

POSTAL REFORM AND SALARY ADJUSTMENT ACT OF 1970

APRIL 8, 1970.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DULSKI, from the Committee on Post Office and Civil Service, submitted the following

REPORT

together with

INDIVIDUAL AND MINORITY VIEWS

[To accompany H.R. 4]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 4) to modernize the U.S. Postal Establishment, to provide for efficient and economical postal service to the public, to improve postal employee-management relations, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

AMENDMENT

The amendment proposed by the committee to the text of the bill strikes out all after the enacting clause and inserts in lieu thereof the substitute text, which is contained in italic type in the reported bill. The explanation of the provisions of the substitute text is contained in the explanation of the bill set forth hereinafter in this report.

PURPOSES

The major purposes of this legislation are—

To provide for the total reform of the Nation's postal system;

To enable the Postal Service to continue to provide—and to extend and improve upon—the present quality and scope of postal service in the face of the tremendous increases of mail volume that are expected in the future;

To eliminate serious handicaps that are now imposed on the Postal Service by certain legislative, budgetary, financial, and

personnel policies that are outmoded, unnecessary, and inconsistent with the modern management and business practices that must be available if the American public is to enjoy efficient and economical postal service;

To modernize limitations on the authority of the Postal Service to procure transportation for mail so as to permit the most expeditious and economic movement of the mails and thus facilitate more rapid and less expensive delivery, enable more economic utilization of the Nation's transportation resources, and encourage more responsive and imaginative development of new transportation facilities;

To create a lasting foundation for a modern, dynamic, and viable postal institution that is both equipped and empowered at all times to satisfy the postal requirements of the future economic, cultural, and social growth of the Nation;

To provide postal employees with decent and modern working environments and with the facilities and modern equipment that they need in order to realize their full productive potential;

To improve postal employee-management relations, to recognize—by law—that postal employees have the right freely to select collective bargaining representatives of their own choosing, and to give postal employees a voice in determining their conditions of employment and a real stake in the quality of the postal service that they provide to the public; and

To adjust the salaries of rank and file employees in the postal field service as a major and immediate step toward achieving implementation of the policy of comparability with salaries outside governmental service.

STATEMENT

INTRODUCTION

This bill is unquestionably the most important and far reaching postal legislation ever presented for consideration by the Congress. It is, first and last, a bipartisan measure. In its inception, its evolution, and its present form, it has gained endorsement and support from leaders and members of both major parties. Within the committee, a substantial majority of those from each side of the aisle voted to report this bill.

Title I of this bill provides for the total reform and complete modernization of the Postal Establishment. It takes the Post Office Department completely out of the President's Cabinet and out of politics and recasts it in the form of an independent Government agency to be known as the U.S. Postal Service Authority. Title I is basically consistent with the recommendations of the President's Commission on Postal Organization (the Kappel Commission). The bill, however, makes important improvements to, and refinements of, the Kappel Commission recommendations, with particular emphasis on maintaining congressional policy surveillance over the new Postal Service Authority.

Title II of the bill provides for overdue salary adjustments for rank and file employees in the present postal field service, retroactive to January 1, 1970. Although these adjustments, approximating a 5.4-percent increase in pay, are certainly necessary, they very

probably are not sufficient and the bill explicitly leaves the door open to further pay increases, pursuant to separate legislation, before the 91st Congress adjourns.

BACKGROUND

For several years there has been a growing awareness—increasingly widespread and increasingly acute—that our vast sprawling postal complex is heavily overburdened and in deep trouble. Delays, breakdowns, errors, damage, and other inconvenience to the public have become more and more frequent. Businessmen, public officials, and ordinary citizens have demonstrated increasing concern with the condition of their postal system and of the grave problems confronting it. Public dissatisfaction is more widespread—and public demand for a change is more insistent—than ever before with respect to postal affairs.

There is unusual agreement among postal officials and independent authorities on the need for sweeping reforms in postal policies and operations. The committee held exhaustive public hearings on postal reform legislation extending from April 22, through August 12, of 1969. Not a single witness who appeared before the committee argued that the Post Office should be continued without change. This is all the more remarkable in light of the fact that the record of the committee's hearings, extending over 1,300 printed pages, reflects every interested viewpoint and was open to witnesses holding widely differing positions. Although this record contains some disagreement about the precise form that postal modernization should take, there is a virtual unanimity of dissatisfaction with the present state of the postal system. The basic problems that have led to this dissatisfaction include the following:

The Post Office has not kept pace with the advances of the national economy, particularly in the last 25 years. Mail volume is at unprecedented levels and continues to grow rapidly. The way the system operates is basically the same as it was decades ago.

Although it is one of the Nation's largest employers, the Post Office has an unsatisfactory record of labor-management relations. Career prospects are bleak, working conditions are frequently primitive, and morale is unacceptably low.

The Post Office chronically operates at a huge deficit, expected to exceed \$1.4 billion in the current fiscal year. While a portion of this loss is properly attributable to public services for mailings at reduced rates, the deficit to a considerable extent represents a subsidy by the taxpayers for certain users of the mails.

A chronic shortage of investment capital has prevented the introduction of modern high-speed equipment and up-to-date facilities, which would reduce the unit costs of operating the Postal Service. Higher unit costs have led to higher rates, in an unsuccessful effort to correct the ever-growing deficit.

Postal rates are set by statute, requiring detailed congressional involvement in the technical details of postal economics. This process causes a widespread public impression that the influence of special interests has a determining effect on the structure of today's postal rates.

These shortcomings have long been recognized by responsible observers of postal affairs. Year after year, postal officials and members of this committee have focused on one or more of these problems.

It has now become apparent that all the shortcomings of the Post Office Department are bound up in the fact that responsibility for managing the system and shaping its policies is diffused among a number of executive agencies and several congressional committees. Therefore, the only solution to these problems is fundamental reform that puts complete responsibility in a single place, with appropriate safeguards against abuse of that responsibility and appropriate assurances of continued congressional surveillance.

Top postal management must be given authority, consistent with its responsibilities, to provide an efficient and economical postal system. Postal management has been severely and unjustly hampered in its efforts to administer the system in a businesslike way.

An effective postal service needs an updated financial policy that is fully responsive to operating needs. The present financial arrangements are a hodgepodge of sometimes conflicting and often obstructive limitations.

Postal employee-management relations are in a sad state of disrepair and must be modernized to fit today's needs.

The postal system needs the most flexible and efficient transportation services that the American economy can provide. Ultimately, the mails are completely dependent upon transportation. Yet the Post Office Department today labors under restrictions on its ability to procure transportation services that are often rigidly confining and in some instances inexcusably archaic.

The postal system needs, and the American public deserves, a means of determining and adjusting postal rates that is readily responsive to changing economic conditions and that brings to bear expert analysis and technical proficiency on the highly intricate problems of ratemaking. The Congress should no longer be burdened with the increasingly complicated task of analyzing the details of the postal rate structure. This is an area that needs the full-time skills of professional economists, trained rate analysts, supporting technicians, and the like. On the other hand, of course, the Congress must not abandon its general responsibility for seeing to it that the American public is not required to pay unreasonable postage rates.

If the American public is to have the postal service that it expects and deserves, the Post Office must be taken out of politics and politics out of the Post Office. Nineteenth century customs of political patronage and other undue influence on postal employment have no place in a late 20th century postal system.

Each and every one of the needs set forth above is attested to both by the bulk of the testimony accumulated during the committee's hearings on postal reform and by the judgment and experience of most of the members of the committee from both sides of the aisle. H.R. 4 is designed to meet these needs.

SUMMARY OF BILL

The Post Office Department is abolished as a Cabinet-level Department. In its stead, H.R. 4 creates an independent Authority within the Government to own and operate the Nation's postal system, known as the U.S. Postal Service Authority. The Authority is controlled by a 13-man Executive Council. Seven of these Councilors are "public members" appointed by the President (with Senate confirmation) with rotating 7-year terms. An eighth is appointed as

Director General of the Authority by the seven presidentially appointed Councilors. A ninth is appointed as Deputy Director General by the eight. The remaining four are nonvoting congressional members, who otherwise participate fully in the deliberations of the Council, appointed respectively by the Speaker of the House, the Minority Leader of the House, the President pro tempore of the Senate, and the Minority Leader of the Senate. The Director General and Deputy Director General serve full time and their compensation and tenure are fixed by the presidentially appointed Councilors.

The Authority is empowered to sue and to be sued in its own name, to adopt bylaws and regulations, to enter into and to perform contracts, to keep its own system of accounts, to acquire and dispose of property, to settle claims, and to carry out a variety of other activities necessary to achieve its purposes.

The Authority is required to develop and provide adequate and efficient postal service at fair and reasonable rates and to serve as nearly as practicable the entire population of the United States. In the latter respect, the existing concept of universality of postal service is explicitly carried forward in H.R. 4 and effective postal service is to be assured to residents of rural, as well as urban, communities.

The Authority is specifically empowered to provide for collection and delivery of mails, to establish necessary post offices, to sell stamps, to provide philatelic services, to investigate postal offenses, and the like. Existing maximum limits on the size and weight of packages that the Postal Service may handle are carried forward in substance, as are provisions for the continuance of APO and FPO service and service to military installations and for the continuance of existing authority to negotiate international postal arrangements.

H.R. 4 substantially continues existing law in respect to "non-mailable matter" (such as lottery mail, mail involving false representation for obtaining money, and obscene mail) and in respect to "penalty mail" and franking privileges.

The Authority may appoint and promote officers and employees and vest them with such powers and duties as it deems necessary. Officers and employees of the Authority will be in the postal career service and the Authority is required to establish procedures to assure its employees of meaningful opportunities for promotion and career development and of opportunity to be heard before adverse action is taken against them.

The Veterans Preference Act will apply to the Postal Service. Postal employees will continue to be within the civil service retirement system.

Employees of the present Post Office Department, except for the Postmaster General and other Presidential appointees, automatically become employees of the Authority, but any such employee is eligible to transfer, at the same or a higher grade, to any position within the Government which is open and for which he is qualified. Compensation, benefits, and other terms and conditions of employment applicable to employees immediately before they become employees of the Authority will continue to apply until changed by the Authority.

Labor-management relations are generally made subject to the Labor Management Relations Act of 1947, as amended, with two principal exceptions. First, the existing ban on strikes by Federal employees is carried forward, and consequently, binding arbitration

is provided for in the event of a bargaining impasse between the parties. Second, nothing in the Labor Management Relations Act shall prevent the Authority from continuing to honor checkoff agreements for the payment of union dues to those unions that enjoy national formal recognition by the Department on the date of enactment of the bill.

The Postal Service Authority shall have an initial capital consisting of the equity of the United States in the present Post Office Department as reflected in the President's budget. The Postal Service Authority and the General Services Administration will work out exactly which properties shall be transferred to the Postal Service and which will remain in the United States, subject to approval by the Bureau of the Budget. There is established in the Treasury a Postal Service Fund to be credited with all revenues and receipts of the Postal Service and to be available for the payment of any and all expenses incurred by the Postal Service.

The Postal Service Authority is authorized to borrow money and issue obligations up to \$10 billion, but the net increase in any obligations for capital improvements may not exceed \$1.5 billion in any 1 fiscal year and the net increase for the purpose of defraying operating expenses shall not exceed \$500 million. The terms and conditions of the Authority's obligations are subject to consultation with the Secretary of the Treasury and he may elect to purchase any or all Postal Service obligations. However, the maximum mandatory exposure of the Treasury is limited to \$2 billion. Obligations sold to the public would not be guaranteed by the United States and would not be within the debt ceiling unless the Authority requests the Secretary of the Treasury to pledge the full faith and credit of the United States and the Secretary determines that it would be in the public interest to do so.

The Comptroller General is authorized to audit the accounts of the Authority and to make reports thereon to the Congress, but the Postal Service Authority is authorized to make such expenditures as it deems necessary, including the final settlement of all claims at litigation by or against the Authority.

The Postal Service Authority is to become self-sustaining—eliminating the postal deficit—by January 1, 1978. Rates are to be set so that each class of service pays at least its own identifiable costs and so that revenues of the Postal Service as a whole meet its expenses, taking into account appropriations that the Congress may choose to make to cover the loss of revenues on free and reduced rate mail. Existing postal rates remain in effect until changed pursuant to the ratemaking provisions of the bill.

The same groups that enjoy the benefits of free or reduced rate mail today will continue to enjoy these benefits until changed by law, if and to the extent that Congress appropriates to the Postal Service Authority the revenue foregone by the free or reduced rates.

H.R. 4 provides a comprehensive procedure for ratesetting and service changes. Rate changes and significant service changes are initiated by postal management but cannot become effective until after public notice and hearing before a three-man Rate Commission, which is appointed by the President and is independent of postal management. After making a record, the Rate Commission renders an initial decision that the presidentially appointed members of the Executive Council may either reject, adopt, or modify. Except for

special services (C.O.D., special delivery, et cetera), decisions of the presidentially appointed members of the Council on rate changes are transmitted to the Congress and become final unless disapproved by two-thirds of either House within 60 days. A "privileged resolution" procedure assures that both Houses will have the opportunity to vote on a proposed rate change within the 60-day period.

The bill substantially continues existing law in respect to the so-called private express statutes and in respect to searches of mailable matter apparently being transported in violation of law, seizures of letters being carried contrary to law, and disposition of seized mail.

The Postal Service Authority is authorized to provide for the transportation of the mails and to contract for such transportation. In general, the same statutory obligation to transport mail and provide related services that now applies to railroads is placed upon other carriers, at fair and reasonable rates fixed by the Interstate Commerce Commission or, in the case of air carriers, the Civil Aeronautics Board. In addition, the Postal Service is authorized to enter into contracts with carriers to carry the mails at rates voluntarily agreed upon, but, in such cases, there is no statutory obligation on the carrier to carry the mails. The requirement that certain airport-to-post-office transportation be performed by Government vehicles, regardless of the relative economies, is repealed. Archaic residence requirements for star route contractors are also repealed.

Finally, title II of H.R. 4 provides a two-step pay increase for employees in grades 1-6 of the postal field service and a comparable increase for rural carriers. In addition, if an increase in the compensation of general schedule employees becomes effective prior to the date on which the Authority commences operations (that is, within 1 year of enactment of the bill), the President is required to effect a corresponding increase in the compensation of postal field service and rural carrier employees.

MANAGEMENT STRUCTURE

The Postal Service is a public service but there is no reason why it cannot be conducted in a businesslike way and every reason why it should be. A prime requisite of conducting any large enterprise in a businesslike way is that reasonable continuity of top management be substantially assured for so long—and only so long—as top management is doing its job well. Median tenure of Postmasters General in the 20th century has been less than 2½ years. Much of that time is spent in learning the mechanics of the postal system and there is little opportunity to grow in the job and exercise professional leadership over the vast service organization that is the American postal system. "Revolving door" leadership has been one of the greatest handicaps of the postal system.

Moreover, the Postmaster General's presence in the President's Cabinet creates a link between partisan politics and the Postal Service that cannot be dissolved by simple statutory prohibitions on "political influence." As long as the top postal manager serves at the pleasure of the President, he will find it nearly impossible to disassociate himself from the informal obligations of the President's official family.

H.R. 4 will end "revolving door" leadership in the top management jobs in the Postal Service. The tenure of the Director General and Deputy Director General should be comparable to that of the chief

executive officer or chief operating officer of any nationwide enterprise in the private sector. An assurance of tenure for so long as the job is being done right represents an essential first step toward bringing to the Postal Service the enhanced efficiency and improved productivity that modern American management techniques can offer.

The composition of the Executive Council—two full-time executives from within postal management, seven “outside” Councilors (of whom no more than four can be from the same political party) representing the public, and four congressional Councilors to assure that other members of the Council are apprised of congressional attitudes and that the Congress is apprised of the progress of the Authority and of problems that might exist in the Postal Service—provides a balance of experience and prospective that should assure the Postal Service of the best possible management.

The Executive Council provides an invaluable buffer between the management of the Postal Service and the possible influence of partisan politics. Insulation from partisan politics is one of the principal purposes to be served by having the Director General and Deputy Director General of the Authority appointed by the Executive Council rather than by the President. The same purpose is served by having the Director General responsible to the Council, which represents the public interest only, for his conduct of the affairs of the Authority.

CONGRESSIONAL OVERSIGHT

Congressional responsibility for the Nation's Postal System requires that the Congress be in a position to set broad policy guidelines for the operations of the Postal Service. On the other hand, the Congress is ill suited to become enmeshed in the details of the day-to-day operating decisions that must be made. H.R. 4 assures that the Congress will be fully informed on postal affairs so that it may discharge its responsibilities to see to it that the Postal Service is conducted consistently with the policies laid down in the bill. Thus, the four congressional Councilors participate fully in the deliberations of the Executive Council to the ends that congressional oversight of the Nation's postal system shall be fully preserved. On the other hand, the congressional Councilors are nonvoting members because Congress does not belong in the day-to-day management of the Postal Service. Additionally, there are serious constitutional questions as to whether the congressional members could play any decisionmaking role in the Postal Service, which will be still a part of the executive branch of the Government.

There are additional assurances of appropriate congressional oversight. The Executive Council is required to report annually to the Congress concerning the operations of the Postal Service. Power is explicitly reserved to Congress to alter, amend, or repeal any or all of the provisions respecting the new Postal Service Authority. Changes in postal rates are required to be submitted to the Congress. The Authority would be required annually to transmit to the Congress its budget program.

PROHIBITION AGAINST POLITICAL INFLUENCE

There is wide agreement that vestiges of 19th century political patronage practices have persisted in the Post Office Department too long and that one of the cardinal needs of postal reform is to seal off

the Postal Service from partisan political influence. H.R. 4 does this in two different ways. First, section 801a bars consideration, in respect to any appointment, promotion, assignment, transfer, or designation that relates to any office or position in the Authority (excepting members of the Executive Council), of any recommendation or statement by any Member of the Congress, elected official of State or local government, or official of any national, State, or local political party. It also bars a person under consideration for such an appointment from soliciting any such request.

The second way in which H.R. 4 seals off the Postal Service from political influence is by establishing institutional buffers between the President and the Congress on the one hand, and the officers and employees of the Postal Service on the other. Thus, as noted above, the Director General and Deputy Director General are not appointed by the President but rather are appointed by, and serve at the pleasure of, the presidentially appointed members of the Executive Council. Further, as the Postal Service Authority attains a self-sustaining basis, it will be largely independent of the normal Federal budget and appropriations process. In the same vein, the Postal Service will no longer depend on congressional authorization for rate changes. In sum, H.R. 4 excludes partisan political influence from the Postal Service by removing the day-to-day management of the Postal Service from both Presidential and congressional areas of concern while still leaving the Postal Service subject to broad policy guidance.

LABOR RELATIONS—GENERAL

Labor-management relations would, in general, be subject to the Labor-Management Relations Act of 1947, as amended, and its provisions would be enforceable by the National Labor Relations Board and the Federal courts. Unfair labor practice charges would be handled just as they are in the private sector.

Although the needs for postal reform are as interrelated as they are manifold, certainly no single need is more insistent than that for reform of the labor-management structure. Employee dissatisfaction, as evidenced by events occurring during March 1970, however deplorable such events may be, has finally established that a basic change in postal labor relations is overdue. Although contemporary labor relations in the private sector of the national economy have not been free of problems, they add up to a triumphant success as compared with those in the Postal Service.

Generally speaking, H.R. 4 would bring postal labor relations within the same structure that exists for nationwide enterprises in the private sector—with the exception of the right to strike. Rank and file postal employees would, for the first time, have a statutory right to organize collectively and to bargain collectively with management on all of those matters—including wages and hours—which their neighbors in private industry have long been able to bargain for. In respect to wage adjustments, there would no longer be any reason for the long timelags in achieving comparability to the compensation and benefits paid for comparable levels of work in the non-Federal sectors of the economy—timelags that have too often attended the legislative process of adjusting postal wages.

The right to strike, of course, is a very important element of labor relations in the private sector. In the Federal service, however, strikes have long been prohibited by law. As events of the past several

weeks have amply demonstrated, the Postal Service is too important to the people and the economy of this Nation for postal strikes to be tolerated. Under H.R. 4, the existing ban on strikes by Federal employees would be continued without change.

Collective bargaining in public employment involves factors that differ importantly from those traditionally found in the private sector. In the private sector, a strike involves an economic contest pitting the stockholders' capacity to forego profits against labor's capacity to forego wages. A strike may impair the ability of the enterprise to compete successfully in the market. In the public sector, the stakes are quite different: A strike would not merely threaten the income of a public enterprise and cause loss of wages to workers, it would also directly imperil the public welfare. The extent to which the public welfare might be so imperiled has been vividly brought home to all by the postal work stoppages in major urban areas which began in March.

LABOR RELATIONS—BINDING ARBITRATION

Since it will continue to be unlawful for postal employees to strike, H.R. 4 provides for binding arbitration in the event of unresolved collective bargaining impasses so as to assure parity of bargaining power between labor and management. But the essence of successful collective bargaining is that the parties must deal with one another and that neither party should be able to turn from its efforts to find agreement with the other in favor of obtaining an imposed resolution from outside arbitrators until every reasonable possibility of reaching bilateral agreement has been exhausted. In the same vein, successful labor-management relations require that labor and management agree on procedures for the resolution of disputes in the event that unresolved issues remain in dispute, rather than have those procedures imposed on them from outside. Accordingly, H.R. 4 provides that it is the intent of the Congress that the parties by mutual agreement adopt any procedures for the resolution of disputes or impasses arising in the negotiation of a collective bargaining agreement and not rely on the statutory procedure for resolving disputes that is prescribed in the bill.

Nevertheless, H.R. 4 necessarily contains provisions for the resolution of disputes in the event that the parties fail to agree on procedures of their own choosing. The bill requires that collective bargaining agreements shall be effective for not less than 2 years. No party to a collective bargaining agreement may terminate or modify it unless that party serves written notice upon the other party of the proposed termination or modification at least 90 days prior to the expiration date of the agreement or the proposed date of termination or modification. If no agreement has been reached within 45 days, the Federal Mediation and Conciliation Service must be notified. If the parties have still failed to reach agreement or to adopt their own procedure for a binding resolution of the dispute by the end of 90 days from the first notice, the Federal Mediation and Conciliation Director must direct the establishment of a factfinding panel. He submits to the parties a list of neutral impartial persons from which each party selects one person. The two so selected choose a third person to serve as chairman

of the factfinding panel. The factfinding panel must report its findings, with or without recommendations, to the parties to the dispute within 45 days.

If there is still no agreement within 90 days after the expiration or termination of the collective bargaining agreement, a three-man arbitration board is established—one selected by management, one by labor, and the third by the first two. The arbitration board must give the parties a full and fair hearing. Costs of the arbitration board are shared equally by management and labor. Decisions of the arbitration board are conclusive and binding upon the parties.

If the parties do not agree on framing the issues to be submitted to the arbitration board, the factfinding panel shall frame the issues and submit them to the board.

Two aspects of H.R. 4's provisions for binding arbitration deserve special emphasis. First, there is a definite time limit on how long an unresolved disagreement may run on. Differences over wage adjustments cannot go unresolved indefinitely under H.R. 4, and this is a notable difference from the situation that has existed in the past. Second, the arbitration provisions of H.R. 4 are utterly impartial and evenhanded. But if, in the particular exigencies of an impending bargaining impasse, some other means of resolving the dispute seems preferable, H.R. 4 urges the parties to agree on it.

LABOR RELATIONS—UNION SECURITY

H.R. 4 would not permit the Postal Service Authority to enter into or attempt to enforce a union shop agreement in any State having a law that prohibits the execution or application of agreements requiring membership in a labor organization as a condition of employment.

H.R. 4 makes labor-management relations in the Postal Service subject to the provisions of the Labor-Management Relations Act, as amended, with certain stated exceptions that have nothing to do with questions of union security. Accordingly, section 14(b) of the National Labor Relations Act, as amended by the Labor-Management Relations Act of 1947, would apply to labor-management relations in the Postal Service. Section 14(b) states that:

Nothing in this subchapter shall be construed as authorizing the execution or application of agreements requiring membership in a labor organization as a condition of employment in any State or Territory in which such execution or application is prohibited by State or Territorial law. (29 U.S.C. 164(b)).

Section 8(a)(3) of the National Labor Relations Act, as amended, makes it an unfair labor practice for an employer "by discrimination in regard to hire or tenure of employment or any term or conditions of employment to encourage or discourage membership in any labor organization."

