.e., to the door) is at higher levels than many senders want or need.

The costs of such "public" services -- i.e., services justified on the basis of public policy rather than on economics -- should be funded by the taxpayers.

What should the level of public service funding be? First, we think it should be sufficient to cover the cost of service Congress requires the Postal Service to provide but which a great majority of mail senders would not buy in the marketplace; it should be sufficient to take into account the fact that nationwide service necessarily requires uneconomic operations in low-density areas.

Second, it should be based on a fixed formula or formulae so as to provide the degree of stability and predictability that the Postal Service needs for

proper financial management and that mailers need in order to make rational business decisions.

The Commission on Postal Service stated that today it is too difficult to calculate specific price tags for the various public service aspects of the Postal Service's operations and that any public service appropriation should not be based on amounts for specified activities.

DMMA believes that ultimately the general level of public service appropriations should be determined by calculating the cost of these uneconomic public services; in the meantime, at the very least, an attempt should be made to determine the order of magnitude of the "tangible" public service operations.

One approach would be to analyze and put a price tag on three different kinds of public service: what might be called its national, community and individual aspects:

-- Nationally, the Postal Service network is pervasive, far more pervasive than it would be if based wholly on marketplace considerations.

-- In communities, the Postal Service maintains a far greater number of offices than can be economically justified.

-- Individually, mail recipients receive service which in terms of both frequency and mode is greater than most of the senders who are paying the bill want, or most of the recipients need.

The results of this analysis might then be aggregated and keyed to a formula which would automatically reflect order-of-magnitude changes in cost levels. One possibility would be to allocate "X" dollars for every postal delivery stop as the measure of public service funding. This would help to take into account the fact that such potential stops, which represent a fixed (and growing) network cost, will, according to the Commission, increase by about 17 million addresses between 1976 and 1985.

Until adequate calculations can be made, DMMA believes that the public service appropriation should be fixed at the amount of 20 percent of the previous fiscal year's operating expenses. The exact dollar figure would, of course, vary depending on the past year's expenses, but the amount could be easily calculated by multiplying 20 percent times a known figure, thereby promoting the needed rate stability and reasonable predictability.

Twenty percent (20%) is the appropriate level of public service appropriation from several points of view. The Postal Service staff study "The Necessity for Change" (December 10, 1976, pg. 21) estimates that the cost of providing uneconomic public service activities was \$2.845 billion in FY 1975, or approximately 22.5 percent of total USPS costs. Moreover, Congressional appropriations have historically provided an average of 18.9 percent of total postal costs. See Attachment A hereto.

The so-called public service appropriation contained in the present law is for a diminishing portion of the Service's annual budget, so that, as time has passed, the sender of mail has had to pick up an increasing portion of the cost for those services dictated by political choice rather than economic demand. As we have long recommended, a public service appropriation in a fixed amount would, at least, generally keep pace with inflation.

An approach whereby the taxpayers as a whole would supplement the revenues received from rates and fees to the extent of the noneconomic public services provided by USPS is not only logical and fair, it also makes practical sense. As previously stated, the volume of direct mail advertising is, because of competitive conditions, extremely sensitive to postal price changes. To charge direct mail advertisers, through the postal rate structure, for the costs of non-economic postal services drives a lot of volume out of the mails to other advertising media or modes of delivery.

We agree with the Commission on Postal Service that postal service beyond the needs of most mailers is presently provided. We also agree with the Postal Service staff study, "The Necessity for Change", that "Congress eventually must decide whether it wants a cheap postal service that meets the needs of most mailers, or whether it wants an expensive system that seeks to meet a variety of postal needs." If Congress chooses the expensive system, it would not only be unfair to charge the mail senders for the incremental costs implied by that choice, it might well be self-defeating by driving profitable mail out of the postal system to an extent not compensable by increasing rates.

Rational Rate-Making Principles

DMMA believes that the rate-making concepts and procedures established by the Postal Reorganization Act of 1970 have been beneficial in introducing a high degree of rationality and scientific analysis into the postal rate-making process. While DMMA has not always fully agreed with the results of these proceedings, it fully supports the principle that each class should bear those costs it causes, plus a reasonable portion of postal overhead costs. This principle is the one most likely to promote the future economic viability of the Postal Service.

Accordingly, DMMA believes that Congress should reverse the arbitrary cost allocation approach approved by the decision of the U.S. Circuit Court of Appeals for the District of Columbia Circuit in the Greeting Card case and re-affirm the "attributable costs" concept originally intended by Congress.

The most recent Recommended Decision of the Postal Rate Commission included over \$200 million in past losses in the revenue requirement. DMMA argued at the time, and continues to believe, that such inclusion was contrary to proper rate-making principles.

DMMA also supports the CPS recommended limitation to three years the time period over which costs must vary in order to qualify as attributable costs. Although this figure is somewhat arbitrary, DMMA believes that it is a reasonable choice justifiable on the grounds that it would establish a needed clear line in a very gray area. A one-year period of variability is clearly too short because it fails to take into account changes (such as those in capacity) that occur over identifiable periods of time greater than one year. On the other hand, if the period of variability is extended beyond three years, the important distinction between variable and fixed costs rapidly disappears.