Although a subsequent proviso to section 8(a)(3) makes an exception to this and permits certain kinds of union security agreements, section 14(b), quoted above, makes this proviso inapplicable in those States that have adopted laws prohibiting the execution or application of agreements requiring membership in a labor organization as a

condition of employment. See *Retail Clerks v. Schermerhorn*, 375 U.S. 96, 103 (1963), where the U.S. Supreme Court, in discussing the status of State right-to-work laws in the light of section 8(a)(3) and section 14(b), stated:

There is thus a conflict between State and Federal law; but it is a conflict sanctioned by Congress with directions to give the right-of-way to State laws barring the execution and enforcement of union security agreements.

From a constitutional standpoint, there is no reason whatsoever why the Congress, by duly enacted statute, may not "give the right-of-way" to State right-to-work laws insofar as employees of a Federal instrumentality are concerned, whether such employees work in an enclave over which the United States has exclusive legislative jurisdiction or whether they work in an area over which the State government has jurisdiction. This is precisely what H.R. 4 does.

In summary, by incorporating the Labor-Management Relations Act of 1947, H.R. 4 adopts a policy of deference to State law on the right-to-work issue, in those States having right-to-work laws, thus putting the Authority in exactly the same position with regard to union security provisions that it would occupy if it were a private business enterprise.

Section 14(b) and the right-to-work issue are highly controversial. But the controversy that surrounds this issue has no place in postal reform legislation. There is no reason for the Postal Service to be different from other nationwide enterprises in this regard. H.R. 4, like the Labor-Management Relations Act, simply yields the right-of-way to the States. If the Labor-Management Relations Act should be amended at some future time, either to extend or to restrict right-to-work provisions, that amendment presumably applies to the Postal Service Authority in the same way that it applies to other entities. But postal reform is far too important a subject in its own right to be allowed to become embroiled in controversies that are more properly concerned with national labor relations policy than with how best to serve the postal needs of the American people.

TRANSITION OF THE POST OFFICE DEPARTMENT TO THE POSTAL SERVICE AUTHORITY

The Post Office Department will continue to operate as a department until a date fixed by the Executive Council of the Postal Service Authority, but no later than 1 year after enactment. This will permit the Authority time to prepare to commence operations. The bill also provides in effect that all rules of law and all regulations applicable to the Post Office Department will continue in force as regulations of the Authority after the Authority commences operations until changed to the extent it is authorized to adopt such regulations. For this reason, commencement of operations will not produce abrupt changes in the activities of the Postal Service immediately, but changes will be made in an orderly fashion as they may be warranted and in accordance with the standards and procedures the bill establishes. For example, postage rates and service in effect on the first day of operation will be the same as those in effect the previous day. Similarly, except for the Postmaster General and other presidentially appointed officers in headquarters, employees will continue in their

existing positions with the same duties and responsibilities and with no change in pay, leave, employment status or other benefits whether provided by law or regulation. Any changes in employee benefits are subject to guarantees in chapter 8 of title 39 and section 111 of the bill against reduction in their level by the Authority.

A number of activities will take place before the commencement of operations. The Executive Council will be appointed, will select a Director General and Deputy Director General, and will organize itself. The Post Office Department will negotiate with employee representatives to establish procedures for negotiating new collective bargaining agreements once the Authority commences operations. Property to be controlled by the Authority will be separated from that to be controlled by the General Services Administration or other Government agencies. The period of up to 1 year is no longer than that needed to effect an orderly transition.

POSTAL RATE POLICY—A SELF-SUPPORTING POSTAL SERVICE

H.R. 4 provides that the Postal Service should be self-sustaining. This, of course, cannot be accomplished at once and H.R. 4 sets a goal of January 1, 1978 for its attainment. Since the Authority will be required to provide postal services "at reasonable and equitable rates and fees," massive and far-reaching improvements in postal efficiency must be achieved before a self-supporting Postal Service becomes a reality, and it would be thoroughly unrealistic to suppose that this process could be completely implemented much before 1978.

The mandate that the Postal Service must be self-supporting is essential if postal affairs are to be conducted with reasonable economy and efficiency. So long as postal management operates with a general awareness that congressional appropriations are always available, within some uncertain limit, to make good any short falls of revenue or overruns of costs, there is little real incentive to make the best possible use of resources and efficiency is sure to be more honored in the speech than in the observance. Moreover, the "break-even" requirement of H.R. 4 represents a commitment that the Postal Service no longer rely on massive annual infusions of general revenues of the treasury at the taxpayers' expense.

Postal services are, and must be, within the economic reach of all citizens within the national community. This is wholly consistent with the requirement that the Postal Service Authority be self-sustaining. Most mailers are well able to pay the full cost of the services that they receive. H.R. 4, however, provides a framework for the Congress to authorize appropriate exceptions to the general policy that each class of mail users pay at least the cost demonstrably related to the particular service it receives. The existing categories of free and reduced-rate mail would be continued unless changed by Congress and the existing rate advantages for these categories would continue so long as Congress by specific appropriations provides the revenues that the preferred categories would have paid if "full rates" were applicable to them.

H.R. 4, moreover, enjoins the Authority to take into account the financial impact upon affected users of the various classes of mail of any changes in postal rate structures. The Authority is explicitly permitted to achieve the rate policy goals of H.R. 4 over a duration of time that may be appropriate in view of the financial impact upon

mailers of proposed changes. It is clear that an abrupt increase in postal rates for an enterprise relying heavily upon the use of the mails could cause a severe financial dislocation. H.R. 4 provides for easing this impact over a period of years as the Authority begins its operations.

The concept of reasoned gradualism is further reflected in the bill's provision for a transition period of some 6 years during which a progressively decreasing appropriation for "public service costs" is authorized. For the period of commencement of operations of the Authority through December 1972, an appropriation at an annual rate of 10 percent of the costs of the Postal Service for fiscal year 1972 is authorized. This would probably come to something in the vicinity of \$800 million. For calendar year 1973, 9 percent of the total costs—probably something in the general order of \$700 million—is authorized. For 1974, 8 percent—perhaps something like \$650 million—is authorized. For 1975, 6 percent—probably something like \$500 million—is authorized. For 1976, 4 percent—which might fall in the general range around \$350 million—is authorized. For 1977, 2 percent—which could very roughly approximate \$175 million—is authorized.

POSTAL RATES—FREE AND REDUCED RATE MAIL

H.R. 4 continues the existing categories of free and reduced-rate mail (for example, mailings of certain nonprofit organizations; mailings of books, films, and similar materials; mailings for the blind; mailings of in-county publications) and provides that the preferential rates accorded these categories of mail will not be changed except by Congress, unless the Congress fails to appropriate funds sufficient to cover the revenue foregone because of the rate preference. H.R. 4 reserves to congressional initiative any changes in categories or rates applicable to mail formerly entitled to free or reduced rates. Thus, Congress will not legislate on this subject by a failure to veto any change proposed by the Authority in this area, but any change will be made only by affirmative legislation in the conventional sense. In this way, H.R. 4 reflects the fact that any change in rates or categories for free or reduced rate mail entails questions of public policy that are less appropriate to the expertise of a ratemaking commission than to a congressional determination of the public interest.

Retaining the traditional legislative process on free and reduced-rate decisions is not at all inconsistent with the objective of an eventually self-sustaining Postal Service financed in the bond market, because such free and reduced rates will depend on congressional appropriations for their continuance. If there should be a deficit in appropriations for this purpose, the bill provides for proportionate increases in the free and reduced rates to generate the necessary funds. It is important to note that the bill does not require such changes in the same fiscal year, within a particular period of time, or in a single step. In order to avoid interruption and chaos in free and reduced-rate mail service, the committee expects that notice and adequate time for mailers and the authority to adjust to rate changes will be afforded. For this reason, it is expected that the Authority will so arrange its funding and costs and make reasonable provisions for contingencies such as would occur in the event that public service appropriations may be delayed or inadequate to make up for the statutory free and reduced rates, pending a reasonable opportunity to institute the necessary new rates in a fair and orderly manner.

RATEMAKING PROCEDURES

There was a time when many public utility rates were established by legislatures, but the expertise and continuing study needed to set them fairly resulted over time in the gradual delegation of rate-making responsibilities to quasi-independent regulatory agencies. Congressional delegation of postal ratemaking is a compelling need. The establishment of fair rates is so closely bound up with economics, accounting, and engineering technicalities that Members of Congress, lacking the time, training, and staff support for thorough analysis, can perform only a sort of adjudicatory function on rate issues. For technical guidance, there has been an inevitable tendency for Members of Congress to look to mailer and management representatives whose presentations are apt to be colored by their own interests.

H.R. 4 provides for the application of continuing ratemaking expertise to postal rate problems while at the same time requiring that the Authority discharge its obligation to keep costs and revenues generally in balance and providing appropriate checks and balances in the form of congressional veto over rate changes and judicial review of rate decisions.

In the area of ratemaking, as elsewhere, H.R. 4 carefully insulates postal affairs from partisan political intervention. The three members of the Rate Commission, who serve staggered 6-year terms, are appointed by the President from a roster of persons named by the American Economic Association, the American Institute of Certified Public Accountants, the American Bar Association, and the Chairman of the Civil Service Commission. This procedure assures, insofar as practical, that appointments will be made on the merits and without political favor from respected professional experts whose qualifications have been established by their service either within or without the Government.

H.R. 4 recognizes that postal rates represent the "prices" that the Postal Service charges its customers and that management must have a substantial voice in setting those prices in order that postal affairs may be conducted in a businesslike way. Accordingly, H.R. 4 provides that—subject to veto by a two-thirds vote of either House of Congress—final authority for changes in postal rates rests with the presidentially appointed members of the Executive Council.

H.R. 4 also recognizes that the Postal Service is a highly labor-intensive operation and that, consequently, rate changes must be responsive to the needs of the Service as well as to the interests of customers of the Service. Since wage costs represent a very major part of all postal costs (currently over 80 percent), timeliness in the ratemaking process is imperative. Accordingly, the Rate Commission is required to act promptly, and, in the event of judicial review, the courts are also required to give high priority to postal rate cases.

Since rate changes must be timely, H.R. 4 provides for interim rate changes in the event that proposed final changes are not acted upon by the Rate Commission within 90 days of notice of a proposed change or in the event of judicial review. But safeguards are provided to prevent postal management from adopting interim changes because of its own delays with respect to final changes or from continuing interim changes in effect any longer than necessary. The provisions of the bill with respect to interim rates are analogous to the provisions

for rate increases on the part of regulated utilities and carriers subject to temporary suspension which are characteristically found in the statutes creating regulatory agencies.

H.R. 4 provides for judicial review of postal ratemaking. In view of the fact that the congressional veto will act as a check on any erroneous or unjustified decision by the Authority on a matter of rate policy, judicial review is limited to questions of constitutional and statutory right or authority and to questions of procedure in the proceedings before the Rate Commission. It should also be noted that there is less reason for judicial review than in the conventional public utility commission situation because the problem of possibly confiscatory rates, with its connotations of taking of property without compensation, cannot arise in the Postal Service context.

PROCEDURES FOR CHANGES IN POSTAL SERVICE

The Postal Service is—first, last, and always—a public service. H.R. 4 is designed to prevent public service from involving public wastefulness in postal matters. This must be done not only by requiring postal management to operate efficiently and economically, but also by requiring it to seek out the needs and desires of its present and potential customers—the American public. In establishing the Postal Service Authority on a businesslike basis, H.R. 4 provides significant assurance that the postal management will in fact be responsive to the people to a greater degree than has heretofore been known. But in addition, H.R. 4 contains specific provisions requiring justification and review of changes in service. Following procedures comparable to those for proposed rate changes, operating management would submit proposals relating to changes in service to the Rate Commission with public notice and opportunity for public comment. The Commission would have discretion as to whether to hold public hearings. Written submissions would be permitted in any case. On the record created by this procedure, the Commission would reach an initial decision that would become final unless modified or revoked by the presidentially appointed members of the Executive Council.

Recognizing that service changes may affect an area less than nationwide in scope, flexibility is provided for the manner in which public notice must be given for service changes. If the change involved a particular post office, for example, publishing a notice in the Federal Register might be of little or no effect. On the other hand, displaying a notice in the post office itself might be very effective.

In the same vein, H.R. 4 provides for the receipt and consideration by the Rate Commission of complaints concerning postal service or rates which may not conform to the statutory policies set out in the bill. The Commission has discretion as to holding hearings on complaints. If hearings are held and the complaint is found justified, the Commission may recommend initiation of an appropriate change, or make a public report to the presidentially appointed Councilors, who shall then take whatever action they, in the exercise of their discretion, deem appropriate.

The procedures just described represent significant innovations that should materially enhance the responsiveness of the Postal Service to the American public. H.R. 4 envisions a national postal service that is forever searching for new markets and new ways by which the communications needs of the American people may be served.

FINANCES—BONDING AUTHORITY

The committee finds a broad consensus among students of postal reform that access to capital through the sale of bonds is essential to any realistic modernization of the physical plant of the Post Office. H.R. 4 provides a simple structure for this borrowing by giving the Authority the power to issue its own obligations upon the security of such of its assets and revenues as it sees fit. The Authority is also given broad discretion as to the terms and conditions of its obligations. The purpose of these broad grants is to carry out the proposition upon which H.R. 4 rests, that the management of the Authority should be given the powers needed to manage the Postal Service well and then it should be held responsible for the proper use of those powers. The most effective checks against an unwise use of the Authority's exercise of the borrowing power will be exercised by the financial market, not by law. If, for example, the Authority were to propose to raise funds for operating expenses resulting from inadequate use of mail handling machinery without taking prudent steps to remedy the inadequacy, the market could be expected to react by rejecting the offerings or by placing upon them an unaccessibly high rate of interest. This is what is meant by the discipline of the marketplace.

The same discipline may be expected to exert its influence on the extent to which the \$10 billion borrowing authority is actually used. It is not anticipated that the Authority would attempt to raise this amount of capital in a brief period. But were it to try, it is hardly expected that an appreciable quantity of its obligations could be sold unless a persuasive case for the productive employment of the capital so raised could be made to the financial community. If the case could be made, it would be strong evidence that the money was being prudently invested by the Authority.

THE AUTHORITY AND THE TREASURY

Subject to the discipline of the marketplace, the power of the Postal Service Authority to issue its obligations is reserved to it alone. It need not seek or obtain the consent of the Secretary of the Treasury either as to the fact of the borrowing or the terms and conditions upon which it is done. There is a duty upon the Authority to notify and consult with the Secretary. This, together with the right of the Secretary to purchase any or all of a proposed issue, is regarded by that Department as fully adequate protection of the interest of the U.S. Government as a potential competitor of the Authority in the money market. At the same time, the nature of this balance guards against an inappropriate power in the Treasury to control the scale of the Authority's operations.

A second point of congruity between the Treasury and the Authority lies in the right of the Authority to call upon the Secretary to purchase up to \$2 billion of its obligations. This right could be utilized by the Authority in a number of ways: As a source of essential funds should other sources prove unavailable; as an unused reserve to serve as security for funds to be raised from private sources; and as a potential market for its obligations apart from the private financial community, the existence of which could be expected to improve the Authority's ability to gain acceptance of favorable terms and conditions.

In addition to the Authority's call on the Treasury for \$2 billion, and the Treasury's right to purchase any obligations issued by the Authority, provision is made for the possible issuance of the Authority's obligations backed by the full faith and credit of the United States. Although it is not contemplated that this guarantee—which will apply only if requested of the Authority and agreed to by the Secretary of the Treasury—will often be employed, the statutory authority is of value and adds another element of flexibility to the Authority's borrowing capability.

Witnesses before the committee from the General Accounting Office, the Department of the Treasury, and the financial community, have indicated that the Authority's bonds should find a ready market at reasonable rates of interest. This testimony, coupled with the Kappel Commission's assessment that capital investment in modernized facilities and equipment should return over 20 percent annually in reduced operating costs, is persuasive that the bonding authority proposed is as prudent as is necessary to an efficient postal service characterized by modern working conditions.

CHAPTER-BY-CHAPTER SUMMARY ANALYSIS OF TITLE 39, UNITED STATES CODE, AS IT WOULD BE REVISED BY THE POSTAL REFORM AND SALARY ADJUSTMENT ACT OF 1970

CHAPTER 1.—GENERAL PROVISIONS

This Chapter consists of a definitional section that identifies and defines certain terms used throughout the revised Title 39.

CHAPTER 2.—ESTABLISHMENT OF THE UNITED STATES POSTAL SERVICE AUTHORITY

This Chapter reorganizes the Post Office Department as a public authority. It provides that the new organization, known as the United States Postal Service Authority, shall be headed by a 13 member Executive Council. Seven members of the Council (not more than 4 of whom may come from the same political party) are appointed by the President, with the advice and consent of the Senate, to serve staggered seven-year terms. They are paid \$10,000 a year, plus \$300 for each meeting of the Council they attend, and they are permitted to have employment outside the Federal Government. The eighth member of the Council, who bears the title "Director General" and who serves as the full time chief executive officer of the Authority, is appointed, on a strictly non-political basis, by the Presidentially appointed councilors. These eight members select the Deputy Director General, who is also a member of the Council. The compensation of the Director General and his Deputy are fixed by the Presidentially appointed councilors, but no employee of the Authority may be paid more than the amount specified in Level I of the Executive Schedule, which fixes the pay of Cabinet officers. The remaining four members of the Executive Council are members of Congress appointed by the Speaker of the House, the President Pro Tem of the Senate, and the minority leaders of the House and the Senate. The Congressional Councilors receive no pay aside from their Congressional salaries. These members do not vote, but they are entitled to participate fully in meetings of the Council.

The Chapter also provides for a 13 member advisory board composed of the Director General, the Deputy Director General and 11 additional members appointed by the President for staggered two-year terms from postal employee organizations, representatives of major mail users, and representatives of the public at large. The function of this board is to furnish advice to the Executive Council with respect to postal rates and services and employee compensation.

The Chapter empowers the Authority to sue and be sued, to adopt by-laws and regulations, to enter into and perform contracts, to keep its own system of accounts, to acquire and dispose of property, to settle claims, and so forth. The Authority's powers are similar to those conferred on the Tennessee Valley Authority.

This Chapter also provides that Federal laws dealing with public contracts, property, works, employees, or funds shall not apply to the Postal Service Authority except as specified in the reform legislation. Among the laws expressly carried forward are provisions of the Criminal Code applicable to postal matters; laws relating to eminent domain; laws protecting the right of postal employees to organize and to petition Congress; laws prohibiting discrimination in employment; the statutory prohibition against strikes by Government employees; the Hatch Act ban on political activities by Government employees; title VI of the Civil Rights Act of 1964; the Government Losses in Shipment Act; and the labor standards statutes applicable to Government contractors (the Davis-Bacon Act, the Walsh-Healey Act, and the Service Contract Act).

This Chapter requires the Authority to make an annual report to the Congress, and expressly reserves to Congress the power to alter, amend, or repeal any or all sections of the revised title 39.

CHAPTER 4.—SERVICES

This Chapter sets forth the duty of the Postal Service Authority to provide adequate and efficient postal service at fair and reasonable rates. It specifically empowers the Authority to provide for the collection and delivery of the mails, to establish post offices, to sell stamps, to provide philatelic services, to maintain an inspection service, and the like. It prohibits the Authority from unreasonably discriminating among postal users and from granting undue preferences with respect to classifications, rates, fees or services.

The Chapter retains, in substance, the size and weight limitations established by existing law.

The Chapter provides for the continuance of APO and FPO service and service to military installations, and perpetuates the existing authority to enter into international postal agreements.

The Chapter prohibits the closing of small post offices solely for operating at a deficit.

CHAPTER 6.—MAIL MATTER

This Chapter substantially continues existing law with respect to "non-mailable" matter (e.g. lottery mail, mail involving false representations, and obscene mail) and with respect to "penalty mail" and franking privileges.

CHAPTER 8.—PERSONNEL

This Chapter authorizes the Authority to appoint and promote employees, and to give them such powers and duties as may be necessary. The Chapter creates a postal career service, which is a part of the Civil Service. The Authority's procedures must assure postal employees of meaningful opportunities for promotion and career development, and must provide postal employees an opportunity to be heard before adverse actions are taken. The adverse action procedures required by Chapter 75 of Title 5 of the United States Code continue to apply unless changed by collective bargaining agreements or changed by the Authority with the approval of the Civil Service Commission.

The provisions of the Veterans Preference Act are expressly made applicable to the Postal Service Authority.

The Chapter contains a detailed prohibition against any sort of political influence in the Authority's personnel actions.

The Chapter provides that employees of the Post Office Department (except for the Postmaster General, the Deputy Postmaster General, the Assistant Postmasters General and the General Counsel) will automatically become employees of the Authority when it begins operations. Employees of the Authority will continue to receive the same compensation and benefits that were in effect just before the Authority began operations. For employees represented by collective bargaining agents any changes in compensation and benefits made by the Authority are subject to the terms of the statute with respect to collective bargaining, and compensation and benefits for all employees are to be maintained and standard of comparability with the non-Federal sector. The obligations of the Post Office Department for sick and annual leave and compensatory time are assumed by the Authority, and the statutes with respect to health and life insurance, workmen's compensation and unemployment compensation continue to apply, except insofar as they may be changed by the Authority; for employees represented by collective bargaining agents any such change will be subject to the requirements of the statute concerning collective bargaining. No change can be made with respect to fringe benefits if it results in a program of fringe benefits which, on the whole, is less favorable to the employees than the fringe benefit program in effect when the Authority begins operations.

The Chapter provides that employees of the Postal Service Authority will continue to be covered by the Civil Service Retirement program.

Except for the prohibition against strikes, labor-management relations are made subject to the Labor-Management Relations Act of 1947 and the Labor-Management Reporting and Disclosure Act of 1959. The Authority will be subject to state right-to-work laws. Collective bargaining agreements entered into by the Authority will have terms of not less than two years. Grievances arising under such agreements are to be handled in accordance with the procedures set forth in the agreements, which may provide for binding third party arbitration. Impasses or disputes arising in the negotiation of a collective bargaining agreement are to be settled in accordance with whatever procedures the parties may agree to. If no such procedures are adopted voluntarily, the Federal Mediation and Conciliation Service will establish a factfinding panel the members of which are to be selected, directly or indirectly, by the parties to the impasse. A negotiating impasse that has not been settled by the expiration of a 90-day cooling off period must be referred to binding arbitration by an ad hoc arbitration board. The issues to be decided by the arbitration board are to be framed by the factfinding panel, if the parties themselves cannot agree on the framing of the issues.

The Chapter establishes procedures through which the time required for rank and file employees to reach the top step in whatever labor grades have been established for them will be compressed to not more than eight years.

CHAPTER 10.—FINANCE

This Chapter provides that the initial capital of the Authority shall consist of the equity of the United States in the property of the present Post Office Department, as reflected in the President's budget; that the Authority and the General Services Administration will work out exactly which properties shall be transferred to the Authority, in accordance with statutory criteria, subject to approval by the Bureau of the Budget; and that there shall be established in the Treasury a Postal Service fund to be credited with all revenues and receipts of the Authority and to be available for the payment of all expenses incurred by the Authority. Transitional appropriations are authorized.

The Chapter empowers the Authority to borrow up to \$10 billion, but provides that in any one year the net increase in the Authority's outstanding obligations may not exceed \$1½ billion for capital improvements and \$500 million for operating expenses. The Secretary of the Treasury may be required by the Authority to purchase obligations of the Authority in such amounts as will not cause the holdings of the Secretary resulting from such mandatory purchases to exceed \$2 billion at any one time, and the Secretary of the Treasury is given a right of first refusal on all obligations of the Authority. Obligations sold by the Authority to the general public will be backed by the full faith and credit of the United States to the extent, and only to the extent that the Authority has requested such backing and the Secretary of the Treasury has agreed to give it.

The Comptroller General is authorized to audit the Authority's accounts, to the extent he deems necessary, and the Authority is empowered to obtain outside audit by certified public accountants. The Authority is empowered to make all expenditures and contracts it considers necessary, and expenditures cannot be disallowed by the Comptroller General.

CHAPTER 12.—RATES AND RATEMAKING

Subchapter I establishes the rate policies to be followed by the Authority. The Authority is to become self-sufficient by 1978, but prior to that time there will be authorization for annual appropriations from general tax revenues in accordance with a prescribed formula based upon the Authority's total costs. In addition to the general appropriations so authorized, the chapter contains permanent authorization for appropriations equal to the difference between the revenues received on free and reduced rate mail and the revenues which would have been received if regular rates of postage had been collected on such mail. The legislation makes no change in the groups that are presently entitled to free and reduced rate mailing privileges, and those privileges will continue until changed by statute except that the rates on free and reduced rate mail are to be adjusted by the Authority to the extent necessary to make up any deficiency in the amounts appropriated by Congress to reimburse the Authority for the revenue it loses on such mail.

Subject to the transitional appropriations provisions and the free and reduced-rate mail provisions described above, the subchapter requires that postage rates for each class of mail be fixed at a level that will cover at least those costs directly traceable to the particular class of mail in question. After 1978, the rate structure as a whole will be expected to generate sufficient revenue to cover the Authority's expenses, taking into account the appropriations for subsidized mail.

Subchapter II provides a comprehensive procedure for rate setting and service changes. Rate changes and significant service changes proposed by the Authority's management cannot become effective until after public notice has been given and there has been an opportunity for a hearing before a three-member panel of expert rate commissioners. These rate commissioners are appointed by the President for six-year terms from a register of names proposed by the Civil Service Commission, the American Bar Association, the American Economic Association and the American Institute of Certified Public Accountants. The rate commissioners are wholly independent of operating management. Decisions made by the rate commissioners are reviewed by the Presidentially-appointed members of the Executive Council, who may adopt, reject, or modify such decisions in the light of the record. Except for decisions on the rates for special services such as C.O.D. and special delivery mail, decisions made by the Presidentially-appointed members of the Executive Council with respect to rate changes are transmitted to the Congress and become final unless disapproved within 60 days by a resolution adopted by a 2/3 majority of either House of Congress.

CHAPTER 14.—PRIVATE CARRIAGE OF LETTERS

This Chapter substantially continues existing law in respect to the so-called private express statutes. Similarly, existing law is substantially carried forward in respect to searches of mailable matter apparently being transported in violation of law, seizures of letters being carried contrary to law, and disposition of seized mail.

CHAPTER 16.—TRANSPORTATION OF MAIL

Subchapter I generally enables the Postal Service Authority to provide for the transportation of the mails and to contract for such transportation.

Subchapter II covers transportation of mail by railroads, motor carriers, and freight forwarders. Railroads, regulated motor carriers and freight forwarders will have substantially the same statutory obligation to transport mail and provide related services as now applies to the railroads—that is, carriers and forwarders are required to transport mail tendered by the Postal Service Authority, subject to fair and reasonable compensation and to ICC ratemaking. Additionally, the Authority may enter into contracts with carriers at rates different from those set by the ICC.

Subchapter III would give the Postal Service Authority much the same authority to negotiate with air carriers for mail transportation as the Post Office Department now has in regard to mail carried by railroads.

CHAPTER 18.—MISCELLANEOUS

Chapter 18 substantially carries forward existing statutory provisions regarding convict labor, uniforms, special delivery messengers, collection of debts, administration of accounts for international mail, informers' fees, delivery of stolen money to the owner, substitute checks, filing of information for second-class publications, and printing illustrations of stamps.

EXPLANATION OF AMENDMENTS TO TITLE 39,
UNITED STATES CODE

The bill consists of a first section and two titles. The first section provides a short title.

Title I contains the postal reform provisions. Section 101 consists of congressional findings and the bulk of title I consists of section 102, which revises title 39, United States Code. There is set forth hereinafter in this report a table showing the disposition of all sections of former title 39, United States Code.

The remaining sections of title I, sections 103–114, consist of supplemental provisions, conforming amendments, and transitional provisions.

Title II contains the salary adjustment provisions.

First Section.—Provides that the short title of the statute shall be the "Postal Reform and Salary Adjustment Act of 1970."

ANALYSIS OF TITLE I—POSTAL REFORM

CONGRESSIONAL FINDINGS

Section 101(a)—Subparagraph (1).—States that as now constituted, the United States Postal Service has not been given the means to continue the present quality and scope of postal service in the face of mounting mail volume.

Subparagraph (2).—States that handicaps are imposed on the Postal Service by legislative, financial, budgetary and personnel policies that are outmoded and inconsistent with modern management practices.

Subparagraph (3).—States that existing limitations on the procurement of mail transportation are so rigid as frequently to prevent the most expeditious and economic movement of mail.

Subparagraph (4).—States that the environment in which the majority of postal employees work seldom approaches the standards long observed in modern industrial organizations.

Subparagraph (5).—States that the public interest demands, and that it is the responsibility of the Congress to provide, prompt and effective measures to remove these handicaps and limitations on the Postal Service, to give postal management the means to improve the value and the scope of postal service at the lowest possible rates and fees, and to create a lasting foundation for a modern postal institution equipped and empowered to satisfy future postal requirements.

Subparagraph (6).—States that the major areas to which corrective measures should be directed are (a) the strengthening of top-level postal management; (b) the provision of critically needed capital

funds and a program for the systematic review and adjustment of postal revenues, coupled with an effective authorization for the use of revenues for payment of current expenses; (c) the clarification of postal transportation policy; (d) the modernization of postal employee-management relations and employees' working environment; and (e) the establishment and maintenance of an orderly, effective system for the fixing of fair and reasonable postal rates and fees.

Subparagraph (7).—States that the needed postal reforms can best be accomplished, and should be accomplished, without radically changing the traditional character of the Postal Service as a direct duty of the Government.

Section 101(b).—Declares the purpose of the act is to provide a means for the modernization of the Postal Establishment, the provision of rapid, efficient and economical Postal Service, the improvement of postal employee-management relations, and the achievement of postal reform generally.

REVISION OF TITLE 39, UNITED STATES CODE

Section 102.—Revises and reenacts title 39, United States Code. Provisions in the present title 39 which are not included in the sections set out in the bill are repealed or superseded. An analysis of the new title follows.

CHAPTER 1—GENERAL PROVISIONS

Section 101—Definitions.—This section defines the terms "Postal Service," "Authority," "Council" and "Executive Council."

CHAPTER 2—ESTABLISHMENT OF THE UNITED STATES POSTAL SERVICE AUTHORITY

Section 201—Definitions.—This section defines the terms "Presidentially Appointed Councilors," "Director General," "Deputy Director General," and "Congressional Councilors."

Section 202—The United States Postal Service Authority.—This section restructures the postal establishment as a public authority, and provides that the new Authority shall begin operating within one year after enactment of the statute.

Section 203—The Executive Council.—This section details the selection and voting procedures of the Executive Council.

Subsection (a).—Establishes a thirteen member council.

Subparagraph (b)(1).—States that the President, with the advice and consent of the Senate, shall appoint seven voting members of the Council, but not more than four from the same political party.

Subparagraph (b)(2).—Provides rotating seven-year terms for the Presidentialy appointed Councilors.

Subparagraph (c)(1).—States that the seven Presidentialy appointed Councilors shall appoint an eighth member to serve as Director General at their pleasure.

Subparagraph (c)(2).—States that the Presidentialy appointed Councilors and the Director General shall appoint a ninth member, the Deputy Director General, to serve at their pleasure.

Subsection (d).—States that four non-voting members of the Executive Council shall be appointed from the United States Congress, one by the Speaker of the House of Representatives, one by the Minority Leader of the House, one by the President *Pro Tempore* of the Senate, and one by the Minority Leader of the Senate.

The Congressional Councilors are to have a right of full participation in the deliberations of the Council, so that congressional oversight of the postal system shall be fully preserved.

Subsection (e).—States that each Presidentialy appointed Councilor shall receive compensation at the rate of \$10,000 per annum, plus \$300 for each meeting he attends, subject to adjustment in accordance with the Executive Pay Act.

Subsection (h).—Provides that the Council shall act by majority vote, and that five voting members shall constitute a quorum. Three exceptions to this rule are specified:

(1) A favorable vote of an absolute majority of the Presi-

dentially-appointed Councilors in office shall be required for appointment or removal of the Director General and for fixing the compensation of the Director General and Deputy Director General;

(2) Appointment or removal of the Deputy Director General is by absolute majority of members serving as Director General and Presidentially appointed Councilors; and

(3) Final decisions on postal rates are left solely to the Presidentially appointed Councilors.

Subsection (i).—States that except for the four congressional members—and the Director General and his deputy, both of whom are statutory members of the Council—no officer or employee of the United States may concurrently serve as a member of the Executive Council. Presidentially appointed Councilors may, however, hold any other non-Federal offices not inconsistent with their duties to the Authority. Except for the rate Commissioners appointed by the President under section 1251 of this title, other employees are appointed by the Council.

Subsection (f).—Authorizes the Presidentially appointed Councilors to fix the compensation of the Director General and Deputy Director General. Section 806 of the title sets a ceiling for compensation at the salary level paid for level I of the Executive Schedule.

Subsection (g).—Allows the Council to act as long as sufficient members are in office to form a quorum.

Section 204—Procedures of the Executive Council.—This section gives the Council general authority, consistent with the title, to delegate its powers to committees, officers, and employees. The Council retains full responsibility for operations, and retains power to revoke all delegations of powers.

Section 205—General Powers.—This section grants the following general powers to the Authority:

- (1) To perpetual duration and succession in its official name;
- (2) To sue and be sued in its own name, as provided in section 208;
- (3) To adopt an official seal;
- (4) To adopt bylaws and regulations;
- (5) To enter into contracts, execute instruments, and determine the character of, and necessity for, its expenditures. (Under section 1008, audit by the Comptroller General is retained, but the GAO may not disallow Postal Service expenditures.)
- (6) To determine its own accounting system and use its own contract forms;
- (7) To have the debt priority of the United States;
- (8) To acquire, use, and dispose of real and personal property;
- (9) To construct, use and lease buildings, facilities and other improvements on property;
- (10) To accept gifts of property or service;
- (11) To settle and compromise claims;
- (12) To exercise the right of eminent domain;
- (13) To have all other powers incidental, necessary or appropriate to its functions.

Section 206—Judicial Officer.—This section carries over with conforming changes existing provisions which authorize a judicial officer for such functions as hearing appeals from hearing examiners.

Section 207—Cooperation With Other Government Agencies.—This section authorizes provision of property and services by the Authority to other Government agencies and by those agencies to the Authority. Terms, including reimbursement, are to be set by agreement of the Executive Council of the Authority and the head of the agency involved. The kinds of services that may be furnished are not limited. Contracting services, for example, are included in this authorization.

Section 208—Suits by and Against the Authority.—This section details procedures for suits to which the Authority is a party.

Subsection (a).—Suits may be brought in State courts, Federal district of courts, or the court of claims, and may be removed from the State to the Federal courts.

Subsection (b).—Service of process, venue, and limitations shall be as provided in title 28 for the United States, its officers or employees.

Subsection (c).—The Federal Tort Claims Act applies to the Authority.

Subsection (d).—The Department of Justice will conduct litigation for the Authority but the Authority has right, upon consent of the Attorney General, to hire or retain counsel to conduct litigation.

Section 209—Application of Other Laws.—This section excludes the operation of Federal laws dealing with contracts, property, works, officers, employees or funds except as provided in the title or in the bylaws of the Authority. The following provisions are made specifically applicable:

- (1) The employee policies and suitability, security, and conduct provisions (including the strike ban) of the Civil Service laws;
- (2) The provisions of the criminal laws applicable to the Postal Service, the mails, and Government employees;
- (3) The Government Corporation Control Act, except as expressly provided otherwise;
- (4) and (5) Contractor labor standards provisions applicable to Government contracts and the Government Losses in Shipment Act;
- (6) Equal opportunity provisions of the Civil Rights Act of 1964; and
- (7) Laws on eminent domain.

Section 210—Annual Reports.—This section requires an annual report to the President and Congress.

Section 211—Reservation of Powers.—This section reserves the power of Congress to alter, amend, or repeal the sections of the title, subject only to contracts made by the Authority pursuant to its powers.

Section 212—Advisory Board.—This section creates the Postal Service Advisory Board.

Subsection (a).—States that the Board shall consist of 13 members: the Director General, who shall be Chairman, the Deputy Director General, who shall be Vice Chairman, and 11 members appointed by the President. Four of the latter shall be named from among persons nominated by labor organizations recognized as collective bargaining representatives, four shall be named as representatives of major mail users, and three shall be named as representatives of the public at

large. All are to serve two-year terms except certain of the original appointees; of these, two from labor, two from the mail users and one from the public shall serve one year terms.

Subsection (b).—States that the Advisory Board shall advise the Executive Council regarding rates, services, and compensation.

Subsection (c).—Sets the compensation for representatives of the general public on the Advisory Board at a *per diem* rate representing the daily equivalent of the salary provided by law for level V of the Executive Schedule, and authorizes reimbursement for travel and subsistence for members of the Board.

CHAPTER 4—SERVICES

Section 401—General duties.—

Subsection (a).—Outlines the service policy of the Authority. It is to plan, develop, promote, and provide adequate and efficient postal service at fair and reasonable rates and fees. The service is defined as the receipt, transmission, and delivery of written and printed matter, parcels, and similar materials, and services incidental thereto. As under existing law, the service is to be provided as nearly as practicable to the entire U.S. population (except for the Canal Zone, which is otherwise provided for). The service is to reach, pursuant to international arrangements, the entire world.

Subsection (b).—Outlines service objectives: to provide an efficient sorting, collection and delivery system; to provide service responsive to the needs of the mail users; and to maintain facilities located in such a way as to provide ready access to essential postal services.

Subsection (c).—Enjoins the Authority from unduly or unreasonably discriminating among users or granting undue or unreasonable preferences in providing services or establishing classifications, rates, or fees.

Section 402—Specific Powers.—This section catalogs the specific powers of the Authority, which powers, in conjunction with the general powers granted in section 205, are to be used in carrying out postal service duties. The Authority is to have the power (1) to provide for the collection, handling, transportation, delivery, forwarding, returning, and holding of mail, and for the disposition of undeliverable mail; (2) to prescribe, as provided in chapter 12 and elsewhere, the amount of postage and the manner in which it is to be paid; (3) to determine the need for and provide postal facilities, offices, and equipment and training facilities and equipment; (4) to provide and sell stamps, stamped paper, cards, envelopes, and other evidences of payment of postage and fees; (5) to provide philatelic services; (6) to provide special, nonpostal, or similar services; and (7) to investigate postal offenses and matters concerning the Postal Service and to pay rewards. This last power authorizes, among other things, the continuation of the Postal Inspection Service.

Section 403—Service Classifications and Mailable Matter.—This section authorizes the authority to promulgate rules and regulations concerning mailing, subject to the provisions of chapter 12. The Authority may not refuse to accept any mailable matter meeting minimum size and weight limitations, but may levy special charges

for carrying such matter if it is not mailed in accordance with the rules so promulgated. Existing maximum size and weight limitations are preserved.

Section 404—Postal Service at Armed Forces Installations.—This section carries over in a simplified form existing provisions of law concerning military post offices and military mail clerks.

Section 405—International Postal Arrangements.—*Subsection (a)* carries over, with minor modifications, existing provisions of law concerning international postal arrangements.

Subsection (b) authorizes the Authority to make arrangements with other governments for the exchange of money by means of postal orders.

Section 406—Small Post Office Closings.—This section prohibits the closing of small post offices solely for operating at a deficit, it being the intent of Congress that effective postal service will be insured to residents of both urban and rural communities.

CHAPTER 6—MAIL MATTER

This chapter continues substantially unchanged the existing provisions of chapter 51 of title 39 concerning nonmailable matter. It also continues the existing provisions of chapter 57 of title 39 concerning penalty and franked mail, and continues existing provisions of that part of section 4303 which relate to air lifting of soldier mail, with an improved provision for reimbursement.

Section 601—Nonmailable Matter.—This section continues section 4001 of the present title 39 with the addition of (d) pertaining to matters exceeding limitations and perishables.

Section 602—Nonmailable Motor Vehicle Master Keys.—This section continues section 4010 of the present title 39.

Section 603—Mail Bearing a Fictitious Name or Address.—This section continues section 4003 of the present title 39.

Section 604—Delivery of Mail to Persons Not Residents of the Place of Address.—This section continues section 4004 of the present title 39.

Section 605—False Representations; Lotteries.—This section continues section 4005 of the present title 39.

Section 606—Unlawful Matter.—This section continues section 4006 of the present title 39.

Section 607—Detention of Mail for Temporary Periods.—This section continues section 4007 of the present title 39.

Section 608—Prohibition of Pandering Advertisements in the Mails.—This section continues section 4009 of the present title 39.

Section 651—Definitions.—This section continues section 4151 of the present title 39 defining terms pertinent to penalty and franked mail.

Section 652—Penalty Mail.—This section continues section 4152 of the present title 39.

Section 653—Endorsements on Penalty Covers.—This section continues section 4153 of the present title 39.

Section 654—Restrictions on Use of Penalty Mail.—This section continues section 4154 of the present title 39.

Section 655—Accounting for Penalty Covers.—This section continues section 4155 of the present title 39.

Section 656—Reimbursement for Penalty Mail Service.—This section continues section 4156 of the present title 39.

Section 657—Limit of Weight of Penalty Mail; Postage on Overweight Matter.—This section continues section 4158 of the present title 39.

Section 658—Shipment by Most Economical Means.—This section continues section 4159 of the present title 39.

Section 659—Executive Departments to Supply Information.—This section continues section 4160 of the present title 39.

Section 660—Official Correspondence of Vice President and Members of Congress.—This section continues section 4161 of the present title 39.

Section 661—Public Documents.—This section continues section 4162 of the title 39.

Section 662—Congressional Record under Frank of Members of Congress.—This section continues section 4163 of the present title 39.

Section 663—Seeds and Reports from Department of Agriculture.—This section continues section 4164 of the present title 39.

Section 664—Mailing Privilege of Former Presidents.—This section continues section 4165 of the present title 39.

Section 665—Lending or Permitting Use of Frank Unlawful.—This section continues section 4166 of the present title 39.

Section 666—Reimbursement for Franked Mailings.—This section continues section 4167 of the present title 39.

Section 667—Correspondence of Members of Diplomatic Corps and Consuls of Countries of Postal Union of Americas and Spain.—This section continues section 4168 of the present title 39.

Section 668—Mailing Privilege of Members of U.S. Armed Forces and of Friendly Foreign Nations.—This section continues section 4169 of the present title 39.

Section 669—Mailing Privilege of Members of U.S. Armed Forces and of Friendly Foreign Nations in the Canal Zone.—This section continues section 4170 of the present title 39.

Section 670—Franked Mail for Surviving Spouses of Members of Congress.—This section continues section 4171 of the present title 39.

Section 671—Armed Forces Mailing Privileges.—This section continues section 4303(d)(5), (6) and (f), of the present title 39, except that subsection (c) clarifies provision for reimbursement.

CHAPTER 8—PERSONNEL

Section 801—Appointments and Promotions.—

Subsection (a).—Establishes a postal career service, which shall be a part of the civil service, and authorizes the Authority to appoint and promote employees in accordance with procedures to be established by the Authority. Requires the Authority to establish procedures to assure postal employees of meaningful opportunities for promotion and career development and to assure postal employees of an opportunity to be heard before adverse actions are taken against them. Provides that existing law on adverse actions shall continue to

apply to employees of the Authority except as modified by collective bargaining agreements or except as new procedures are approved by the Civil Service Commission.

Subsection (b).—Authorizes the Executive Council to hire executives on long term employment contracts when necessary and, at its discretion, to remove an executive employee at any time, without prejudice to such employee's right to damages for breach of contract.

Subsection (c).—Makes the Veterans' Preference Act applicable to the Postal Service, makes the statutory reemployment rights of former military personnel applicable to postal employees to the same extent as in the private sector, and directs the Authority to pursue an employment policy designed to extend opportunity to the disadvantaged and the handicapped.

Subsection (d).—Frees postal employees (other than members of the Executive Council) from the prohibitions contained in the dual employment and dual compensation laws.

Section 801a—Prohibition of Political Influence.—

Subsection (a).—States that subject to subsection (e), all personnel actions (except those involving members of the Executive Council) shall be made without regard to any recommendation or statement, written or oral, made by anyone, including any Member of Congress, any elected state or local government official, or any official of a political party.

Subsection (b).—Except as provided in subsection (e), prohibits any person from making or transmitting to the Authority, or to any officer or employee of the Federal Government, any recommendation or statement with respect to any person who requests or is under consideration for any personnel action.

Subsection (c).—Prohibits anyone who requests or is under consideration for any personnel action from soliciting any such recommendation or statement. Any knowing violation of this subsection disqualifies such person for the appointment or move in question.

Subsection (d).—Provides that each employment form of the Authority shall contain a notice, in boldface type, informing all persons of the provisions of this section. During the time any such personnel action is under consideration, appropriate notice of the provisions of this section shall be posted in the post office concerned.

Subsection (e).—States that this section does not apply to a statement furnished pursuant to a request or requirement of the Authority and consisting solely of an evaluation of the work performance and general qualifications of a postal employee, or to a statement requested by the Government from someone other than a Member of Congress or an official of a political party or State or local government solely to determine whether the individual concerned meets the loyalty, suitability and character requirements for employment with the Federal Government, or to a statement requested from a former employer and consisting solely of an evaluation of the work performance and general qualifications of such person during his former employment.

Subsection (f).—States that this section does not affect the right of any employee to petition Congress.

Section 802—Oath of Office.—This section prescribes the oath of office for all employees of the Authority.

Section 803—Employees of the Post Office Department.—

*Subsection (a).—*Provides that employees of the Post Office Department shall automatically become employees of the Authority, with the sole exception of the nine Presidential appointees at headquarters. (The latter are not barred from employment by the Authority, but are not automatically carried forward.)

*Subsection (b).—*States that obligations for sick and annual leave and compensatory time are assumed by the Authority.

*Subsection (c).—*States that compensation, benefits and other terms and conditions of employment in effect immediately prior to the commencement of operations by the Authority will continue to apply, and that any changes therein shall be subject to sections 804–808 of this title, providing, among other things, for collective bargaining. No variation in fringe benefits shall result in a program which on the whole is less favorable to the employees than that in effect on the commencement of operations by the Authority. For employees for whom there is a collective bargaining representative, no such variation shall be made except by agreement between such representative and the Authority.

*Subsection (d).—*Provides that employees of the Post Office Department shall be eligible to transfer, at the same or higher grade, to other positions in the U.S. Government for which they are qualified.

*Section 804—Retirement Rights.—*Provides that postal employees shall be covered by the Civil Service retirement program, as that program may from time to time be changed by law. The section permits bargaining for supplemental retirement benefits. The section does not make the Authority liable for the unfunded liabilities of the Civil Service retirement program related to postal employees.

*Section 805—Compensation and Benefits.—*This section states that compensation and benefits for employees of the Authority shall be maintained on a standard of comparability to the compensation and benefits paid for comparable levels of work in the non-Federal sector.

Section 806—Terms of employment.—

*Subsection (a).—*States that compensation and benefits and other terms and conditions of employment shall be determined by the Executive Council (subject to collective bargaining with the recognized representatives of those employees who are in collective bargaining units, as provided pursuant to sections 807 and 808), but no officer or employee shall be paid at a rate in excess of the rate for level I of the Executive Schedule (i.e. the rate for members of the President's Cabinet) as that rate may from time to time be adjusted.

*Subsection (b).—*Authorizes the Authority to direct employees in the performance of their official duties, to take various personnel actions, to maintain the efficiency of the operations entrusted to it, to determine how such operations are to be conducted, and to take whatever actions may be necessary to carry out its mission in situations of emergency. The exercise of these management rights is made subject to the terms of whatever collective bargaining agreements may have been entered into.

*Section 807—Applicability of Labor-Management Relations Act of 1947.—*Except as otherwise provided, this section makes applicable the Labor-Management Relations Act of 1947 and the Labor-Man-

agement Reporting and Disclosure Act of 1959. The statutory strike ban (5 U.S.C. 7311) continues to apply by reason of section 209 of this title.

Section 808—Provisions of Collective Bargaining Agreements.—

*Subsection (a).—*States that collective bargaining agreements between the Authority and recognized bargaining representatives shall be effective for not less than 2 years.

*Subsection (b).—*States that collective bargaining agreements may include any procedures for resolution by the parties of grievances, including procedures culminating in binding third party arbitration, or that the parties may adopt any such procedures by mutual agreement in the event of a dispute.

*Subsection (c).—*States that the parties may by mutual agreement adopt any procedures for the resolution of disputes or impasses in the negotiation of a collective bargaining agreement.

*Subsection (d).—*States that unless otherwise agreed by collective bargaining, the pay scales that are to be established for postal employees in collective bargaining units shall provide, effective not later than the end of the second collective bargaining agreement, that the maximum period of continuous service thereafter required for an employee to reach the highest rate in his labor grade will not exceed 8 years. No collective bargaining agreement may provide for a longer period than would have been required under the law in effect immediately prior to the commencement of operations by the Authority.

Section 809—Disputes.—

*Subsection (a).—*States that no party shall terminate or modify a collective bargaining agreement unless such party serves written notice upon the other party not less than 90 days prior to the expiration date, or not less than 90 days prior to the time it is proposed to make such termination or modification. The terminating party shall notify the Federal Mediation and Conciliation Service of the existence of a dispute within 45 days of such notice, provided no agreement has been reached by that time.