Any revision of Section 3622 of the current law should also reaffirm the validity of the relative demand pricing concepts, including the "Inverse Elasticity Rule," that have been utilized to distribute institutional costs in the last three rate proceedings. The Postal Rate Commission has agreed that relative demand pricing is the primary pricing concept. Any legislative amendments should reaffirm this principle.

Postal Wages

A major, if not the major deficiency of the Postal Reorganization Act is its decoupling of the process for setting rates from the process of fixing the compensation of postal employees. When both postal costs and rates were controlled by Congress, there was at least a potential interaction, which tended to put a cap on both. Increases in costs had to be reflected in a political decision to increase rates or appropriations, or both.

This beneficial interaction no longer exists. As a practical matter, rates are now set by the Commission; costs are fixed by the Service. As a practical if not a legal matter, the Service knows that it can pass through to the ratepayers the results of its collective bargaining. In our judgment, this

Direct Mail/Marketing Association, Inc.

situation is one of the reasons why rates have gone up so fast and will continue to do so unless conditions are changes.

It is axiomatic that the Postal Service, over 85 per cent of whose costs are labor costs, cannot retain its financial viability unless the wages of postal employees are brought to a reasonable level. One way to accomplish this objective would be to legislate comparability with the federal pay scales. Alternatively, the Postal Rate Commission, the expert body charged with recommending rates, could be empowered to perform a similar function with respect to wages, by reviewing the initial wage proposals made by the Postal Service, and by the unions if they desire to present a counterproposal for consideration. A similar review could be made of the final wage settlement.

Postal Management

A decision as to whether the President of the United States or the Board of Governors of the Postal Service should select the Postmaster General, we believe, has less urgency than the necessity of a decision to establish proper controls and administrative review over Postal Service labor and wage negotiations, capital expenditures, research and development and operating efficiency. Wage scale escalations and cost of living adjustments not offset by increases in productivity defy the possibility of operating the Postal Service at reasonable rates even with a substantial public service appropriation. The real responsibility of good postal management is the institution of effective performance and productivity standards and strict financial controls.

Levels of Service

DMMA believes that levels of service are a policy matter of such nationwide concern that they should be determined by the Congress. For example, on the matter of six-day delivery, DMMA believes that reliability of delivery,

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rather than frequency, is the most important factor and that six-day-per-week delivery is more frequent than most postal customers need.

DMMA believes, however, that this issue is one that reaches the level of national policy and should be resolved by the Congress. If six-day delivery is maintained, public service appropriations should be increased sufficiently to cover the related costs. Other issues of service levels, such as the maintenance of rural post offices, are also matters of national policy, and although it may not be practical for Congress to become involved in each proposed closing, it should at least establish principles to be applied in this respect. The costs related to the maintenance of uneconomic offices should be covered by public service appropriations.

ATTACHMENT A
Page 1 of 1

YEAR	U.S. TREASURY APPROPRIATIONS TO USPOD/USPS (\$ Millions)	TOTAL OPERATING EXPENSES: USPOD/USPS (\$ Millions)	U.S. TREASURY APPROPRIATIONS TO USPOD/USPS AS % OF ITS TOTAL OPERATING EXPENSES
1946	148.1	1,353.7	10.9%
47	274.9	1,504.3	18.3%
48	343.9	1,687.8	20.4%
49	591.5	2,149.3	27.5%
1950	589.6	2,222.9	26.5%
51	551.5	2,341.4	23.6%
52	682.4	2,666.9	25.6%
53	618.8	2,742.1	22.6%
54	391.9	2,667.7	14.7%
1955	362.7	2,712.2	13.4%
56	464	2,883.3	16.1%
57	522	3,044.4	17.1%
58	891	3,440.8	25.9%
59	605	3,640.4	16.8%
1960	634	3,874.0	16.4%
61	875	4,249.4	20.6%
62	837	4,331.6	19.3%
63	808	4,698.5	17.2%
64	689	4,927.8	14.0%
1965	762	5,275.8	14.4%
66	947	5,726.5	16.5%
67	1,171	6,249	18.7%
68	1,131	6,544	17.3%
69	1,114	7,168	15.5%
1970	1,567	7,867	19.9%
71	2,242	8,955	25.0%
72	1,424	9,585	14.9%
73	1,486	9,926	15.0%
74	1,750	11,295	15.5%
1975	1,533	12,574	12.2%
76	1,645	13,923	11.8%
Totals:			
1946 - 1971	19,814	104,924	18.9%
1972 - 1976	7,838	57,303	13.7%

Sources of data on Page 2.

Sources:U.S. Treasury Appropriations
to USPOD/USPS1946 - 1955: Annual Financial Report
USPOD FY '551956 - 1966: Annual Report of PMG
for each year1967 - 1971: Annual Report of PMG
FY '711972 - 1976: Annual Report of PMG
FY '76Total Operating Expenses:
USPOD/USPS1946 - 1966: Survey of Postal Rates,
USPOD April 17, 19671967 - 1970: Annual Report of PMG
for each year1971 - 1976: Annual Report of PMG
FY '76

Senator GLENN. We have a change in our next hearing time. It will be in this room at 9 o'clock tomorrow morning, and we will be back on the subject of the electronic mechanisms that we would like to get information about using.

The committee will stand in recess until 9 o'clock tomorrow morning in this room.

[Whereupon, at 3:25 p.m., the subcommittee recessed, to reconvene at 9 a.m., June 29, 1977.]