*Subsection (b).—*States that if the parties fail to reach agreement or to adopt a procedure providing for a binding resolution of a dispute, the Federal Mediation and Conciliation Director shall set up a fact-finding panel. From a list of at least 15 neutral persons named by the Director, each party, within 2 days, shall select one person. The two so selected shall then choose from the list a third person, who shall serve as Chairman of the Panel. Failure to choose one or more members of the factfinding panel within the specified time will result in the selection being made by the Federal Mediation and Conciliation Director. The panel shall report its findings, with or without recommendations, to the parties no later than 45 days from the date the list of names was submitted.

*Subparagraph (c)(1).—*States that if no agreement is reached within 90 days after the expiration or termination of the agreement, a three-member Arbitration Board (not members of the factfinding panel) shall be established. One member of this Board shall be chosen by the Authority, one by the bargaining representative, and the third by the two thus selected. If no agreement is reached on the members, the

selection shall be made by the Federal Mediation and Conciliation Director. If the parties cannot agree on how to frame the issues that are to be arbitrated, the factfinding panel shall frame the issues.

Subsection (c)(2).—States that the Board shall give the parties a full and fair hearing and that decisions of the Board shall be conclusive and binding upon the parties.

Subsection (d).—Provides that the costs of the Arbitration Board shall be shared equally by the Authority and the bargaining representative.

CHAPTER 10—FINANCE

Section 1001—Definitions.—This section defines the terms “fund” and “obligations” as used in chapter 10.

Section 1002—Capital of the Authority.—This section provides for the transfer of the Government’s equity in the Post Office Department to the Authority.

Subsection (a).—Defines the initial capital of the Authority as the assets of the Post Office Department less the liabilities transferred to the Authority. Evaluation of assets shall be on the basis of original cost less depreciation, in accordance with normal accounting procedure. Liabilities of the Post Office Department shall remain in the United States to the extent that they are not chargeable to the unexpended balances of the Post Office Department appropriations transferred to the Authority. The Executive Council will value the initial capital of the Authority subject to approval by the Comptroller General.

Subsection (b).—Provides that the capital of the Authority at any time shall consist of its assets less its liabilities.

Subsection (c).—Provides for the physical transfer, at a time as near as possible to the commencement of operations, of assets from the Post Office Department and the General Services Administration to the Authority, subject to the approval of the Bureau of the Budget.

Subsection (d).—Authorizes, after commencement of operations, transfers of Federal property to the Authority and transfers of Authority property to the United States when such transfer is in the public interest.

Section 1003—The Postal Service Fund.—This section establishes the Postal Service Fund as a cash revolving fund in the Treasury.

Subsection (a).—Establishes the fund.

Subsection (b).—Provides that the fund is credited with all Authority revenues and receipts, moneys raised by issuance of debt, appropriations, interest, and the balance in the Post Office Department fund upon commencement of operations by the Authority. Continues the disbursing authority of the Post Office Department in the Authority.

Subsection (c).—Authorizes the Authority to request the Secretary of the Treasury to invest the excess cash balances of the fund in interest-bearing obligations or securities.

Subsection (d).—Provides for the deposit of the moneys of the fund in depositories as the Authority and the Secretary of the Treasury may agree.

Subsection (e).—Makes the fund available for the payment of Authority expenses and not subject to apportionment.

Section 1004—Transitional Appropriations.—This section authorizes “no-year” appropriations to provide for a sound transition to a self-sustaining Authority and a rate policy consistent with section 1201 of this title.

Section 1005—Obligations.—This section authorizes the Authority to borrow money.

Subsection (a).—Authorizes the Authority to issue and sell obligations in an aggregate amount not exceeding \$10 billion outstanding at any one time. The increase in outstanding obligations may not exceed \$1.5 billion per year for capital improvements and \$500 million per year for operating expenses.

Subsection (b).—Authorizes the Authority to enter into normal commercial indentures and agreements with regard to the sale of such obligations.

Subsection (c).—Provides that the Authority shall make the initial determinations as to the rates of interest, amounts, and terms and conditions of its obligations.

Subsection (d).—Provides that obligations of the Authority shall be negotiable or bearer or registered instruments as specified; presumed regular; lawful investments for “legal list” purposes; tax exempt; and guaranteed by the United States to the extent provided in section 1006(c).

Section 1006—Relationship Between the Treasury and the Authority.—

Subsection (a).—Requires the Authority to inform the Treasury of its proposed obligations and the terms and conditions thereof, and prior to selling such obligations to other parties, to give the Treasury the right to purchase such obligations at a yield no less than that of outstanding marketable Treasury obligations of comparable maturities.

Subsection (b).—Authorizes the Authority to require the Secretary of the Treasury to purchase Authority obligations in such amounts as will not cause the holdings of the Secretary resulting from such mandatory purchases to exceed \$2 billion at any one time.

Subsection (c).—Authorizes the Secretary of the Treasury, upon the request of the Authority to pledge the full faith and credit of the United States for the payment of principal and interest on Authority obligations.

Section 1007—Public Debt Character of Authority Obligations.—Authorizes the Secretary of the Treasury to treat his purchase and sale of Authority obligations as public debt transactions.

Section 1008—Audit and Expenditures.—

Subsection (a).—Authorizes the Comptroller General to audit the accounts of Authority and to report to the Congress on such audits.

Subsection (b).—Requires the Authority to maintain an adequate internal audit.

Subsection (c).—Authorizes the Authority to make all expenditures and enter into all contracts and agreements it deems necessary, including final settlement of all claims against the Authority; expenditures cannot be disallowed by the Comptroller General.

Subsection (d).—Authorizes the Authority to obtain outside audit of its accounts by certified public accountants.

CHAPTER 12—RATES AND RATEMAKING

*Subchapter I—General Provisions**Section 1201—Rate Policy.—*

Subsection (a).—States the broad policy that postal rates should be reasonable, equitable, and sufficient to permit the Authority to develop postal services in accordance with public needs.

Subsection (b).—States that Congress intends that by January 1, 1978, revenues, as a whole, plus the appropriations for free and reduced rate mail, will equal costs, as a whole. The term "costs" is taken in its broad economic sense and includes operating expenses, depreciation debt service, and a reasonable provision for contingencies.

Subsection (c).—Outlines the policy for the cost coverage of individual classes other than those afforded special rates by the Congress. Each class is to bear as a minimum the costs demonstrably related to providing service to that class.

Subsection (d).—Outlines the policy for making rate changes to achieve the goals outlined in the previous subsections. During the transitional period mentioned in subsection (b) the Executive Council is enjoined to take into account the financial impact of rate changes on the users of the mail. To the extent that such impact requires, in the view of the Executive Council, less than full cost coverage overall, the President is authorized to seek transitional appropriations under section 1004.

Subsection (e).—In addition to the transitional appropriation authorized by section 1004 and the appropriation authorized by section 1202 with respect to free and reduced rate mail, this section authorizes the appropriation of declining percentages of the total costs of the Authority, such amounts being deemed public service costs that should be borne by the taxpayers generally rather than by mail users as such. The appropriations so authorized are ten percent of the Authority's costs through 1972, nine percent through 1973, eight percent through 1974, six percent through 1975, four percent through 1976, and two percent through 1977.

Section 1202—Free and Reduced Rate Mail.—

Subsection (a).—States that Congress retains the authority to determine, by legislation, which users, if any, are entitled to mail free or at a specified percentage below standard rates.

Subsection (b).—Authorizes appropriations to reimburse the Authority for the difference between the revenues actually received from the senders of free and reduced rate mail and the revenues that would have been collected if free and reduced mails were subject to the standard rate structure.

Subsection (c).—Provides that in the event of Congressional failure to appropriate funds for free and reduced mail, the Authority shall adjust its rates on free and reduced rate mail so that the deficiency will ultimately be recovered.

Subsection (d).—Requires a report to the Congress at least every 2 years showing the volumes, rates, revenues, costs, and percentage of regular rates of each category of free and reduced rate mail. The Executive Council may include recommendations for legislation in such reports, and may utilize the Rate Commissioners in preparing such reports. The first such report shall provide a vehicle for reexamination

of the special rate provisions which are carried over unchanged under the succeeding subsection of this section. It is intended that there be no significant change until the first report is submitted.

Subsection (e).—Carries forward all of the categories of free and reduced rate mail established by existing law and continues the present rates for such categories.

SUBCHAPTER II—RATEMAKING

Section 1251—Rate Commissioners and Staff.—Establishes an independent Panel of Rate Commissioners within the Authority.

Subsection (a).—Provides for appointment of three Rate Commissioners by the President from a list of names proposed by the American Bar Association, the Civil Service Commission, the American Economic Association and the American Institute of Certified Public Accountants. The payment of the Commissioners' salaries is to be at level IV of the Executive Schedule except that the Chief Commissioner shall be paid an additional \$500.

Subsection (b).—Establishes rotating terms of 6 years for the Commissioners. The Commissioners may be removed only in accord with the procedures provided for the removal of hearing examiners in section 7521 of title 5.

Subsection (c).—Requires the Executive Council to provide the Commissioners with reasonable and appropriate facilities and staff.

Subsection (d).—Authorizes the Commissioners to establish rules and regulations for the conduct of their proceedings, which rules and regulations are to provide for expeditious, fair proceedings in accordance with the Administrative Procedure Act. The Commissioners are specifically authorized to adopt rules which provide for advance written submission of testimony, prehearing conferences, discovery, limitation of testimony, and off-the-record proceedings.

Subsection (e).—Gives the Chief Commissioner administrative authority over the business of the Commissioners, authorizes the Commissioners to exercise their functions singly or en banc and authorizes them to act by a majority vote.

Subsection (f).—Makes the provisions of title 5 concerning Hearing Examiners applicable to the Commissioner except as inconsistent with chapter 12.

Section 1252—Proposed Changes in Rates and Classifications.—This section deals with the initiation of changes in rates and classification.

Subsection (a).—Levies upon the Authority the general requirement of 30 days' advance public notice of all changes in rates, classification or the rate structure and of filing such proposed changes with the Rate Commissioners. The public notice is to state briefly the nature of the proposed change and the procedures to be followed for filing objection to it.

Subsection (b).—Provides that if no party at interest files a timely objection, the rate change will be forwarded to the Executive Council without opinion by the Commissioners unless the Presidentially appointed members of the Executive Council desire such opinion.

Subsection (c).—Exempts from the requirements of Chapter 12 international rates and fees, which will continue to be set pursuant to international agreements.

Section 1253—Proceedings and Recommended Decisions by Commissioners.—This section applies to rate change cases.

Subsection (a).—Provides for a hearing by the Commissioners pursuant to the Administrative Procedure Act in all rate change cases in which a party at interest files a timely notice requesting such hearings.

Subsection (b).—Defines the record of the rate change proceeding to include the proposed change and supporting material, all oral testimony and written submissions, and any other material the Commissioners deem appropriate.

Subsection (c).—Provides for the furnishing of an initial decision by the Commissioners to the Presidentially appointed members of the Executive Council.

Subsection (d).—Authorizes the Authority to put into effect, upon 30 days' notice, interim rate changes in the event that the Commissioners' proceedings take longer than 90 days. The Presidentially appointed members of the Executive Council must render their final decision within 30 days of receiving the Commissioners' decision or the interim change ceases to be effective. Interim changes are also authorized in the event that judicial proceedings are instituted under section 1257, and under that section the institution of such proceedings extends the period for which such interim changes may be in effect.

Section 1254—Final Decisions.—This section provides for final decisions by the Presidentially appointed members and for review of rate change cases by the Congress.

Subsection (a).—Authorizes the Presidentially appointed Executive Council members to make final decisions and requires the publication of such decisions. The Presidentially appointed Executive Council members may reject the change, adopt it as initially proposed or as recommended by the Commissioners, or may modify it in the light of the record.

Subsection (b).—Provides that the Executive Council shall transmit a final decision adopting a change to the Congress together with the record and recommended decision of the Commissioners. In a contested case, of course, the Executive Council would wait 15 days after publication of the decision to determine if a petition for judicial review will be filed under section 1257. Such transmittal shall not occur if the rate change involves a fee for a special or nonpostal service.

Subsection (c).—Authorizes the Congress to veto the Board's decision by resolution adopted by two-thirds of either House within 60 days of transmittal with the usual extensions.

Subsections (d)–(k).—Contain the procedures for congressional consideration of decisions transmitted to it. These procedures are patterned on those found in the Reorganizational Act.

Subsection (l).—Authorizes the Executive Council to make a rate change effective later than the date on which the decision becomes final.

Subsection (m).—Excludes from transmittal to the Congress increases required by section 1202(c) and the fees for special and nonpostal services (which the Postmaster General is currently authorized unilaterally to set).

Section 1255—Service Changes.—

Subsection (a).—Requires the Authority to give public notice of proposed service changes of nationwide or nearly nationwide effect similar to the notice required in section 1252(a) for rate changes.

Subsection (b).—Provides for proceedings before the Rate Commissioners generally similar to those required by the Administrative Procedure Act for proposed rule making. The Commissioners are to compile a record similar to that provided for in section 1253(b).

Subsection (c).—Provides for an initial decision of the Rate Commissioners which is to become effective unless modified by the Presidentially appointed members of the Executive Council.

Subsection (d).—Provides that service changes which substantially and adversely affect postal users on a less than nationwide basis are to be made only after the proceedings described in the foregoing subsections or in accordance with procedures adopted pursuant to the requirements of the foregoing subsections. Such procedures are to provide, as a minimum, for notice and opportunity for the affected users to present objections.

Subsection (e).—Authorizes the Authority to make emergency service changes before completion of the procedures prescribed in this section. Such changes may be in effect no longer than the length of time that it takes to complete proceedings.

Section 1256—Rate and Service Complaints.—This section provides that any interested party may file a rate or service complaint. The Commissioners may hold hearings and render a public opinion to the Presidentially appointed members of the Executive Council if they find the complaint to be justified. If a rate matter is involved, the Authority must then institute proceedings under section 1252. If a service matter is involved, the Presidentially appointed Executive Council members are to take appropriate action.

Section 1257—Judicial Review.—This section provides for judicial review of Authority rate and service proceedings pursuant to the Administrative Procedure and Judicial Review Acts.

Subsection (a).—Authorize judicial review of rate and service change and complaint proceedings. The review is confined to constitutional, statutory and procedural questions which were raised before the Authority, absent some reasonable ground for failure so to raise.

Subsection (b).—Requires that the party seeking review have participated in the proceedings in the Authority.

Subsection (c).—Provides that the petition for review, absent reasonable grounds, be filed within 15 days of notice of final decision, and that the action be against the Authority.

Subsection (d).—Directs suspension of rate proceedings pending judicial review, which review is to be expedited in every way. Rate changes are not to be submitted to the Congress pending judicial review.

Subsection (e).—Temporary rate changes, emergency service changes, and final rate decisions may not otherwise be affected by the court pending review except that company rates may be continued in force during judicial proceedings.

Subsection (f).—Makes judicial review under this section exclusive except for review of the Commissioners' rules under section 1251(d)(1), which review would proceed substantially in accordance with this section.

CHAPTER 14.—PRIVATE CARRIAGE OF LETTERS

This chapter continues without substantive change the portion of the private express statutes found in existing chapter 9 of title 39.

Section 1401—Letters Carried Out of the Mail.—This section continues section 901 of the present title 39.

Section 1402—Foreign Letters Out of the Mails.—This section continues section 902 of the present title 39.

Section 1403—Searches Authorized.—This section continues section 903 of the present title 39.

Section 1404—Seizing and Detaining Letters.—This section continues section 904 of the present title 39.

Section 1405—Searching Vessels for Letters.—This section continues section 905 of the present title 39.

Section 1406—Disposition of Seized Mail.—This section continues section 906 of the present title 39.

CHAPTER 16—TRANSPORTATION OF MAIL

Subchapter I—General.—This subchapter generally authorizes the Authority to provide for the transportation of the mails and to contract for such transportation.

Section 1601—Provision for Carrying Mail.—This section contains the basic mandate of section 6101(a) of present title 39 that the Authority provide for the transportation of the mails. Provisions of the present section setting forth where the mails shall be transported have been omitted as being covered in a more general fashion by new section 401.

Section 1602—Transportation of Mail of Adjoining Countries through the United States.—This section continues the provisions of section 6103 of present title 39 with conforming changes.

Section 1603—Establishment of Post Roads.—This section continues the provisions of section 6105 of present title 39 without change.

Section 1604—Discontinuance of Service on Post Roads.—This section continues the provisions of section 6106 of present title 39 with conforming changes.

Section 1605—Authority to Provide for Mail Transportation.—

Subsection (a).—Continues the authority of section 6402 of present title 39 but eliminates the existing restrictions on star route contracts.

Subsection (b).—Generally authorizes mail transportation contracts to be made for not more than four year terms and requires them to be made on the basis of advertised bids unless the Authority determines a waiver of advertising is in the public interest.

Subsection (c).—Authorizes renewal of contracts for four year terms with existing contractors.

Subsection (d).—Directs the Authority to decide between Common Carrier Service, Contract Service or government vehicles service on the basis of the public interest, giving due consideration to costs.

Section 1606—Lien on Compensation of Contractors.—This section continues the provision of section 6432 of present title 39 with conforming changes.

Section 1607—Free Transportation of Postal Employees.—This section is based on section 6433 of present title 39. It continues provision for free transportation of postal personnel only when they are in charge of the mails.

Subchapter II—Transportation of Mail by Regulated Surface Carrier.—Under this subchapter regulated motor carriers and freight forwarders generally would have the same statutory obligation to

transport mail and provide related services as now applies to the railroads—that is, carriers and forwarders are required to transport mail tendered by the Authority, subject to fair and reasonable compensation and to ICC ratemaking. Additionally, the Authority may enter into such contracts with carriers at rates different from those set by the ICC.

Section 1625—Definitions.—This section provides definitions for subchapter II. Since this subchapter will cover freight forwarders, regulated motor carriers and express companies appropriate definitions for these carriers have been included. The definition of “railroad” in section 6605 of present title 39 has been retained.

Section 1626—Applicability.—This section states the coverage of subchapter II to cover transportation by the carriers defined in section 1625. Thus, the provisions concerning transportation of mail by railroad (chapter 95 of present title 39) are expanded with modifications to cover the other classes of carriers defined in section 5665.

Section 1627—Authorization of Service by Carrier.—

Subsections (a) through (f).—Except as noted, continues the provision of section 6203 of present title 39 and makes those provisions applicable to surface carriers generally.

Subsection (e).—Precludes requiring a carrier to transport mail in a train or vehicle operated exclusively for passengers and their baggage. Subsection (e) makes clear that a carrier may not be required to serve a territory it is not otherwise authorized to serve, or to provide service at less than full cost or at a detriment to the carrier or its other customers.

Subsection (f).—Makes order of the Authority under this section subject to the orders of ICC under sections 1632 and 1933.

Section 1628—Placement of Equipment.—Authority can direct railroad as to placement of cars.

Section 1629—Changes in Service.—This section continues the provision of section 6205 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1630—Evidence of Service.—This section continues the provision of section 6206 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1631—Fines and Deductions.—This section continues the provision of section 6207 of present title 39 modified to reflect the expanded coverage of the subchapter. The maximum fine for refusal to perform mail transportation under subsection (a) is lowered from \$1,000 to \$500.

Section 1632—Interstate Commerce Commission to Fix Rates.—This section continues the provision of section 6208 of present title 39, modified to reflect the expanded coverage of the subchapter. Initial rates or compensation shall be agreed upon by the carrier and the Authority and shall continue until the ICC sets fixed rates on compensation.

Section 1633—Procedures.—This section generally continues the provision of section 6209 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1634—Special Rates.—This section continues the provision of section 6210 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1635—Intermodal Transportation.—This section continues the provision of section 6213 of present title 39 but applies it to all classes of carriers of transportation covered by the subchapter.

Section 1636—Statistical Studies.—This subsection continues the provision of section 6214 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1637—Special Contracts.—This section generally continues the provision of section 6215 modified to reflect the expanded coverage of the subchapter. In addition the section authorizes contracts to be made before the ICC has fixed rates for the carriers in question or before the ICC has fixed rates for the service in question.

Section 1638—Carrier Operation, Receipts and Expenditures.—This section continues the provision of section 6216 of present title 39 modified to reflect the expanded coverage of the subchapter.

Section 1639.—Continues the provision of section 6402(a) of present title 39 United States Code with conforming changes.

Section 1640.—Provides that existing star route contractors, mail messengers, and motor vehicle service contractors shall be automatically certificated by the ICC for mail transportation.

Subchapter III—Transportation of Mail by Air.—This subchapter supplements the mail transportation provision of the Federal Aviation Act in a manner similar to chapter 97 of the present title 39.

Section 1651—Rules and Regulations.—This section continues the provisions of section 6301 of present title 39 with conforming changes.

Section 1652—Fines on Air Carriers Transporting the Mails.—This section continues the provision of section 6304 of present title 39 with conforming changes.

Section 1653—Contracts for Transportation of Mail by Air.—This section authorizes special arrangements with air carriers similar to those authorized for surface carriers and in lieu of the existing air star route and other special provisions of law.

Subsection (a).—Authorizes special arrangements with certified carriers for transportation along their routes similar to those authorized with surface carriers pursuant to section 1637 in the bill (section 6215 of present title 39). Contracts for payment of rates or compensation may not be higher than those prescribed by the Civil Aviation Board. If transportation is on a space available basis, rates or compensation may not be higher than those contained in tariffs on file with CAB for transportation of property, other than mail, on a space available basis.

Subsection (b).—Authorizes contracts for air transportation along routes over which there is no certified carrier. Such contracts are to be canceled, in whole or in part, as appropriate, when the Civil Aeronautics Board certifies a carrier for the route in question. This subsection replaces the present star route law, section 6303 of present title 39.

Subsection (c).—Authorizes contracts with other than the certified carrier for routes over which certified carriers are not providing service adequate for the Postal Service. Such contracts are subject to disapproval by the Civil Aeronautics Board and, if new carriers are certified over the route in question, to cancellation by the Postal Service.

Subsection (d).—Copies of contracts are to be filed with the CAB and the Authority and are to be open for public inspection.

Subchapter IV—Transportation of Mail by Vessel.—This subchapter continues a number of provisions of existing present law relating to water transportation.

Section 1676—Sea Post Service.—This section continues the provision of section 6404 of present title 39 with conforming changes.

Section 1677—Termination of Contracts for Foreign Transportation.—This section continues the provision of section 6406 of present title 39 with conforming changes.

Section 1678—Transportation of Mail as Freight or Express.—This section continues the provision of section 6410 of present title 39 with conforming changes.

Section 1679—Fines on Ocean Carriers.—This section continues the provision of section 6435 of present title 39 with conforming changes.

Section 1680—Contracts for transportation of mail by vessel.—This section continues, with modifications, the substance of section 6408(a) of present title 39.

CHAPTER 18—MISCELLANEOUS

This chapter continues without substantive change existing provisions of miscellaneous sections of title 39.

Section 1801—No Postal Material or Supplies Manufactured by Convict Labor.—This section continues section 2010 of the present title 39.

Section 1802—Uniforms and Badges.—This section continues section 3116(a) of the present title 39, but contemplates uniforms for employees in addition to letter carriers.

Section 1803—Special Delivery Messengers as Employees or Carriers.—This section continues section 3115 of the present title 39.

Section 1804—Collection of Debts.—This section continues section 2401(a) and (b) of the present title 39, with structure and language changes in subsection (b) to reflect the full responsibility of the Postal Service for its own financial management.

Section 1805—Transportation of International Mail by Air Carriers of the United States.—This section continues section 2402 of the present title 39.

Section 1806—Penalties and Forfeitures Imposed for Violations.—This section continues section 2407 of the present title 39.

Section 1807—Delivery of Stolen Money to Owner.—This section continues section 2410 of the present title 39.

Section 1808—Substitute Checks.—This section continues section 2411 of the Present title 39.

Section 1809—Filing of Information Relating to Publications of the second class.—This section continues section 4369 of the present title 39.

Section 1810—Printing of Illustrations of United States Postage Stamps.—This section continues section 2506 of the present title 39.

REVISION OF TITLE 39, UNITED STATES CODE, THE POSTAL SERVICE TABLE—Continued
SHOWING DISPOSITION OF ALL SECTIONS OF FORMER TITLE 39—Continued

REVISION OF TITLE 39, UNITED STATES CODE, THE POSTAL SERVICE TABLE
SHOWING DISPOSITION OF ALL SECTIONS OF FORMER TITLE 39

Title 39		Title 39		Title 39	
Former sections	New sections	Former sections	New sections	Former sections	New sections
1.....	Rescinded.	2205.....	Rescinded.	3339.....	Rescinded.
2.....	Do.	2206.....	Do.	3501.....	Do.
301.....	Do.	2207.....	Do.	3502.....	Do.
302.....	Do.	2208.....	Do.	3511.....	Do.
303.....	Do.	2209.....	Do.	3512.....	Do.
304.....	Do.	2210.....	Do.	3512A.....	Do.
305.....	Do.	2211.....	Do.	3513.....	Do.
306.....	Do.	2212.....	Do.	3514.....	Do.
307.....	Do.	2231.....	Do.	3515.....	Do.
308a.....	Do.	2232.....	Do.	3516.....	Do.
309.....	Do.	2233.....	Do.	3517.....	Do.
501.....	Do.	2301.....	Do.	3518.....	Do.
502.....	Do.	2302.....	Do.	3519.....	Do.
503.....	Do.	2303.....	Do.	3520.....	Do.
504.....	Do.	2304.....	Do.	3521.....	Do.
505.....	Do.	2305.....	Do.	3522.....	Do.
506.....	Do.	2306.....	Do.	3523.....	Do.
507.....	Do.	2331.....	Do.	3524.....	Do.
508.....	Do.	2401.....	1804 amended.	3525.....	Do.
509.....	Do.	2402.....	1805.	3526.....	Do.
510.....	Do.	2403.....	Rescinded.	3527.....	Do.
701.....	Do.	2404.....	Do.	3528.....	Do.
702.....	Do.	2405.....	Do.	3529.....	Do.
703.....	Do.	2406.....	Do.	3530.....	Do.
704.....	Do.	2407.....	1806.	3531.....	Do.
705.....	Do.	2408.....	Rescinded.	3541.....	Do.
706.....	Do.	2409.....	Do.	3542.....	Do.
707.....	Do.	2410.....	1807.	3543.....	Do.
708.....	Do.	2411.....	1808.	3544.....	Do.
709.....	Do.	2501.....	Rescinded.	3551.....	Do.
710.....	Do.	2502.....	Do.	3552.....	Do.
712.....	Do.	2503.....	Do.	3553.....	Do.
901.....	1401.	2504.....	Do.	3554.....	Do.
902.....	1402.	2505.....	Do.	3555.....	Do.
903.....	1403.	2506.....	1810.	3556.....	Do.
904.....	1404.	2507.....	Rescinded.	3557.....	Do.
905.....	1405.	2508.....	Do.	3559.....	Do.
906.....	1406.	2509.....	Do.	3560.....	Do.
2001.....	Rescinded.	2510.....	Do.	3571.....	Do.
2002.....	Do.	3101.....	Do.	3572.....	Do.
2003.....	Do.	3103.....	Do.	3573.....	Do.
2005.....	Do.	3104.....	Do.	3574.....	Do.
2006.....	Do.	3105.....	Do.	3575.....	Do.
2007.....	Do.	3106.....	Do.	3576.....	Do.
2008.....	Do.	3107.....	Do.	3577.....	Do.
2009.....	Do.	3108.....	Do.	3581.....	Do.
2010.....	1801.	3111.....	Do.	3582.....	Do.
2011.....	Rescinded.	3112.....	Do.	4001.....	601 amended.
2101.....	Do.	3113.....	Do.	4002.....	Rescinded.
2102.....	Do.	3114.....	Do.	4003.....	603.
2103.....	Do.	3115.....	1803.	4004.....	604.
2104.....	Do.	3116.....	1802 amended.	4005.....	605.
2105.....	Do.	3301.....	Rescinded.	4006.....	606.
2106.....	Do.	3302.....	Do.	4007.....	607.
2107.....	Do.	3303.....	Do.	4008.....	Rescinded.
2108.....	Do.	3311.....	Do.	4009.....	608.
2109.....	Do.	3312.....	Do.	4010.....	602.
2110.....	Do.	3313.....	Do.	4051.....	Rescinded.
2111.....	Do.	3314.....	Do.	4052.....	Do.
2112.....	Do.	3315.....	Do.	4053.....	Do.
2113.....	Do.	3316.....	Do.	4054.....	Do.
2114.....	Do.	3332.....	Do.	4055.....	Do.
2115.....	Do.	3333.....	Do.	4056.....	Do.
2116.....	Do.	3334.....	Do.	4057.....	Do.
2201.....	Do.	3335.....	Do.	4058.....	Do.
2202.....	Do.	3336.....	Do.	4059.....	Do.
2203.....	Do.	3337.....	Do.	4060.....	Do.
2204.....	Do.	3338.....	Do.	4101.....	Do.

Title 39		Title 39		Title 39	
Former sections	New sections	Former sections	New sections	Former sections	New sections
4102.....	Rescinded.	4559.....	Rescinded.	6201.....	1625.
4103.....	Do.	4560.....	Do.	6202.....	Rescinded.
4104.....	Do.	4651.....	Do.	6203.....	1627 (a-e) amended.
4105.....	Do.	4652.....	Do.	6204.....	1628.
4106.....	Do.	4653.....	Do.	6205.....	1629.
4107.....	Do.	4654.....	Do.	6206.....	1630.
4108.....	Do.	4655.....	Do.	6207.....	1631 amended.
4109.....	Do.	5001.....	Do.	6208.....	1632.
4110.....	Do.	5003.....	Do.	6209.....	1627(f) and 1633.
4151.....	651.	5004.....	Do.	6210.....	1634.
4152.....	652.	5005.....	Do.	6211.....	Rescinded.
4153.....	653.	5006.....	Do.	6212.....	Do.
4154.....	654.	5007.....	Do.	6213.....	1635.
4155.....	655.	5008.....	Do.	6214.....	1636.
4156.....	656.	5009.....	Do.	6215.....	1637 amended.
4158.....	657.	5010.....	Do.		1653(a).
4159.....	658.	5011.....	Do.	6216.....	1638.
4160.....	659.	5012.....	Do.	6301.....	1651.
4161.....	660.	5013.....	Do.	6302.....	Rescinded.
4162.....	661.	5101.....	Do.	6303.....	1653(b) amended.
4163.....	662.	5102.....	Do.	6304.....	1652.
4164.....	663.	5103.....	Do.	6305.....	Rescinded.
4165.....	664.	5104.....	Do.	6351.....	Do.
4166.....	665.	5105.....	Do.	6352.....	Do.
4167.....	666.	5201.....	Do.	6353.....	Do.
4168.....	667.	5202.....	Do.	6354.....	Do.
4169.....	668.	5203.....	Do.	6355.....	Do.
4170.....	669.	5204.....	Do.	6401.....	Do.
4171.....	670.	5206.....	Do.	6402.....	1605.
4251.....	Rescinded.	5207.....	Do.	6402a.....	Rescinded.
4252.....	Do.	5208.....	Do.	6403.....	Do.
4253.....	Do.	5209.....	Do.	6404.....	1676.
4254.....	Do.	5210.....	Do.	6405.....	Rescinded.
4301.....	Do.	5211.....	Do.	6406.....	1677.
4302.....	Do.	5212.....	Do.	6407.....	Rescinded.
4303.....	671 amended.	5213.....	Do.	6408.....	Do.
4304.....	Rescinded.	5214.....	Do.	6409.....	Do.
4305.....	Do.	5215.....	Do.	6410.....	1678.
4351.....	Do.	5216.....	Do.	6411.....	Rescinded.
4352.....	Do.	5217.....	Do.	6412.....	Do.
4353.....	Do.	5218.....	Do.	6413.....	Do.
4354.....	Do.	5219.....	Do.	6415.....	Do.
4355.....	Do.	5220.....	Do.	6416.....	Do.
4356.....	Do.	5221.....	Do.	6417.....	Do.
4357.....	Do.	5222.....	Do.	6418.....	Do.
4358.....	Do.	5223.....	Do.	6419.....	Do.
4359.....	Do.	5224.....	Do.	6420.....	Do.
4362.....	Do.	5225.....	Do.	6421.....	1606.
4363.....	Do.	5226.....	Do.	6422.....	Rescinded.
4364.....	Do.	5227.....	Do.	6423.....	Do.
4365.....	Do.	5228.....	Do.	6424.....	Do.
4366.....	Do.	5229.....	Do.	6425.....	Do.
4367.....	Do.	6001.....	Do.	6426.....	Do.
4368.....	Do.	6002.....	Do.	6427.....	Do.
4369.....	1809.	6003.....	Do.	6428.....	Do.
4370.....	Rescinded.	6004.....	Do.	6429.....	Do.
4421.....	Do.	6005.....	Do.	6430.....	Do.
4422.....	Do.	6006.....	Do.	6431.....	Do.
4451.....	Do.	6007.....	Do.	6432.....	1607.
4452.....	Do.	6008.....	Do.	6433.....	1608.
4453.....	Do.	6009.....	Do.	6434.....	1609.
4454.....	Do.	6101.....	1601 amended.	6435.....	1679.
4455.....	Do.	6102.....	Rescinded.	6436.....	Rescinded.
4456.....	Do.	6103.....	1602 amended.	6437.....	Do.
4457.....	Do.	6104.....	Rescinded.	6438.....	Do.
4458.....	Do.	6105.....	1603.	6439.....	Do.
4557.....	Do.	6106.....	1604.	6440.....	Do.
4558.....	Do.	6107.....	Rescinded.		

SECTIONS SUPPLEMENTAL IN TITLE I

LEGISLATIVE CONSTRUCTION

Section 103 is a usual provision in legislative modifications precluding an inference of legislative construction of sections by their captions or by the chapters in which they are placed.

CROSS REFERENCE

Section 104 provides that cross references appearing in other titles in the United States Code to existing sections of title 39 shall be deemed to refer to the corresponding sections, if any, in the revised title 39 and that references made in law to the "Postmaster General" and "Post Office Department" shall be deemed to be references to the Authority.

EFFECT OF REPEAL OF LAWS

Section 105 provides that the repealed provisions of title 39 automatically became regulations of the Authority to the extent these provisions are within the power of the Authority to make, until changed by the Authority.

OUTSTANDING ORDERS, RULES, AND REGULATIONS

Section 106 similarly continues in effect the outstanding orders, rules, and regulations issued by the Postmaster General and the Post Office Department until they are repealed or revised by the Authority.

PRIVATE EXPRESS

Section 107 directs the authority to prepare proposals for modification of the so-called private express statutes which confer a limited monopoly of the business of carrying letters for hire on the Post Office Department, and, under the bill, on the Authority. The Authority is directed to submit its recommendations to the Congress within 2 years after enactment of the act.

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EXPLANATION OF AMENDMENTS TO TITLE 18, U.S. CODE

Section 108 makes a number of conforming amendments to title 18, U.S. Code, relating to crimes and criminal procedure.

The conforming amendments consist of substitution, wherever appropriate, of language referring to the "United States Postal Service Authority" and certain components and officers thereof in lieu of references to the Post Office Department and related components and officers thereof. References in title 18 to provisions of title 39, U.S. Code, as now in effect, also are changed to show the appropriate parts of such title as amended by the bill, and section 1733 of title 18, relating to the mailing of second-class matter without prepayment of postage is revised to provide language consistent with changes made by the bill in the identification of the mail matter covered by such section 1733.

MISCELLANEOUS AMENDMENTS TO OTHER TITLES OF U.S. CODE

Section 109 makes conforming changes in laws not codified in titles 18 or 39, including an amendment to 12 U.S. Code 24 by subsection (d)(1), to authorize national banks to underwrite obligations of the Authority.

SEPARABILITY OF PROVISIONS

Section 110 is the usual separability provision in legislation.

TRANSITIONAL COLLECTIVE BARGAINING AGREEMENTS

Section 111(a) provides that on or before October 1, 1970, the Post Office Department and the designated collective bargaining representatives of its employees shall commence negotiations on the procedures to be followed in collective bargaining over the terms of the first group of labor agreements under the act. Such bargaining on substantive matter shall begin not later than 10 days following delivery of a written request by a recognized bargaining agent to the Authority or vice-versa. No such request shall be delivered prior to the date on which the Authority commences operations. Prior to the date on which the Authority commences operations, employees of the Post Office Department shall be entitled to the benefits and pay established by law, as the law may be revised from time to time.

Subsection (b) provides that wages established by collective bargaining or arbitration shall not be less than those which would have been provided by laws applicable to postal employees enacted prior to the commencement of operations by the Authority.

SUPPLEMENTAL LEGISLATION

Section 112 states that intent of the Congress that further legislation be enacted prior to the date of commencement of operations by the Authority, giving additional guidance to the Authority concerning postal rates.

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TRANSITIONAL EXPENSES

Section 113 provides for payment of the expenses of the Authority from the date of enactment of this act until commencement of operations of the Authority out of appropriations for administration of the Post Office Department.

EFFECTIVE DATES

Section 114 states that the effective date of sections 110-113 shall be on the date of enactment and that except as otherwise provided the other provisions shall become effective upon commencement of operation of the Authority.

ANALYSIS OF TITLE II—POSTAL SALARY ADJUSTMENT

Section 201—Subsection (a).—Revises the basic compensation schedule for positions in the Postal Field Service so as to provide a pay increase equal to a two-step increase for all employees in levels 1-6 of the Postal Field Service Schedule.

Subsection (b).—Revises the basic compensation schedule for rural carriers to provide a corresponding increase.

Section 202(a).—Contains the usual provisions for conversion to the new pay schedule.

Subsection (1).—States that each employee in the Postal Field Service shall be assigned to the same numerical step for his position which he had attained immediately prior to the effective date.

Subsection (2).—Provides that changes in levels or steps would otherwise occur on such effective date without regard to enactment of this act, such changes shall be deemed to have occurred prior to conversion.

Subsection (3).—States that if the employee is receiving basic compensation immediately prior to such effective date at a rate between two steps of a grade in either such schedule, whichever is applicable, he shall receive a rate of basic compensation at the higher of the two corresponding steps in effect on and after such date.

Subsection (4).—States that if the employee is receiving basic compensation immediately prior to such effective date at a rate in excess of the maximum rate for his grade, he shall receive his existing rate of basic compensation increased by the amount of increase made by this section in the maximum rate for this grade.

Section (b).—Provides that retroactive compensation shall be paid only in the case of an individual in the service of the United States (including service in the Armed Forces) or the municipal government of the District of Columbia on the date of enactment of this title.

Subsection (1).—Provides that such retroactive compensation shall be paid to an employee who retired, during the period beginning on the first day of the first pay period which began on or after January 1, 1970, and ending on the date of enactment of this title, for services rendered during such period.

Subsection (2).—Provides that retroactive compensation shall also be paid for services rendered, during the period beginning on the first day of the first pay period which began on or after January 1, 1970, and ending on the date of enactment of this title, by an employee who died during such period.

This section further states that such retroactive compensation shall not be considered as basic pay for the purposes of subchapter III of chapter 83 of title 5, United States Code, relating to Civil Service Retirement in the case of any such retired or deceased employee.

Section 203.—Provides that sections 201 and 202 of this act shall become effective on the first day of the first pay period beginning on or after January 1, 1970.

REFORM OF THE NATION'S POSTAL SYSTEM

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

RELATIVE TO

REFORM OF THE NATION'S POSTAL SYSTEM

MAY 27, 1969.—Referred to the Committee on Post Office and Civil Service and ordered to be printed

To the Congress of the United States:

Total reform of the nation's postal system is absolutely essential.

The American people want dependable, reasonably priced mail service, and postal employees want the kind of advantages enjoyed by workers in other major industries. Neither goal can be achieved within the postal system we have today.

The Post Office is not keeping pace with the needs of our expanding population or the rightful aspirations of our postal workers.

Encumbered by obsolete facilities, inadequate capital, and outdated operation practices, the Post Office Department is failing the mail user in terms of service, failing the taxpayer in terms of cost, and failing the postal worker in terms of truly rewarding employment. It is time for a change.

Two years ago, Lawrence F. O'Brien, then Postmaster General, recognized that the Post Office was in "a race with catastrophe," and made the bold proposal that the postal system be converted into a government-owned corporation. As a result of Mr. O'Brien's recommendations, a Presidential Commission was established to make a searching study of our postal system. After considering all the alternatives, the Commission likewise recommended a government corporation. Last January, President Johnson endorsed that recommendation in his State of the Union message.

One of my first actions as President was to direct Postmaster General Winton M. Blount to review that proposal and others. He has made his own first-hand study of the problems besetting the postal service, and after a careful analysis has reported to me that

COSTS

The Committee does not have any information on which to estimate what additional costs, if any, or what reduction in costs may result from the reform in the postal service proposed by Title I of the reported bill.

The postal salary adjustments provided under Title II of the bill for rural carriers and employees in levels 1-6 of the Postal Field Service Schedule, effective January 1, 1970, will result in \$154.3 million additional costs in fiscal year 1970, and \$316.8 million additional costs in fiscal year 1971.

EXECUTIVE RECOMMENDATIONS AND AGENCY REPORTS

The provisions reported by the Committee are based on an official recommendation of the President embodied in H.R. 11750, with substantial modifications that were proposed in H.R. 15430, and subsequently revised further by the Committee.

Accordingly, there are set forth on the following pages—

(1) the Message from the President on "Reform of the Nation's Postal System," dated May 27, 1969, and the President's letter of May 28, 1969, transmitting the legislative proposal; and

(2) the agency reports on H.R. 11750 and H.R. 15430, both of which contained many of the provisions included in the reported bill.

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only a complete reorganization of the postal system can avert the steady deterioration of this vital public service.

I am convinced that such a reorganization is essential. The arguments are overwhelming and the support is bipartisan. Postal Reform is not a partisan political issue, it is an urgent national requirement.

CAREER OPPORTUNITIES AND WORKING CONDITIONS

For many years the postal worker walked a dead-end street. Promotions all too often were earned by the right political connections rather than by merit. This Administration has taken steps to eliminate political patronage in the selection of postal employees; but there is more—much more—that must be done.

Postal employees must be given a work environment comparable to that found in the finest American enterprises. Today, particularly in our larger cities, postal workers labor in crowded, dismal, old fashioned buildings that are little short of disgraceful. Health services, employee facilities, training programs and other benefits enjoyed by the worker in private industry and in other Federal agencies are, all too often, unavailable to the postal worker. In an age when machines do the heavy work for private companies, the postal worker still shoulders, literally, the burden of the nation's mail. That mail fills more than a billion sacks a year; and the men and women who move those sacks need help.

Postal employees must have a voice in determining their conditions of employment. They must be given a stake in the quality of the service the Department provides the public; they must be given a reason for pride in themselves and in the job they do. The time for action is now.

HIGHER DEFICITS AND INCREASING RATES

During all but seventeen years since 1838, when deficit financing became a way of life for the Post Office, the postal system has cost more than it has earned.

In this fiscal year, the Department will drain over a billion dollars from the national treasury to cover the deficit incurred in operating the Post Office. Over the last decade, the tax money used to shore up the postal system has amounted to more than eight billion dollars. Almost twice that amount will be diverted from the Treasury in the next ten years if the practices of the past are continued. We must not let that happen.

The money to meet these huge postal deficits comes directly out of the taxpayer's pocket—regardless of how much he uses the mails. It is bad business, bad government, and bad politics to pour this kind of tax money into an inefficient postal service. Every taxpayer in the United States—as well as every user of the mails—has an important stake in seeing that the Federal Government institutes the kind of reform that is needed to give the nation a modern and well managed postal system. Without such a system Congress will either have to raise postage rates far above any level presently contemplated, or the taxpayers will have to shoulder the burden of paying postal deficits the like of which they have never seen before.

Neither alternative is acceptable. The nation simply cannot afford the cost of maintaining an inefficient postal system. The will of the Congress and the will of the people is clear. They want fast, dependable and low-cost mail service. They want an end to the continuing cycle of higher deficits and increasing rates.

QUALITY POSTAL SERVICE

The Post Office is a business that provides a vital service which its customers, like the customers of a private business, purchase directly. A well managed business provides dependable service; but complaints about the quality of postal service under existing procedures are widespread. While most mail ultimately arrives at its destination, there is no assurance that important mail will arrive on time; and late mail—whether a birthday card or a proxy statement—is often no better than lost mail.

Delays and breakdowns constantly threaten the mails. A complete breakdown in service did in fact occur in 1966 in one of our largest cities, causing severe economic damage and personal hardship. Similar breakdowns could occur at any time in many of our major post offices. A major modernization program is essential to insure against catastrophe in the Post Office.

A modern postal service will not mean fewer postal workers. Mail volume—tied as it is to economic activity—is growing at such a rate that there will be no cutback in postal jobs even with the most dramatic gains in postal efficiency. Without a modernized postal system, however, more than a quarter of a million new postal workers will be needed in the next decade simply to move the growing mountain of mail. The savings that can be realized by holding employment near present levels can and should mean more pay and increased benefits for the three quarters of a million men and women who will continue to work in the postal service.

OPPORTUNITY THROUGH REFORM

While the work of the Post Office is that of a business enterprise, its organization is that of a political department. Traditionally it has been run as a Cabinet agency of the United States Government—one in which politics has been as important as efficient mail delivery. Under the present system, those responsible for managing the postal service do not have the authority that the managers of any enterprise must have over prices, wages, location of facilities, transportation and procurement activities and personnel policy.

Changes in our society have resulted in changes in the function of the Post Office Department. The postal system must be given a non-political management structure consistent with the job the postal system has to perform as a supplier of vital services to the public. Times change, and now is the time for change in the postal system.

I am, therefore, sending to the Congress reform legislation entitled the Postal Service Act of 1969.

POSTAL SERVICE ACT OF 1969

The reform that I propose represents a basic and sweeping change in direction; the ills of the postal service cannot be cured by partial reform.

The Postal Service Act of 1969 provides for:

- removal of the Post Office from the Cabinet
- creation of an independent Postal Service wholly owned by the Federal Government
- new and extensive collective bargaining rights for postal employees
- bond financing for major improvements
- a fair and orderly procedure for changing postage rates, subject to Congressional review
- regular reports to Congress to facilitate Congressional oversight of the postal system
- a self-supporting postal system.

The new government-owned corporation will be known as the United States Postal Service. It will be administered by a nine-member board of directors selected without regard to political affiliation. Seven members of the board, including the chairman, will be appointed by the President with the advice and consent of the Senate. These seven members will select a full-time chief executive officer, who will join with the seven others to select a second full-time executive who will also serve on the board.

Employees will retain their Civil Service annuity rights, veterans preference, and other benefits.

The Postal Service is unique in character. Therefore, there will be, for the first time in history, true collective bargaining in the postal system. Postal employees in every part of the United States will be given a statutory right to negotiate directly with management over wages and working conditions. A fair and impartial mechanism—with provision for binding arbitration—will be established to resolve negotiating impasses and disputes arising under labor agreements.

For the first time, local management will have the authority to work with employees to improve local conditions. A modernization fund adequate to the needs of the service will be available. The postal worker will finally take his rightful place beside the worker in private industry.

The Postal Service will become entirely self-supporting, except for such subsidies as Congress may wish to provide for specific public service groups. The Postal Service, like the Tennessee Valley Authority and similar public authorities, will be able to issue bonds as a means of raising funds needed for expansion and modernization of postal facilities and other purposes.

Proposals for changes in classes of mail or postage rates will be heard by expert rate commissioners, who will be completely independent of operating management. The board of the Postal Service will review determinations made by the rate commissioners on rate and classification questions, and the Presidentially appointed members of the board will be empowered to modify such determinations if they consider it in the public interest to do so.

Congress will have express authority to veto decisions on rate and classification questions.

The activities of the Postal Service will be subject to Congressional oversight, and the Act provides for regular reports to Congress. The Postal Service and the rules by which it operates can, of course, be changed by law at any time.

TOWARD POSTAL EXCELLENCE

Removing the postal system from politics and the Post Office Department from the Cabinet is a sweeping reform.

Traditions die hard and traditional institutions are difficult to abandon. But tradition is no substitute for performance, and if our postal system is to meet the expanding needs of the 1970s, we must act now.

Legislation, by itself, will not move the mail. This must be done by the three-quarters of a million dedicated men and women who today wear the uniform of the postal service. They must be given the right tools—financial, managerial and technological—to do the job. The legislation I propose today will provide those tools.

There is no Democratic or Republican way of delivering the mail. There is only the right way.

This legislation will let the postal service do its job the right way, and I strongly recommend that it be promptly considered and promptly enacted.

RICHARD NIXON.

THE WHITE HOUSE, May 27, 1969.

THE WHITE HOUSE,
Washington, May 28, 1969.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: I transmit with this letter the Postal Service Act of 1969, a legislative proposal¹ designed to carry out the recommendations contained in my message to the Congress on postal reform.

I urge the Congress to enact this legislation at an early date.

Sincerely,

RICHARD NIXON.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., August 1, 1969.

B-164786.

HON. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: Reference is made to your letter of June 2, 1969, requesting our comments on H.R. 11750 which, if enacted, would be cited as the "Postal Service Act of 1969."

The bill proposes to revise and to reenact title 39 of the United States Code and its primary purpose is stated in section 102(b) of the proposed revision of title 39 as being to provide the legislative framework for:

- (1) dependable postal service, at fair prices, fully responsive to the public's needs,
- (2) a soundly financial self-supporting system, and
- (3) better working conditions and greatly improved career opportunities for the employees of the Postal Service.

To provide the organizational structure to carry out such purpose, the bill would establish a wholly owned Government corporation to operate the postal service on a self-supporting basis.

The major provisions of the bill would—

Provide for the transfer of all present postal workers into a new postal career service with full retention of existing Civil Service retirement benefits; and provide that appointments and promotions of employees would be without regard to current civil service laws;

Provide for binding arbitration in labor-management disputes, and would establish a permanent Postal Disputes Panel to review unsettled labor disputes;

Provide for the determination of rates of pay and other benefits of the Postal Service employees through collective bargaining;

Establish a United States Postal Service revolving fund to receive and to use all postal revenue;

Authorize the Postal Service to borrow money and to issue and sell obligations, in an aggregate amount not to exceed \$10 billion at any one time, as necessary to carry out its purposes, however,

¹ The proposal was included in H.R. 11750.

the net increase in any one fiscal year in the amount of obligations outstanding issued for capital improvements shall not exceed \$1.5 billion;

Provide that the Postal Service would, after 5 years, be self-supporting except for subsidies, if any, as determined by Congress for certain classes of postal users;

Establish a ratemaking procedure whereby, after public hearings by three rate commissioners, the presidentially appointed Members of the Board of Directors would determine the rates found to be supported by the record which would be transmitted by the Board, to the Congress to become effective after 60 calendar days of continuous session unless disapproved by a concurrent resolution of both Houses of Congress;

Modernize postal transportation laws and provide the Postal Service with greater flexibility in procuring transportation of mail; and

Provide various other legislative features affecting the Postal Service including the transitional expenses of the Postal Service.

GENERAL

The President's Commission on Postal Organization, in its report dated June 1968, recommended, among other things, that a postal corporation owned entirely by the Federal Government be chartered by the Congress to operate the postal service of the United States on a self-supporting basis. The Commission cited a number of reasons for this recommendation including the need for the Corporation to have authority to borrow in its own name to finance modern facilities for better postal service and lower operating costs.

The Commission's report also stated that one of the Post Office Department's most serious shortcomings was its inability to establish postal rates. The Commission recommended that the Board of Directors of the proposed postal corporation establish postal rates, subject to veto by concurrent resolution of the Congress. The Commission also made other recommendations to provide for more efficient and economical postal service.

In this connection we note that the proposals contained in H.R. 11750 are along the lines of the recommendations contained in the report of the Commission except that, among other things, H.R. 11750 would

retain postal employees under the Civil Service retirement plan; limit the maximum amount of compensation that may be paid to the Corporation's officers to that provided by level I of the Executive Schedule;

authorize appropriations to be made for certain free and reduced rate mailing to be specifically authorized by Congress; and

propose a different method of resolving employee-management disputes.

Under the bill, the Congress would reserve the right to veto proposed postal rate revisions. Section 210 would require the Postal Service to submit an annual report to the President and to the Congress concerning its operations and section 211 would specifically retain for the Congress the power to alter, amend, or repeal any or all provisions of the bill.

As indicated above, section 202 of the proposed revision of title 39 would establish a wholly owned Government corporation for the purpose of owning and operating the postal system. The Corporation would be known as the "United States Postal Service." Except as otherwise specifically provided in the bill, section 209(3) provides that the Corporation would be subject to the Government Corporation Control Act.

Under the authority granted the Corporation by section 205 the Corporation, among other things, would have authority to acquire any property, real or personal, and to sell it and any property transferred to it under section 1002 of the proposed title 39. In accordance with paragraph 5 of section 205 which would give the Corporation authority to determine the character of, and necessity for, its expenditures, and section 1003 which establishes the "Postal Service Fund" into which all receipts would be deposited and which would be available for all expenses incurred by the Corporation without regard to 31 U.S.C. 849, proceeds from the sale of any such property would be available for payment of all expenses of the Corporation, including its administrative expenses.

In general, over the years the General Accounting Office has expressed concern that the establishment of corporations tends to diminish congressional control over public expenditures. It is our view that the public interest is generally best served when congressional control of Federal activities is exercised through annual reviews and affirmative action on planned programs and financing requirements. This review is normally accomplished through appropriation hearings, which culminate in affirmative action on an appropriation request. We believe that a departure from this standard should be made only where it is clearly demonstrated the activity to be authorized can be more efficiently and economically operated through the corporate structure, and a net advantage to the Government, will result.

The postal service, however, is a highly business-type operation and it is generally recognized that serious handicaps are imposed on management by certain existing legislative, budgetary, and financial policies that are inconsistent with modern business practices. We agree that a departure from this standard is justified in the case of the Postal Service and that the management thereof should be provided the flexibility that a corporate organization would provide and which would better enable it to run its commercial operations on a business-type self-sustaining basis.

We would point out, however, that the Corporation which would be established by the bill would be subject to less congressional control than most other wholly owned Government corporations subject to the Government Corporation Control Act. For example, the Postal Service would be permitted to borrow funds from the public which, together with funds derived from whatever source, could be used to pay its expenses without regard to section 104 of the Government Corporation Control Act, 31 U.S.C. 849. Thus, the House Committee on Appropriations, under the rules of the House, in its review of the annual budget of the Corporation could not limit the proposed use of the corporate funds even though it might disagree with the budget proposals.

The extent to which the Congress should relinquish its control over postal operations is a matter of policy for its determination.

Section 205 would prescribe the general powers of the Postal Service, including the power;

- (6) To determine and keep its own system of accounts and the forms and contents of its contracts and other business documents, * * *.

We suggest that language be included to state that the system of accounts established shall be consistent with generally accepted accounting principles and standards.

Section 205 would also authorize the Corporation:

- (8) To acquire in any lawful manner such personal or real property, or any interest therein, as it deems necessary or convenient in the transaction of its business, and to hold, maintain, sell, lease or otherwise dispose of such property or any interest therein; and to provide services in connection therewith.

We have in the past criticized the Post Office Department's long-term lease activities prior to the passage on May 8, 1967, of Public Law 90-15 (39 U.S.C. 2103) which provides for advance submission, to certain congressional committees, of pertinent information regarding major lease-construction projects. We suggest that consideration be given to providing for a similar requirement on the part of the Corporation.

Section 656 provides that departments and agencies shall transfer to the Postal Service as postal revenues out of any appropriations or funds available to them as necessary expense of the appropriations or funds and of the activities concerned, the equivalent amount of postage due as determined by the Postal Service for matter sent in the mails by or to them as penalty mail.

We suggest that the bill be revised to require the Postal Service to consult with the other departments and agencies before determining the basis of estimating the postage due from such departments and agencies. This suggestion applies also to determinations made under sections 668(b) and 671(c).

Section 801(e) would allow an officer, agent, or employee of the United States Government to serve and receive compensation both as an officer, agent, or employee of the Government and as an officer, agent, or employee of the Postal Service other than as a member of the Board. We believe that, in view of the general practice of prohibiting most employees of the Government from simultaneously holding more than one Government job, the Congress may wish to consider the advisability of permitting an employee of the Postal Service, especially a high ranking employee, to hold a Government job in addition to postal employment.

Section 805 would establish a compensation and benefit policy based on the principle of comparability with private industry, and section 806(a) would authorize the Postal Service to pay employees and determine terms and condition of employment on the basis of collective-bargaining agreements. We suggest that this section of the

bill be revised to state whether comparability with private industry shall be determined on a nation-wide basis or on a geographical area basis.

Section 1002(2), line 15, page 59, refers to all liabilities of the Post Office Department, while lines 20 and 21 seem to limit the transferred liabilities to those related to unexpended appropriation balances only. Accordingly, we suggest that "its" be inserted between the words "all" and "liabilities" on line 20, page 59, and that the words "chargeable thereto" on lines 20 and 21 of page 59 be deleted. Also, we suggest that the words "including the balance in the Fund" on line 24, page 59, be deleted, because such balance is part of the assets already mentioned on line 24.

Subsections 1003(a) (b) and (d) provide for the establishment of the Postal Service Fund, a revolving fund within the Treasury of the United States. Provision is also made for the deposit of the Corporation's funds and for their withdrawal by check.

We believe these subsections could be deleted since the Government Corporation Control Act (31 U.S.C. 867 and 870) provides similar authority for Government Corporations.

If this recommendation is accepted, subsections (c) and (e) should be modified to delete reference to the "Fund" and refer instead to the "Corporation" or "funds of the Corporation" as appropriate and lines 16 and 17 on page 58 should also be deleted.

Section 1005 and section 1006 would authorize the Postal Service to borrow money and to issue and sell such obligations to the public, in an aggregate amount not exceeding \$10 billion outstanding at any one time, as it determines necessary to carry out its functions.

We are concerned that the issuance of bonds to the public by the Corporation would result in higher financing costs than would be incurred if the Corporation used the financing facilities of the Treasury Department. Studies made by our Office have disclosed that interest costs are generally higher when agencies obtain financing directly from the public rather than through the facilities of the Treasury Department.

We have no way of knowing precisely the amount of bonding authority which the proposed Corporation might use in future years nor can we be certain of what interest rates the Corporation might have to pay. If it is assumed, however, that the average bond indebtedness of the Corporation were to be \$2 billion, and the interest rate paid by the Corporation on its bonds was, on the average, one-half of one percent higher than the interest rate at which the Corporation could have borrowed from the Treasury, the added cost to the Corporation would be \$10 million annually. If borrowing authority is to be granted, we therefore recommend that the bill be revised so as to provide that the Corporation may borrow all of its funds from the Treasury rather than borrow directly from the public.

If this recommendation is accepted and in order to retain the flexibility that borrowing from the public would provide, a provision could be added to the bill whereby the bonds issued by the Corporation and purchased by the Treasury need not be taken into consideration with respect to the limitation on the amount of the public debt prescribed in the first sentence of section 21 of the Second Liberty Bond Act, as amended, 31 U.S.C. 757b.

Subsections (a) and (b) of section 1008 contain various detailed requirements concerning the audits of the Postal Service by the Comptroller General and his reports on such audits. Since our audit of the Postal Service will be performed under the authority of the Government Corporation Control Act under which we cannot disallow credit in the accounts of the accountable officers of the Postal Service and such accounts will not be settled pursuant to section 71 of title 31, United States Code, we see no need for the existing provisions in subsections (a) and (b) and recommend deletion of the portion of subsection (c) following the words, "Postal Service," in line 9, page 69. In order to provide flexibility in dealing with problems relating to priorities, manpower limitation, workload scheduling, and relative importance of assignments, we believe the Comptroller General should be free to determine the scope and timing of audits of the Postal Service. We also believe that the Postal Service should be required to have an adequate internal audit program. We therefore recommend that subsections (a) and (b) be revised, as follows;

(a) Notwithstanding the provisions of the Government Corporation Control Act, the accounts of the Postal Service shall be audited by the Comptroller General and reports thereon made to the Congress to the extent and at such times as he may determine.

(b) The Postal Service shall maintain an adequate internal audit of its financial transactions.

Section 1201(b) states that five years after the commencement of Postal Service operations, revenues from rates and fees, when added to the appropriations to cover revenue foregone for handling free and reduced rate mail, are to be adequate to meet current and projected costs of the Postal Service.

Section 1201(d) provides, however, that the Board shall take into account the financial impact of any proposed changes in the rate structure upon affected mail users and, at its discretion, may achieve the general policy goals of section 1201(d) over a duration of time appropriate in view of such financial impact. Section 1201(d) also provides that the President may request appropriations as a result of such determinations but that the Postal Service is not relieved of its general policy obligations under subsection (b) of this section.

It appears that if the Board determines that rate changes should be made gradually because of the financial impact on postal users, the Postal Service may not be able to operate on a break-even basis within five years following the commencement of its operations. If this should happen, then the President may request appropriations to cover any loss incurred. We suggest that the bill clarify whether it is intended that further appropriations will be made if a break-even basis is not achieved at the end of 5 years.

Section 1251(d)(2)(v) provides that the commissioners can conduct entire proceedings off the record with the consent of the parties.

We suggest that this provision be deleted from the bill so that all hearings will be recorded and open for inspection by authorized bodies such as the General Accounting Office and the Congress. Such inspections would provide some assurance that hearings conducted would be objective, comprehensive and fair to all parties concerned. It would

provide a better basis for evaluating the soundness of any proposed changes to rates.

Section 1253(d) provides that the Postal Service upon thirty days' notice in the Federal Register may put a proposed rate change into effect temporarily if the rate commissioners do not complete their proceedings within ninety days after notice of the proposed change is filed with them or if judicial proceedings are begun under section 1257. The temporary change shall be effective for a period of no longer than thirty days after the commissioners have rendered their initial decision to the presidentially appointed members of the Board and the period the change may be before Congress pursuant to section 1254.

The effect of section 1253(d) would be to authorize the Postal Service to implement, on an interim basis, postal rate revisions without the Congress having had an opportunity to review and act on such rate revisions. Conceivably, the interim postal rate revisions might remain in effect for extended periods if the commissioner's initial decision were to be delayed. Also, it is possible that the provisions of sections 1253 and 1254 could result in several adjustments in postal rates within a relatively short period.

In this connection, if the existing provisions of the bill authorizing interim postal rate revisions are retained, we believe the bill should be revised to state that any postage paid or revenues received for other postal services procured during periods the interim postal rates are in effect shall be considered valid and final payments for postal services rendered during that period (to the extent that such payments are otherwise valid) and no adjustments or claims shall be due the Postal Service or postal patrons on account of the expiration of the interim postal rates.

CHAPTER 16—TRANSPORTATION OF MAIL

The proposed chapter 16 of title 39, U.S.C., would provide that the Postal Service may contract in such manner and under such conditions as *it deems appropriate* for domestic and international transportation of mail and seems to delete the existing requirement that formal advertising procedures be used in awarding contracts for transportation of mail by motor carriers, air carriers, and by vessel. We believe that the Congress should consider the advisability of including in the proposed chapter 16, title 39, United States Code, specific requirements that the procurement of contract services for the transportation of mail by motor carriers, air carriers, and by vessel would be awarded in accordance with formal advertising procedures. We believe that full and free competition is important to economical procurement by the Government.

Subchapter II of chapter 16, title 39, United States Code would be essentially the same as the present chapter 95, of title 39, United States Code, except that provisions formerly applicable only to railroads would now include freight forwarders, motor carriers, and express companies, generally by substituting the word "carrier" for the word "railroad". Under the proposed amendments, the Postal Service's authority to require railroads to transport the mail would be extended to include freight forwarders, motor carriers, and express companies.

Section 1628(a)(3) appears to be inappropriate for freight forwarders, motor carriers, and express companies and seems to need clarification.

This section would provide that carriers engaged in the transportation of mail shall provide station space and rooms for handling, storing, and transfer of mail in transit. Since such facilities are not commonly available to carriers at all locations we suggest that the committee may wish to reconsider this section of the bill and provide that the Postal Service be given the option of deciding whether such facilities shall be furnished by carriers or by the Government.

Section 1637 would provide that the Postal Service may enter into special contracts with carriers to pay lower rates of compensation, and if in its judgment conditions warrant, to pay higher rates of compensation to carriers than those fixed by the Interstate Commerce Commission. We suggest that the language of this section be clarified to indicate under what conditions the Postal Service would be allowed to enter into such special contracts and to pay higher rates of compensation than those fixed by the Interstate Commerce Commission. Section 1653(a) which contains a similar provision concerning contracting for air transportation should also be clarified.

CHAPTER 18—MISCELLANEOUS

The proposed chapter 18 of title 39, United States Code, makes minor changes in miscellaneous sections of existing title 39.

Section 1804 provides in part that the Postal Service may refer any debt which is uncollectible through administrative action, to the General Accounting Office for collection.

Inasmuch as we do not collect debts for other Government corporations and such action would seem inconsistent with the Corporation's authority to settle and compromise claims by or against it (sec. 205(11)), we suggest that such provision for referring debts to our Office for collection be deleted from section 1804.

The comments contained herein with respect to H.R. 11750 are equally applicable to H.R. 11751, an identical bill.

Sincerely yours,

(Signed) ELMER B. STAATS,
Comptroller General of the United States.

NATIONAL LABOR RELATIONS BOARD,
Washington, D.C., August 5, 1969.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
Cannon House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: I appreciate your kind letter of July 31 and the opportunity you have offered me to appear and testify on the several postal reform bills. For reasons noted below, I shall not ask you to reserve any place for me on your witness list.

In view of the quasi-judicial functions given to it by Congress, this Agency over the years has followed the general practice of withholding basic policy recommendations on legislative issues that are more appropriately handled by the President and the executive agencies. The hazards of taking positions that could later lead to charges that issues in particular matters before us had been prejudged are too obvious to need elaboration.

Another reason for following this restraint in the very important matters which you and your Committee are considering is that these postal service proposals involve many considerations outside the range of our experience or observation. We are frankly not well enough informed about the employee relations in the postal service to know how well suited the current proposals are to the adjustment of their problems.

Should technical questions arise about our Agency's operations or procedures, we would of course want to make available all desired and essential data for your Committee Members' use or that of its staff.

Thank you again for your invitation. I hope the executive agencies will be able to supply you with all necessary information and appropriate policy recommendations.

With kindest regards,
Sincerely yours,

FRANK W. McCULLOCH, *Chairman.*

U.S. DEPARTMENT OF LABOR,
OFFICE OF THE SECRETARY,
Washington, D.C., August 11, 1969.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: I very much appreciate your invitation to testify before the House Post Office and Civil Service Committee on the subject of postal reform, and I regret that my schedule makes it impossible for me to appear before the Committee on either August 8 or August 11.

With your permission, I would like to take this opportunity to let the Committee know that the proposed Postal Service Act, H.R. 11750, has my complete support.

The work of the postal system resembles very closely that of a major commercial enterprise. I believe that the corporate form of organization is uniquely adapted to the needs of such an enterprise, and I concur wholeheartedly in the recommendation of the President and the Postmaster General that the postal service be reorganized as a government corporation.

Under such a form of organization it would be desirable, in my judgment, for relations between postal labor and postal management to be governed, in large measure, by the same principles that are applicable to labor-management relations in private industry. H.R. 11750 would accomplish that result by extending most of the provisions of the Labor Management Relations Act of 1947 and the Labor Management Reporting and Disclosure Act of 1959 to the newly created postal service corporation and the labor organizations representing its employees. The management of the Postal Service would thereby come under a statutory duty to bargain collectively with representatives of recognized employee organizations over wages, fringe benefits, and other matters that have long been negotiable in the private sector, but that are now subject to negotiation in the Post Office.

This increased emphasis on collective bargaining would, in my view, be a highly desirable development. The labor structure of the postal system is such that collective bargaining can and should produce

the same positive results in the postal service that it has produced in private industry. By enabling employees to achieve a meaningful degree of participation in the progress of the organization for which they work, and by providing an institutionalized procedure for the orderly reconciliation of differences, collective bargaining has made an immense contribution to the strength of our modern industrial economy. It clearly has the potential to make a similar contribution to the strength of the postal system.

I am aware that there is some apprehension, both within and without the labor movement, that it might not be possible to engage in collective bargaining successfully where the employees are prohibited from striking. While I understand this concern, I do not believe that the American public would tolerate a strike in the postal service. It is essential to provide a realistic alternative to the right to strike if there is to be meaningful collective bargaining in the postal system, and H.R. 11750 would, in my view, achieve precisely that result.

Under the terms of the proposed legislation, the parties would be free, in the event of an impasse in negotiations, to adopt any deadlock-breaking device, short of a strike, on which they were able to reach mutual agreement. Given responsible and creative leadership on both sides, this freedom to develop solutions specifically tailored to fit specific problems is something that holds a great deal of promise.

I recognize, of course, that there may be deadlocks that the parties cannot resolve themselves and as to which they cannot agree on a procedure for achieving a final resolution. It is important, therefore, that an absolutely fair means of dealing with such situations be spelled out in advance. The Postal Service Act would do just that. It would give either party an absolute right to refer deadlocked negotiations to a Disputes Panel that would be completely independent of both parties, and that would have the responsibility and the authority to see that every outstanding issue was resolved through one means or another.

If it performs its job as it should, the Disputes Panel would do everything possible to induce the parties to resolve their differences by mutual agreement. A variety of well-established settlement techniques would be available to that end. While the Panel would ultimately have the authority to refer any or all unresolved issues to an ad hoc board of arbitration, that authority would be invoked only with respect to those issues as to which the Disputes Panel concluded that a change in the status quo was warranted, and only after every possibility of reaching a negotiated settlement had been exhausted.

In many respects, the Disputes Panel mechanism simulates the conditions that exist where there is no statutory prohibition against strikes. Thus the Disputes Panel procedure is characterized by a degree of uncertainty comparable to that which exists where strikes are permitted. In the private sector, for example, a union that engages in a strike can never be certain that it will have the economic resources to outlast a determined management—and, in some instances, the possibility exists that the employer may permanently shut his doors. Under the Postal Service Act, while postal employees would continue to be paid throughout the period of any deadlock, and while they would not have to be concerned about the postal system going out of business, they could not be certain that refusal to accept

a negotiated settlement would not be followed by action on the part of the Disputes Panel that would lead to a less favorable resolution of the impasse.

It should also be emphasized that under the Postal Service Act postal management would not have important prerogatives which it would have if it were a private employer. As long as collective bargaining is conducted in good faith, the private employer who is willing to bear the economic consequences can resist employee demands indefinitely. The management of the Postal Service, however, would not be in this position. The procedure established in H.R. 11750 makes it possible for an outside body to dictate the terms of a labor contract, which postal management would be under a statutory duty to accept. The threat of such a dictated contract closely parallels the threat of economic loss to which the private employer would be subject in the event of a strike.

The provisions of the proposed statute insure that the parties will bargain from positions of equal strength. The creative interchange resulting from such bargaining should result in substantial improvement in postal labor relations.

We would be pleased to attempt to supply answers to any questions the Committee may have on those portions of the bill that come within the area of this Department's concern.

Sincerely,

GEORGE P. SHULTZ, *Secretary of Labor.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., August 1, 1969.

B-164786.

The Hon. H. R. GROSS,
House of Representatives.

DEAR MR. GROSS: Reference is made to your letter of June 17, 1969, in which you ask several questions concerning certain provisions of H.R. 11750, the "Postal Service Act of 1969."

Under the provisions of H.R. 11750, the Post Office Department would be abolished and its functions and property would be transferred to a new wholly owned Government corporation known as the United States Postal Service. With respect to such matter section 1002 of the bill provides, in part, as follows:

"(a) The initial capital of the Postal Service shall consist of equity of the United States in the present Post Office Department as reflected in the President's budget. The value of assets and the amount of liabilities transferred to the Postal Service upon the commencement of operations of the Postal Service shall be determined by the Board subject to the approval of the Comptroller General, in accordance with the following guidelines:

"(1) Assets shall be valued on the basis of original cost, less depreciation, to the extent that this can be determined. The value recorded on the Post Office Department's books of account shall be prima facie evidence of asset value."

Section 209 provides, in effect, that except as otherwise specifically provided in the bill, the Postal Service would be subject to the Government Corporation Control Act.

Relative to the provisions of the bill referred to above you express concern about creating a postal corporation which might not be subject to adequate congressional control. Also, you are concerned that the corporation could misrepresent entries on its books to show inflated profits on its balance sheet which could result in the charging of improper postal rates and fees.

Specifically, you ask for our views on five questions set forth in your letter. Such questions and our views thereon are as follows:

Question 1: Were you consulted by the Postmaster General or any Administration official concerning the above language?

Comment: Neither the Postmaster General nor any other administrative official has discussed this matter with us.

Question 2: In view of the taxpayers' investment in the Postal Service, do you believe it is proper for the assets of the Post Office Department to be transferred to the Postal Corporation and entered in its books at a value based upon "original cost, less depreciation?" (When the Tennessee Valley Authority was created a different valuation of assets was used. See 16 U.S. Code 831(m)).

Comment: Generally, cost is the acceptable basis for valuation, of assets. The following excerpts from chapter 9A of Accounting Research Bulletin No. 43, published by the American Institute of Certified Public Accountants, substantiate the view that historical cost rather than appraised current value is the generally accepted basis for valuing and accounting for assets.

4. "The American Institute of Accountants committee on accounting procedure has given extensive consideration to the problem of making adequate provision for the replacement of plant facilities in view of recent sharp increases in the price level. The problem requires consideration of charges against current income for depreciation of facilities acquired at lower price levels.

5. "The committee recognizes that business management has the responsibility of providing for replacement of plant and machinery. It also recognizes that, in reporting profits today, the cost of material and labor is reflected in terms of inflated dollars while the cost of productive facilities in which capital was invested at a lower price level is reflected in terms of dollars whose purchasing power was much greater. There is no doubt that in considering depreciation in connection with product costs, prices, and business policies, management must take into consideration the probability that plant and machinery will have to be replaced at costs much greater than those of the facilities now in use.

6. "When there are gross discrepancies between the cost and current values of productive facilities, the committee believes that it is entirely proper for management to make annual appropriations of net income or surplus in contemplation of replacement of such facilities at higher price levels.

7. "It has been suggested in some quarters that the problem be met by increasing depreciation charges against current income. The committee does not believe that this is a satisfactory solution at this time. It believes that accounting and financial reporting for general use will best serve their purposes by adhering to the generally accepted concept of depreciation on cost, at least until the dollar is stabilized at some level. An attempt to recognize current prices in providing

depreciation, to be consistent, would require the serious step of formally recording appraised current values for all properties, and continuous and consistent depreciation charges based on the new values. Without such formal steps, there would be objective standard by which to judge the propriety of the amounts of depreciation charges against current income, and the significance of recorded amounts of profit might be seriously impaired.

8. "It would not increase the usefulness of reported corporate income figures if some companies charged depreciation on appraised values while others adhered to cost. The committee believes, therefore, that consideration of radical changes in accepted accounting procedure should not be undertaken, at least until a stable price level would make it practicable for business as a whole to make the change at the same time.

* * * * *

11. "The committee on accounting procedure has reached the conclusion that no basic change in the accounting treatment of depreciation of plant and equipment is practicable or desirable under present conditions to meet the problem created by the decline in the purchasing power of the dollar.

* * * * *

13. "Should inflation proceed so far that original dollar costs lose their practical significance, it might become necessary to restate all assets in terms of the depreciated currency, as has been done in some countries. But it does not seem to the committee that such action should be recommended now if financial statements are to have maximum usefulness to the greatest number of users."

The above-quoted excerpts clearly indicate that a departure from this historical costs concept in asset valuation is not in conformance with generally accepted accounting principles.

If the proposed transfer of assets to the Corporation would, in fact, by in the nature of a sale, then a new cost basis would be created, and it would be appropriate to record the assets in the accounts of the Corporation at a value other than original cost, less depreciation. It appears to us, however, that the proposed transfer of assets to the Corporation is not in the nature of a sale because—

the Postal Service would continue to provide services previously furnished by the Post Office Department,
the bill does not provide for any reimbursement to the General Fund of the Treasury by the Corporation for the assets to be transferred,

the bill provides that the equity of the United States in the present Post Office Department shall represent the capital investment of the United States in the Postal Service, and

ultimately, the ownership of assets to be transferred would be retained by the United States Government since the Government would be the sole owner of the Corporation.

On this basis, we believe that the bill's provisions indicate that a "sale" of the Department's assets is not contemplated and accordingly, we believe that it is appropriate that the Department's assets be transferred to the Corporation at cost, less depreciation, to the extent that this can be determined.

When the Tennessee Valley Authority (TVA) was incorporated in 1933, the assets which it acquired from the Government were recorded on the Corporate books using different valuations for the assets as follows:

Wheeler dam: Cost less depreciation.

Wilson dam: Construction cost as of 1933 less 10 years of depreciation.

Nitrate plants: No value because of obsolescence.

Steam plants: The cost of rehabilitating the plants.

The conditions which existed at the time TVA was established, however, are unlike the conditions existing with respect to the proposal to establish the Postal Service Corporation as follows:

TVA was authorized to carry out entirely new programs whereas the Postal Service Corporation would assume the responsibility for and continue to provide services previously furnished by the Post Office Department, and

Part of the value of the assets transferred to TVA was allocated to reimbursable functions, such as electric power development and was to be reimbursed to the General Fund of the Treasury; whereas the Department's assets would be transferred to the Corporation without reimbursement to the General Fund of the Treasury.

Accordingly, it does not appear that the basis used by TVA to value the assets acquired from the Government should necessarily be used as the basis to value assets to be transferred to the Postal Service Corporation.

In the event that some of the Corporation's assets were sold and profits realized, such profits would normally be reported in accordance with requirements of the American Institute of Certified Public Accountants and would be separately shown as being derived from the sale of assets as distinguished from normal postal operations. Funds derived from the sale of assets could, if necessary, be used for postal operations and would reduce the need to borrow funds and thereby reduce the interest costs to the Corporation.

Question 3: Do you believe that funds received by the Postal Corporation from the sale of its assets should be used for any Corporate purpose such as salaries, administrative expenses, housekeeping activities, payment of interest on bonds, etc., as provided for in H.R. 11750?

Question 4: On the other hand, do you believe that it would be in the best interests of the taxpayers to restrict the use of funds received by the Corporation from the sale of any assets for the purpose of modernization or capital improvements in new postal buildings and facilities?

Comment: If the Corporation is to operate in a businesslike manner, we believe that it should have authority to spend funds received from all sources including funds received from sale of its assets. To do otherwise would restrict management in conducting its business in an economical manner. For example, if funds derived from the sale of assets were restricted for use only in construction or modernization programs, it is conceivable that the Corporation could be short of operating funds to meet day-to-day expenses while at the same time having funds available but only for a restricted purpose. If such a situation should develop, the Corporation would be faced with either curtailing mail service to the public or borrowing funds and incurring unnecessary interest expense to meet its financial needs.

Question 5: Generally, H.R. 11750 has been represented as creating a Postal Corporation which is subject to the Government Corporation Control Act, with certain minor exceptions. Please advise me if you believe the Postal Corporation should be exempt from any provision of the Government Corporation Control Act, and, if so, please explain why, in your opinion, each such exception should be allowed.

Comment: The principal exception in H.R. 11750 seems to be the provision in section 1003(e) which provides that the Corporation's funds shall be available for expenditure without regard to the provisions of 31 U.S.C. 849. This provision of law provides that the Congress shall make necessary appropriations making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine. This exception would make the inclusion of any limitation on the Corporation's expenditures in an appropriation bill a violation of the Rules of the House of Representatives. The proposal to exempt the Corporation from the requirements of 31 U.S.C. 849 would provide Postal Service management with greater freedom and flexibility in operating the Postal Service than is provided for any other wholly owned Government Corporation. While such freedom and flexibility could be conducive to achieving efficient, economical and effective postal service it would be a lessening of congressional control and the extent to which the Congress desires to relinquish its control is a matter for its determination. In this connection, we note that the Postal Service would be required by the provisions of 31 U.S.C. 847 and 848 to prepare and to submit to the Congress an annual business type budget which would result in disclosure to the Congress of the Corporation's activities. We interpret the last sentence of section 1005(b) as authorizing the Congress through the appropriation process to limit the issuance of obligations by the Postal Service in any fiscal year.

Section 1005(e) vests authority in the Postal Service with respect to the obligations it issues which is vested in the Secretary of the Treasury for other wholly owned and mixed-ownership Government corporations under section 303 of the Government Corporation Control Act, 31 U.S.C. 868. We are not aware of the reason for this exception and therefore have no comment to offer at this time.

Under the provisions of section 301 of the Government Corporation Control Act, Government corporations may not pay the cost of any private audit of its financial records. Section 1008(d) would permit the Postal Service to have its financial records audited by certified public accounting firms. We think that this exception is desirable especially if the Postal Service is authorized to issue obligations to the public. Similar authority is provided for the Tennessee Valley Authority. See 16 U.S.C. 831n-4(C).

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

INTERSTATE COMMERCE COMMISSION,
Washington, D.C., January 16, 1970.

HON. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representative, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request of January 9, 1970, for the Commission's views on H.R. 15430, a Bill, "To modernize the United States Postal Service, to provide for efficient and economical postal service to the public, to improve postal employee-management relations, and for other purposes." This matter has been referred to our Committee on Legislation, and on its behalf I offer the following comments on those aspects of the bill which concern transportation of mail by carriers subject to our jurisdiction.

We generally support the policy embodied in H.R. 15430 which permits the general use of all regulated surface carriers in the transportation of mail on an equal basis. But, as we indicated in our previous statement to your Committee dated August 11, 1969, submitted on H.R. 4 and H.R. 11750, (Note: see p. 1267 of Committee hearings) we are concerned with the implementation of this policy. We note that this bill embraces several of our suggested changes. For example, section 1627(c), specifically provides that no carrier shall be compelled to carry mail in equipment designed exclusively for passengers. We think there is merit to this exception, particularly with regard to motor buses which we recommended be excepted. Yet, no provision is made for other types of motor carriers such as those transporting bulk or liquid commodities, heavy-hauler articles, automobiles, and the like, or those operating over irregular routes and providing service on a call and demand basis.

It is our opinion that motor carriers of this kind are not capable of transporting the mail because of the type of equipment they operate or the kind of service they provide. Hence, we question the desirability of imposing the same mandatory duty on these carriers as presently imposed on the railroads.* We suggest, therefore, that the bill be clarified so that regulated carriers, whose operations do not permit the transportation of mail, would be relieved of the responsibility imposed under this bill.

One possibility would be to revise the exception provided in section 1627(c) by adding the following phrase at the end: "or where such transportation would be basically inconsistent with the service or facilities offered to the public generally." An alternative, suggested earlier by an industry representative and the Commission, would be to limit the transportation of mail to those carriers responding to a "tender of availability" issued by the Post Office.

Procedures for establishing compensation to carriers for transporting the mail are set forth in sections 1632 through 1634 and section 1637. The provisions generally follow existing law as modified to include other modes of transportation, and it is clearly desirable to subject carriers of all modes to the same ratemaking standards. Our chief

*Railroads presently are required to transport mail under 39 U.S.C., Chpt. 95, Sec. 6201 *et seq.* (1964). This bill would continue this obligation.

concern previously was that the matter of initial rates, which would be important since transportation of mail is being opened up to other modes for the first time, was not subject to negotiation between the Postal Service and the carriers. Such aspect is now satisfactorily resolved in section 1632(e).

As in the past, we support the policy behind the transportation provisions of this bill, but we feel that specific changes we have suggested would make for an improved bill.

We appreciate the opportunity to comment on this bill.

Sincerely yours,

GEORGE STAFFORD,
Chairman, Committee on Legislation.
DALE W. HARDIN,
DONALD L. JACKSON.

FEDERAL MEDIATION AND CONCILIATION SERVICE,
Washington, D.C. January 20, 1970.

HON. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives,
Cannon House Office Building Washington, D.C.

DEAR MR. DULSKI: Thank you so much for the opportunity to comment on House Bill H.R. 15430, which has been referred to your Committee for consideration.

Because of the impartial nature of our work and the neutral position that our Service must take on most proposed legislative matters, we respectfully decline to comment on the bill.

Sincerely yours,

J. CURTIS COUNTS, *Director.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., January 22, 1970.

B-164786.

HON. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: Your letter of January 9, 1970, requests our comments on H.R. 15430 which, if enacted, would be cited as the "Postal Reform and Salary Adjustment Act of 1970."

The purposes of the bill, as stated in its title, are to modernize the United States Postal Service, to provide for efficient and economical postal service to the public, and to improve postal employee-management relations.

To provide the organizational structure to carry out such purposes the bill would establish the United States Postal Service Authority, referred to in the bill as either the "Postal Service" or the "Authority" which, in effect, *would be a body corporate* and an instrumentality of the United States for the purpose of owning and operating the postal service on a self-supporting basis.

The major provisions of the bill would—

Provide for the transfer of all present postal workers into a new postal career service with full retention of existing Civil Service retirement benefits; and provide that appointments and promotions of employees would be without regard to current civil service laws;

Provide for determining wages and other benefits through collective bargaining and binding arbitration;

Establish a United States Postal Service revolving fund to receive and to use all postal revenue;

Authorize the Postal Service to borrow money and to issue and sell obligations, in an aggregate amount not to exceed \$10 billion at any one time, as necessary to carry out its purposes, however, the net increase in any one fiscal year in the amount of obligations outstanding issued for capital improvements shall not exceed \$1.5 billion and the net increase in any one fiscal year in the amount of obligations outstanding issued for the purpose of defraying operating expenses of the Authority shall not exceed \$500,000,000;

Provide that the Postal Service would by January 1, 1978, be self-supporting except for subsidies, if any, as determined by Congress for certain classes of postal users;

Establish a ratemaking procedure whereby final decisions on changes in postal rates and postal services would be made by the Executive Council, after hearings before a panel of rate commissioners; and

Modernize postal transportation laws and provide the Authority with greater flexibility in procuring transportation of mail.

GENERAL

The President's Commission on Postal Organization, in its report dated June 1968, recommended among other things, that a postal corporation owned entirely by the Federal Government be chartered by the Congress to operate the Postal Service of the United States on a self-supporting basis. The Commission cited a number of reasons for this recommendation including the need for the Corporation to have authority to borrow in its own name to finance modern facilities for better postal service and lower operating costs.

The Commission's report also stated that one of the Post Office Department's most serious shortcomings was its inability to establish postal rates. The Commission recommended that the Board of Directors of the proposed postal corporation establish postal rates, subject to veto by concurrent resolution of the Congress. The Commission also made other recommendations to provide for more efficient and economical postal service.

In this connection we note that the proposals contained in H.R. 15430 are along the lines of the recommendations contained in the report of the Commission except that, among other things, H.R. 15430 would—

Retain postal employees under the Civil Service retirement plan;

Limit the maximum amount of compensation that may be paid to the Corporation's officers to that provided by level I of the Executive Schedule;

Permit changes to be made in postal rates and postal services without provision for congressional veto; and

Authorize appropriations to be made for certain free and reduced rate mailing to be specifically authorized by Congress.

Section 210 would require the Postal Service to submit an annual report to the President and to the Congress concerning its operations and section 211 would specifically retain for the Congress the power to alter, amend, or repeal any or all provisions of the bill.

As indicated above, section 202 of the proposed revision of title 39 would, in effect, establish a corporation for the purpose of owning and operating the postal system which would be known as the "United States Postal Service Authority" and referred to in the bill as either the "Postal Service" or "Authority." Except as otherwise specifically provided in the bill, section 209(3) provides that the Authority would be subject to the Government Corporation Control Act.

Under the powers granted the Authority by section 205 the Authority, among other things, would be authorized to acquire any property, real or personal, and to sell it and any property transferred to it under section 1002 of the proposed title 39. In accordance with paragraph 5 of section 205 which would give the Authority power to determine the character of, and necessity for, its expenditures, and section 1003 which establishes the "Postal Service Fund" into which all receipts would be deposited and which would be available for all expenses incurred by the Authority without regard to 31 U.S.C. 849, proceeds from the sale of any such property would be available for payment of all expenses of the Authority, including its administrative expenses.

In general, over the years the General Accounting Office has expressed concern that the establishment of corporations tends to diminish congressional control over public expenditures. It is our view that public interest is generally best served when congressional control of Federal activities is exercised through annual reviews and affirmative action on planned programs and financing requirements. This review is normally accomplished through appropriation hearings, which culminate in affirmative action on an appropriation request. We believe that a departure from this standard should be made only where it is clearly demonstrated the activity to be authorized can be more efficiently and economically operated through the corporate structure, and a net advantage to the Government will result.

The postal service, however, is a highly business-type operation and it is generally recognized that serious handicaps are imposed on management by certain existing legislative, budgetary, and financial policies that are inconsistent with modern business practices. We agree that a departure from this standard is justified in the case of the Postal Service and that the management thereof should be provided the flexibility that a corporate organization would provide and which would better enable it to run its commercial operations on a business-type self-sustaining basis.

We would point out, however, that the Authority which would be established by the bill would be subject to less congressional control than most other Government corporations subject to the Government Corporation Control Act. For example, the Authority would be permitted to borrow funds from the public which, together with funds derived from whatever source, could be used to pay its expenses with-

out regard to section 104 of the Government Corporation Control Act, 31 U.S.C. 849. Thus, the House Committee on Appropriations, under the rules of the House, in its review of the annual budget of the Authority could not limit the proposed use of the corporate funds even though it might disagree with the budget proposals.

The extent to which the Congress should relinquish its control over postal operations is a matter of policy for its determination.

Section 203(d) provides that four Members of Congress shall be appointed to the 13-member Executive Council. Two members of the House of Representatives would be appointed—one would be appointed by the Speaker of the House and one would be appointed by the Minority Leader of the House; and two members of the Senate would be appointed—one would be appointed by the President pro tempore of the Senate and one would be appointed by the Minority Leader of the Senate. We note, however, that the bill is silent as to whether the four Members of Congress serving on the Executive Council may be removed and new appointments made or what happens if a member fails to be re-elected to the Congress. We suggest, therefore, that the bill be clarified in these respects.

Section 203(e) provides in part that each presidentially appointed Councilor shall receive compensation at the rate of \$10,000 per annum and \$300 for each meeting of the Council he attends, and shall be reimbursed for necessary travel and subsistence expenses incurred in attending the meetings of the Council.

The reference to the payment of \$300 for each meeting is subject to varying interpretations, because the reference does not state whether this is a total payment for an entire meeting lasting more than one day, or whether \$300 will be paid for each day that the Board meets. For example, if a Board member was present for two days of a three-day meeting, a question arises as to whether the member would be entitled to \$300, \$600, or some portion of \$300. We suggest that this matter be clarified.

Section 205 would prescribe the general powers of the Authority, including the power:

"(6) To determine and keep its own system of accounts and the forms and contents of its contracts and other business documents * * *"

We suggest that language be included to state that the system of accounts established shall be consistent with generally accepted accounting principles and standards.

Section 205 would also authorize the Authority:

"(8) To acquire in any lawful manner such personal or real property, or any interest therein, as it deems necessary or convenient in the transaction of its business, and to hold, maintain, sell, lease or otherwise dispose of such property or any interest therein; and to provide services in connection therewith and charge therefor."

We have in the past criticized the Post Office Department's long-term lease activities prior to the passage on May 8, 1967, of Public Law 90-15 (39 U.S.C. 2103) which provides for advance submission, to certain congressional committees, of pertinent information regarding major lease-construction projects. We suggest that consideration be given to providing for a similar requirement on the part of the Authority.

Section 656 provides that departments and agencies shall transfer to the Authority as postal revenues out of any appropriations or funds available to them as necessary expense of the appropriations or funds and of the activities concerned, the equivalent amount of postage due as determined by the Postal Service for matter sent in the mails by or to them as penalty mail.

We suggest that the bill be revised to require the Authority to consult with the other departments and agencies before determining the basis of estimating the postage due from such departments and agencies. This suggestion applies also to determinations made under sections 668(b) and 671(c).

Section 801(d) would allow an officer, agent, or employee of the United States Government to serve and receive compensation both as an officer, agent, or employee of the Government and as an officer, agent, or employee of the Authority other than as a member of the Authority. We believe that, in view of the general practice of prohibiting most employees of the Government from simultaneously holding more than one Government job, the Congress may wish to consider the advisability of permitting an employee of the Authority, especially a high ranking employee, to hold a Government job in addition to postal employment.

Also, it is believed that the word "Authority" in line 18, page 50, is in error and that the reference should be to the Executive Council.

Section 805 would establish a compensation and benefit policy based on the principle of comparability with private industry, and section 806(a) would authorize the Authority to pay employees and determine terms and conditions of employment on the basis of collective-bargaining agreements. We suggest that this section of the bill be revised to state whether comparability with private industry shall be determined on a nation-wide basis or on a geographical area basis.

Section 1002(a)(2), line 20, page 62, refers to all liabilities of the Post Office Department, while line 25, page 62, and line 1, page 63, seem to limit the transferred liabilities to those related to unexpended appropriation balances only. Accordingly, we suggest that "its" be inserted between the words "all" and "liabilities" on line 25, page 62, and that the words "chargeable thereto" on line 25 of page 62 and line 1 of page 63 be deleted. Also, we suggest that the words "including the balance in the Fund" on line 4, page 63, be deleted, because such balance is part of the assets already mentioned on line 4.

Subsections 1003(a) (b) and (d) provide for the establishment of the Postal Service Fund, a revolving fund within the Treasury of the United States. Provision is also made for the deposit of the Authority's funds and for their withdrawal by check.

We believe these subsections could be deleted since the Government Corporation Control Act (31 U.S.C. 867 and 870) provides similar authority for Government corporations.

If this recommendation is accepted, subsections (c) and (e) should be modified to delete reference to the "Fund" and refer instead to the "Authority" or "funds of the Authority" as appropriate and lines 1 and 2 on page 62 should be deleted.

Section 1005 and section 1006 would authorize the Authority to borrow money and to issue and sell such obligations to the public, in an aggregate amount not exceeding \$10 billion outstanding at any one time, as it determines necessary to carry out its functions.

We are concerned that the issuance of bonds to the public by the Authority would result in higher financing costs than would be incurred if the Authority used the financing facilities of the Treasury Department. Studies made by our Office have disclosed that interest costs are generally higher when agencies obtain financing directly from the public rather than through the facilities of the Treasury Department.

We have no way of knowing precisely the amount of bonding authority which the proposed Authority might use in future years nor can we be certain of what interest rates the Authority might have to pay. If it is assumed, however, that the average bond indebtedness of the Authority were to be \$2 billion, and the interest rate paid by the Authority on its bonds was, on the average, one-half of one percent higher than the interest rate at which the Authority could have borrowed from the Treasury, the added cost to the Authority would be \$10 million annually. If borrowing authority is to be granted, we therefore recommend that the bill be revised so as to provide that the Authority may borrow all of its funds from the Treasury rather than borrow directly from the public.

If this recommendation is accepted and in order to retain the flexibility that borrowing from the public would provide, a provision could be added to the bill whereby the bonds issued by the Authority and purchased by the Treasury need not be taken into consideration with respect to the limitation on the amount of the public debt prescribed in the first sentence of section 21 of the Second Liberty Bond Act, as amended, 31 U.S.C. 757b.

Section 1008(d) provides that nothing in that section shall be construed as denying the Authority the power to obtain audits and reports by certified public accounting firms. We note, however, that under section 209(3) of the bill, the Government Corporation Control Act (Chapter 14 of title 31, United States Code) would be applicable to the Authority except where otherwise expressly provided. Since section 301(d) of that act (31 U.S.C. 866(d)) prohibits such audits by certified public accounting firms unless otherwise expressly provided by law, we believe the words "or in section 301(d) of the Government Corporation Control Act (31 U.S.C. 866(d))" should be inserted in line 20, page 71, following the word "section."

Section 1201(b) states that by January 1, 1978, revenues from rates and fees, when added to the appropriations to cover revenue foregone for handling free and reduced rate mail, are to be adequate to meet current and projected costs of the Authority.

Section 1201(d) provides, however, that the Authority shall take into account the financial impact of any proposed changes in the rate structure upon affected mail users and, at its discretion, may achieve the general policy goals of section 1201(d) over a duration of time appropriate in view of such financial impact. Section 1201(d) also provides that the President may request appropriations as a result of such determinations but that the Authority is not relieved of its general policy obligations under subsection (b) of this section.

It appears that if the Council determines that rate changes should be made gradually because of the financial impact on postal users, the Authority may not be able to operate on a break-even basis by January 1, 1978. If this should happen, then the President may request appropriations to cover any loss incurred. We suggest that the bill clarify whether it is intended that further appropriations will be made if a break-even basis is not achieved by January 1, 1978.

Section 1251(d)(2)(v) provides that the commissioners can conduct entire proceedings off the record with the consent of the parties.

We suggest that this provision be deleted from the bill so that all hearings will be recorded and open for inspection by authorized bodies such as the General Accounting Office and the Congress. Such inspections would provide some assurance that hearings conducted would be objective, comprehensive and fair to all parties concerned. It would provide a better basis for evaluating the soundness of any proposed changes to rates.

Section 1253(d) would authorize the Authority to implement, on an interim basis, postal rate revisions. We believe the bill should provide that any postage paid or revenues received for other postal services procured during periods the interim postal rates are in effect shall be considered valid and final payments for postal services rendered during that period (to the extent that such payments are otherwise valid) and no adjustments or claims shall be due the Authority or postal patrons on account of the expiration of the interim postal rates.

Chapter 16—Transportation of mail

We note that section 1605 provides, in effect, that unless otherwise specifically provided, contracts for transportation of mail may be entered into only after advertising except when the Authority determines that the waiver of such advertising requirements is in the public interest. We agree that full and free competition in the award of contracts for the transportation of mail is important to economical procurement by the Government. However, we feel that the requirement for advertising is largely nullified by the exemptions therefrom contained in sections 1637, 1653(a), 1653(c) and perhaps section 1680, which we understand was inadvertently omitted from the bill. We urge that the Congress thoroughly consider whether such exceptions from the advertising requirements are justified in the interests of economical contracts for mail transportation.

Section 1637 would provide that the Authority may enter into special contracts with carriers to pay lower rates or compensation, and if in its judgment conditions warrant, to pay higher rates or compensation to carriers than those fixed by the Interstate Commerce Commission. We suggest that the language of this section be clarified to indicate under what conditions the Authority would be allowed to enter into such special contracts and to pay higher rates or compensation than those fixed by the Interstate Commerce Commission.

Chapter 18—Miscellaneous

Section 1804 provides in part that the Authority may refer any debt which is uncollectible through administrative action, to the General Accounting Office for collection.

Inasmuch as we do not collect debts for Government corporations and such action would seem inconsistent with the Authority's power to settle and compromise claims by or against it (section 205(11)), we suggest that such provision for referring debts to our Office for collection be deleted from section 1804.

We note what appear to be several technical errors as follows:

The word "council" in line 2, page 17, should be "Council."

The reference to section 808 in line 11, page 59, is believed to have been intended to be to section 809.

The reference to section 1701 in lines 22 and 24, page 121, should be to section 1704.

The words "of the" in line 2, page 126, should be deleted.

Sincerely yours,

R. F. KELLER,

Assistant Comptroller General of the United States.

CIVIL AERONAUTICS BOARD,
Washington, D.C., January 28, 1970.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to your request of January 9, 1970, for the Board's views on H.R. 15430, a bill "To modernize the United States Postal Service, to provide for efficient and economical postal service to the public, to improve postal employee-management relations, and for other purposes."

The Board recognizes that the objectives of the bill to modernize the postal establishment and to improve the postal service are desirable but defers to the views of the Congress as to whether the organizational reform provided by the bill is best suited to achieving these objectives. However, the Board is opposed to the provisions of sections 1653(a) and (c) of the bill allowing the United States Postal Service Authority, which would be established, to contract for the transportation of mail by air at rates different from those fixed by the Board.

As you know, on August 8, 1969, Board witnesses testified in opposition to similar provisions contained in postal reform bills (H.R. 4, H.R. 11750 and H.R. 13124) which were the subject of hearings by your Committee. The Board's opposition was based, in part, on the fact that a contract system would encourage uneconomical mail rates; that the carriers would be forced to try to shift part of their mail costs to other classes of traffic if they failed to recoup full costs for postal service from postal contracts; and that the Board's authority under existing law for the fixing of mail rates was adequate to insure that the postal authorities would pay only a fair and reasonable rate for the transportation of mail.

The reasons set forth at the hearings of last year are applicable with equal force to the provisions of sections 1653(a) and (c) of the bill. With respect to the proposed inclusion by section 1653(a) of supplemental air carriers in the group of carriers that would be eligible for postal contracts with the Authority, the Board believes that the experience of the military establishment in formerly following a competitive bidding system for military business suggests that the supplemental air carriers could encounter serious problems. In the 1950's, the military establishment granted contracts for its business on the basis of competitive bidding by unregulated and regulated carriers. The result was that carriers contracting for a large share of the military's business which did not have substantial backup systems ran into great economic difficulties. The Board's information is that one carrier became bankrupt and several others were in dire financial

straits. Similarly, if the supplemental air carriers, which are not authorized to carry mail except in limited instances and which do not have extensive backup systems, were required to engage in cutthroat competition in order to obtain postal business, they could be led to contract at unnecessarily low rates. The result would be that their economic health would be seriously undermined.

The Board has difficulty with the provision in section 1653(a) allowing the Authority in the case of non-priority mail to pay "rates * * * which are not higher than those contained in tariffs * * * on file with the Civil Aeronautics Board for air transportation of property, other than transportation of mail, on a space available basis." The Board believes that the provision is unworkable since it provides no standards for determining the property rates to be used as a measure for the postal rates. There are a multiplicity of rates on file with the Board for the transportation of cargo on a non-priority basis. These rates vary in significant degrees, depending upon the volume, directionality and characteristics of the traffic, and the value of the service involved. In light of this, it would be impossible to determine which particular cargo rate, or rates, should be used as the ceiling for a rate for the transportation of mail on a non-priority basis. Furthermore, the Board believes that the provision is unnecessary since the Postal Service Authority would be presumed to have every incentive for moving the mail at the lowest possible cost. Also, the provision could restrict the flexibility of the Authority if it desired, as the postal authorities have suggested, to pay premium rates for special services in order to upgrade the mail service during off-peak periods.

Apart from the foregoing, the Board believes that incorporation in the bill of provisions similar to sections 1653 (a) and (c) is highly undesirable at the present time. As the Board advised you in a letter dated October 27, 1969, the Senate Committee on Post Office and Civil Service, after hearing testimony from the Board and the Postmaster General on postal reform legislation, requested the two agencies to confer in an attempt to develop mutually satisfactory legislation governing the transportation of mail by air and the establishment of rates therefor. The agencies' staffs have held a series of meetings at the Post Office Department, and draft proposals have been developed for changing the current method for establishing service mail rates. These proposals are being given serious consideration by the two agencies, and we are hopeful that something can be developed which will accommodate both the objectives of the Board and the Department. In light of this, the Board believes that further opportunity should be provided for the Department and the Board to resolve their differences.

Time has not permitted securing advice from the Bureau of the Budget as to the relationship of H.R. 15430 or this report to the program of the President.

Sincerely yours,

SECOR D. BROWNE, *Chairman.*

INDIVIDUAL VIEWS OF CHAIRMAN THADDEUS J. DULSKI

My advocacy of postal reform within the traditional framework of the executive branch of the Government—without the disruption and uncertainty of a complex conversion to a corporation—is a matter of public record.

It is based upon exhaustive study of (1) the history and the current operations of the Post Office Department, (2) of proposals to turn the Department over to a public corporation, and (3) of other suggestions for remedies of the admittedly serious postal situation. I believe that I have devoted as much or more personal time and attention to the critical problem of postal reform as any other individual—within or outside the Government.

The validity of my proposal for internal postal reform has been strengthened by much of the evidence received in our extensive Committee hearings. It is confirmed, particularly, by the fine work of the Committee in marking up H.R. 4 right up to the time the reported substitute was adopted on March 12, 1970.

Everything needed for the best possible postal reform was provided for in the bill that was being developed by the Committee up to that time.

But, however that may be, and notwithstanding my personal preference, as Chairman of the Committee it is my duty—a duty I willingly perform—to report the bill as amended and take all steps to present it for consideration by the House of Representatives, as provided in our Committee Rules.

I said at the outset of our Committee deliberations, and have repeated many times, that I will support any concept of postal reform that gives reasonable assurance of accomplishing the task. The Committee in its wisdom has worked its will in voting to report H.R. 4, and I abide by the majority decision.

This statement of individual views, therefore, is not in any way to be interpreted as expressing opposition on my part to necessary postal reform.

On the contrary, these views are presented, first of all, because of my own personal commitment to meaningful postal reform, secondly; they are in recognition of my continuing responsibility to do all in my power to assure that whatever postal reform legislation is enacted will be both workable and effective.

I am prompted to submit these views, also, by other, equally compelling, circumstances which warrant the special attention of my colleagues as well as of those who will be responsible for the administration of our final legislative product.

In a sense, my views are precautionary and reflect my concern with weaknesses and omissions in the Committee bill and the many pitfalls that may result.

The change in our postal establishment provided for by the reported bill is the most drastic—if not radical—transformation in a great public service that has been proposed in the history of our country.

The impact will strike every facet of our national life, since the postal service has a more direct, personal, and day-to-day effect on more Americans than does any other governmental function—including the the national defense.

From one perspective, the United States Postal Service Authority created by the bill has many of the attributes of a “conglomerate”—a multi-billion dollar conglomerate with tentacles that could reach into every business, industry, and home in the United States.

There are few important limitations on its powers, and no protective brakes on the tremendous economic force it could exercise with its 32,000 field offices and its field representatives in every corner of the Nation.

Thus, it seems to me imperative that we examine with the utmost objectivity this corporate creature proposed by the Committee bill before it is launched on its mission to give the public a new kind of postal service.

My chief concern is, and always has been, that the achievement of postal reform not be accomplished at the expense of essential public services, excessive charges to users of the mails, or abridgement of legitimate rights of postal employees. There is potential danger on all three of these counts in the reported bill.

The proposed new Postal Service Authority would be obligated to pay its own way after 1978, except for a minimal “public service allowance” consisting of the difference between income from mailings at preferential rates and the incomes such mailings would generate if they paid regular rates.

Thereafter, the Authority will have to depend entirely on revenues and borrowings. It will have no access to appropriations other than for a minimal public service allowance.

To meet these financing limitations, the inescapable conclusion is that the Authority will be forced to sharply reduce postal services or increase postage rates excessively, or both. There is simply no other way to close the multi-billion dollar gap between income and expenses in the face of the ever-increasing volume of mail.

One way to correct this situation would be to continue the present Postal Policy Act and the public service allowance which has been in effect for a number of years and has worked well in the interests of the public and the postal service. The reported bill, however, wipes out this policy.

The reported bill also would have our 750,000 postal employees embark on an uncharted sea of labor-management relations. They would give up their historic and highly beneficial right to have their most important benefits established by the Congress.

Instead, they would “collectively bargain” with management under the Taft-Hartley Act. Unlike in the private sector, however, management would control the major bread-and-butter benefit—salaries—while employees would lack the customary equal leverage of the right to withhold their services.

Compulsory arbitration in my judgment is not an adequate substitute to protect the employees.

At the same time, the postal employees would be losing the greatly prized status of competitive civil service tenure. Their protection under civil service laws and regulations would be removed, and their appointments, promotions, and employment security would be subject to procedures established by the Authority.

The financial provisions of the bill are another matter of very real concern.

The Authority would be allowed to use up to a maximum of \$500 million per year of its borrowings to defray its operating expenses.

One of the most critical problems facing the Post Office Department today is the lack of funds for capital improvements. The use of borrowings for operating expenses could seriously deplete funding for capital improvements and further delay modernization of facilities and equipment.

Continuation of an adequate public service allowance would permit the Authority's borrowings to be applied exclusively to capital improvements, with an attendant reduction in interest costs to the taxpayers.

Another doubtful provision is the establishment of a panel of Rate Commissioners in the Authority to recommend postage rates. These rates would become effective unless either the House or the Senate, within 60 legislative days after receiving the recommendations, adopts a resolution of disapproval by a two-thirds majority. This well could open the way to excessive and discriminatory rates.

Finally, with respect to the general subject of finance, the treatment of parcel post rates and revenues in this bill is completely inconsistent with the asserted policy that the postal service is to pay its way.

Under present law, parcel post is the one single postal activity that is subject to a specific requirement as to the relationship between the expenses incurred and the revenues produced.

In effect, the Postmaster General may not withdraw from the Treasury any funds to operate the Post Office Department unless the gap between parcel postal expenses and revenues does not exceed 4 percent. The only exception is contingent upon his request to the Interstate Commerce Commission for such reformation of rates or conditions of mailability, or both, as will close the gap to within 4 percent.

Under the reported bill, this long-standing and well-tested policy would be struck out of the law, with nothing to replace it. It seems to me that at least its essential purpose should be maintained. One way is by restoring the four percent maximum variation and substituting the Rate Commissioners for the Interstate Commerce Commission as the body to prescribe rates and conditions of mailability. This is the procedure agreed to by the Committee in marking up H.R. 4 prior to its adoption of the substitute language contained in the reported bill.

The postal transportation provisions of the bill constitute another probable area of future difficulties if the reported bill becomes law. The broad new contracting discretion granted the Authority in dealing with the airline and trucking industries is the focal point of my concern in this matter.

The Authority would be empowered to make contracts for air transportation of the mail virtually without regard to the commercial air transportation policy laid down by the Congress and the related congressional mandate to the Civil Aeronautics Board.

Contracts could be negotiated with scheduled certified carriers without any reference at all to rates and other conditions prescribed by the Civil Aeronautics Board.

This cuts squarely across the jurisdiction of the Committee on Interstate and Foreign Commerce and the Civil Aeronautics Board. It could seriously impair national air transportation policy.

The same is true, although possibly to a lesser extent, with respect to the new power the bill vests in the Authority to obtain transportation services from the trucking industry.

It would be possible for the Authority to demand transportation of mail even from trucking firms which are entirely unsuited to such transportation by reason of the nature of the services they customarily render the public. Moreover, the terms and the compensation for such transportation would be subject largely to the discretion of the Authority.

LEGISLATIVE HISTORY

Apart and aside from the foregoing precautionary comments, the legislative history of this bill certainly should include a complete record and chronology of the activities and events which led to the introduction of postal reform legislation, its consideration and perfection in Committee, and the last-minute decision reflected in the reported bill.

In retrospect, the true genesis of the postal reform movement was the breakdown of operations in the Chicago postal facility in October of 1966. The record shows clearly that this breakdown was the fault of management, which had the power to take available corrective action, but failed to heed the warnings and pleadings of its own Chicago staff.

Nevertheless, the breakdown motivated the public recommendation by former Postmaster General Lawrence F. O'Brien that conversion of the postal service to a public corporation was necessary to forestall what he deemed to be imminent catastrophe.

Whatever the substantive merits of his proposal may have been, it did alert both the public and governmental authorities to a full awareness of the precarious state of our postal facilities and the urgent need for corrective action.

The next step was the appointment by former President Lyndon B. Johnson of a blue-ribbon "President's Commission on Postal Organization," headed by Frederick R. Kappel, retired Chairman of the Board of the American Telephone and Telegraph Company.

The Commission was directed to analyze all phases of postal activities and, on the basis of its findings, recommend such reformation of the postal establishment as it deemed necessary to guarantee the American public the first-class postal service to which it is entitled.

The Kappel Commission submitted its final report, with four large volumes of "annex" material, in June 1968.

I had initiated my own study of the postal system earlier and, immediately upon release of the report, I undertook an exhaustive study of the Commission's recommendations, as well as the supporting documents.

These studies satisfied me very early, beyond question of a doubt, that general postal reform was one of the most critical issues facing the 91st Congress.

My studies were objective throughout. I did not begin with a predetermined conclusion. Rather, I considered in depth all of the alternate approaches to postal reform.

As a result, I became convinced that the best prospect for effective reform was to work within the basic departmental structure, rather than to change over to a corporation.

The manifest necessity for postal reform was my chief concern, as Chairman of the Committee, as we approached the 91st Congress and I initiated appropriate and well-reasoned legislative preparations.

Accordingly, on the first day of the Congress, January 3, 1969, I introduced H.R. 4, the most comprehensive postal legislation ever placed before the House of Representatives.

As I informed my colleagues in the House that day, I did not contend that my bill was the perfect and final solution. Rather, it was a good beginning, a solid legislative foundation upon which our Committee could build true and meaningful postal reform.

To this end, I attempted on numerous occasions to commence public hearings so that those with special expertise in this field could offer and give counsel to us in our deliberations.

Postal and other Administration witnesses refused to testify until—as they said—they had completed their own studies and decided upon a policy they could support.

Finally, on April 22, 1969, I opened the hearings and took the unprecedented action of testifying as the first witness. Further delay was unthinkable.

As things developed, it is fortunate that I forced the issue; otherwise no reform bill at all might have been written in this Congress.

During the next five months I conducted 35 days of hearings and publicly demonstrated the importance I placed personally upon postal reform by attending all but one of them. Each and every interested party was given full opportunity to be heard. The Postmaster General testified on five different occasions and, had he wished, could have appeared more often.

I might note that, despite my own philosophical opposition to a corporate postal structure, I afforded considerably more time to corporate proponents than to those in opposition to it.

This is in line with my conviction that postal reform is a vital necessity in the public interest and that all pertinent testimony should be heard.

On September 18, 1969, our Committee began deliberations in executive session to mark up a postal reform bill. The Committee was divided on the question of an appropriate structure and, as a result, rejected the corporate form and voted to mark up H.R. 4. This crucial vote was free of pressure and lobbying on my part and was unquestionably a free expression of choice.

During the next six months and until March 12, 1970, I scheduled 24 executive sessions and attended all of them. Up to and including March 10, 1970, we had marked up six titles of H.R. 4, reflecting many perfecting changes from my original bill—most of which I favored.

Interestingly, on March 4, 1970, the Citizens Committee on Postal Reform, the affluent and main lobbyist for a postal corporation, ran a half page advertisement in the Washington Post and cited these four key elements as essential to "true postal reform"—

- (1) removing the Postmaster General from the Cabinet, so as to permit efficient continuity of management, and elimination of politics from the postal service;
- (2) providing for collective bargaining between postal management and employees to determine wages and working conditions;
- (3) setting postal rates upon recommendation of a panel of expert rate commissioners subject to congressional veto; and
- (4) authorizing issuance of bonds to obtain adequate financing so as to totally modernize the postal service.

In fact, three of these four elements already had been adopted by our Committee in H.R. 4 and the fourth, having been substantially perfected, was the next item on the agenda. Yet, the group's advertisement ignored these known facts and roundly condemned H.R. 4.

This is but one example of the flagrant misrepresentations made on the part of some of those in favor of a postal corporation. Had these parties demonstrated, instead, a sense of fairness and objectivity in their judgment and criticism—had they been willing to discuss issues and work together with me for meaningful reform—had they not closed their minds to possible alternatives—effective legislation could have been reported much sooner and the House would not now be confronted by a bill that is founded in doubt, indecision, and irrelevant pressures.

The prototype of the reported bill first came to light on December 18, 1969, in the form of a purported compromise agreed to by the Administration and the postal unions.

It consisted of a verbal presentation to the Committee, sketching out in surprisingly general terms what its proponents conceived to be a modified corporate-type service coupled with a concession to postal unions aimed at obtaining their support. It was even suggested that day that the Committee report this proposal immediately, without a single word of it yet available in writing.

This prototype understandably lived a short life in our Committee and was soon disavowed by most of its originators.

Yet, in order that no possibility be overlooked—and despite some misgivings—when the Congress reconvened this year I undertook on my own to explore certain variations of the December 18 proposal that might open the way to general agreement on the part of the Committee.

My efforts were sincere and diligent. I assigned my staff almost exclusively to working on this exploratory project.

Unfortunately, there was no truly responsive spirit of compromise by other interested parties.

When my efforts proved unavailing, I had no alternative but to proceed with marking up H.R. 4.

On March 5, 1970, I was apprised of a new postal reform proposal which included certain postal employee salary benefits. This package had been agreed upon by the Postmaster General and one of the major employee unions. It was printed the following day, March 6, in the form of a one hundred forty-eight page Committee Print.

I will not dwell upon the pressures then brought to bear upon our Committee members, except to say that I personally have never adopted tactics of this kind.

On March 12, 1970, the Committee Print, with only two minor amendments, was offered as a substitute for the entire text of H.R. 4. Action came on a motion that precluded any amendments—perfecting or otherwise—and forced a final vote at the same meeting, thus sharply restricting discussion.

The reform provisions of this substitute are substantially identical to the reform provisions of the abortive proposal of December 18, 1969, referred to earlier. The salary proposals were less generous.

Nevertheless, a substantial majority of the Committee voted to report H.R. 4 with the substitute language.

The record of these events and proceedings is truly unique in the experience of the Committee on Post Office and Civil Service.

T. J. DULSKI.

INDIVIDUAL VIEWS OF CONGRESSMAN ARNOLD OLSEN

The main purpose of my incorporating individual views in this Committee report is to emphasize and corroborate the studied, sound and reasonable views of the Committee Chairman, Thaddeus Dulski, which immediately precedes these paragraphs.

Though it is a temptation for us to cursorily glance at Committee reports and toss them aside, especially those portions pertaining to individual views, I hope each of my colleagues who intend to cast a vote on H.R. 4 will studiously absorb the remarks of Chairman Dulski, especially as they pertain to those provisions in the bill regarding postal employees, financing, transportation, rate-making, and the public service aspects of the Post Office incorporated in present law.

I especially want to emphasize the protection of public services under the Postal Policy Act fashioned in Congress through years of deliberations. This Congressional policy protects such items as free mail for the blind and handicapped, reduced rate for libraries, non-profit organizations, classroom publications, within the county newspapers, books and records and other educational material, and a percentage of the cost of operating rural and star routes and third and fourth class post offices.

For those of you whose constituencies lie in the Western Mountain States, such as does mine, you will want to be especially mindful of the fact that the Postal Policy Act provides for an appropriation by Congress in excess of 122 million dollars a year to ensure complete rural postal service. It specifically provides for 10 percent of the cost of operating third class post offices, 20 percent of the cost of operating fourth class post offices, 10 percent of the cost of operating star route service and 20 percent of the cost of operating rural route service, which services are so vital and necessary to the way of life in rural America. I insist and maintain that the postal service should be equal for all Americans, urban and rural alike. Already, under the guise of efficiency, I see this present Administration consolidating rural routes, closing down third and fourth class post offices, and generally eroding the rural postal service in the State of Montana.

I, for one, cannot and will not support or condone legislation which would give a profit-minded authority or corporation (or whatever you might call it) the power to diminish rural service without the full approval and consent of this Congress.

I think an extreme example of why we should approach postal reform with caution has been born out in the last few days by the request of the Administration to saddle the ordinary citizen with a burdensome increase in first class mail rate to 10 cents. Such a proposal is more than a postal increase, it is a tax or revenue measure and would in the next fiscal year amount to an increase of more than \$2

billion in first class postage for the ordinary citizen. This, as the Chairman of the Senate Post Office Committee said, is unconscionable. It is politically unrealistic! It is, however, the type of request this Congress would be faced with frequently should we pass H.R. 4 which stipulates that the Post Office should be on a break-even basis within five years (except for a small public service appropriation), and even the piddling public service appropriation could be wiped out by this legislation after 1978.

CONCLUSION

May I again remind those who are reading my own individual views, that such views are an addendum to and in support of the views of the Committee Chairman.

Again, I urge you to study those views, especially those views relating to the aspects of H.R. 4 and its provisions for postal employees, financing, transportation, rate-making, and public service.

ARNOLD OLSEN.

SUPPLEMENTAL VIEWS OF HON. JAMES M. HANLEY ON H.R. 4, AS AMENDED

I reluctantly supported the Postal Reform and Salary Adjustment Act of 1970 as it was approved in Committee on March 12. I believed, and still believe, that the issues of postal reform and pay should have been dealt with separately. The marriage of the two issues in this bill is unfortunate. In particular, the Postal Authority as it is established in H.R. 4, as amended, is not the best approach to postal reform. Both the interest of the public and the postal employee would have been better served by the reform measures which were being worked out by the Committee prior to March 12.

I ultimately supported the compromise proposal because I became convinced that it was the only measure which would receive broad support in the Committee and on the Floor of the House. In the final analysis, my dual commitment to postal reform and adequate pay for postal employees required that I vote for the bill with the most reasonable chance for success.

Nevertheless, the approved bill has glaring deficiencies in connection with postal supervisors which should be corrected on the Floor of the House.

H.R. 4, as amended, prevents postal supervisors from having any meaningful voice in the bargaining process. For more than 60 years, postal supervisors have had this voice, and I strongly feel that the should be able to bargain with management on a par with other employee unions.

H.R. 4, as amended, also severely discriminates against supervisors in the areas of pay and time-in-grade to reach the top step of their respective PFS levels. The two-step increase applies only to the first six PFS levels. The provisions for reducing to eight years the time it would take to rise to the top step of a level applies only to "labor grades," effectively eliminating supervisors from this benefit. The combined effect of these two provisions would be to deny supervisors a much-needed pay raise and to reduce the already inadequate differential between supervisory and nonsupervisory pay.

I will, therefore, offer a series of amendments on the Floor of the House which will—

1. give postal supervisors collective bargaining rights similar to those enjoyed by other employee unions under Section 807;
2. extend the two-step increase provided for levels 1 through 6 in Section 201 of Title II to the first 19 levels of the Postal Field Service Schedule;
3. provide that employees in *all* levels could attain the top step of any level within 8 years; and
4. require that a representative of the postal supervisors be a member of the Postal Service Advisory Board provided for in Section 212.

Adoption of these amendments will strengthen H.R. 4 and provide equity for *all* postal employees.

HON. JAMES M. HANLEY, M.C.

SEPARATE VIEWS OF HON. WILLIAM D. FORD

In adding my individual and separate views to those of other members of this Committee, I wish to associate myself with the general observations and remarks made by the Committee Chairman, the Hon. Thaddeus Dulski, and the Hon. Arnold Olsen, a ranking member of the Committee, which appear above.

In adopting a complete substitute for H.R. 4, as amended, the solid progress toward true postal reform made after many months of work by the Committee has been brushed aside. I don't think we can place too much emphasis on the issue which this recent action of the Committee ignores. That issue is framed best by asking: (1) will the postal service continue to have as its primary mission the operation and maintenance of a system of communication available to each and every citizen of the country regardless of his geographic location or economic status, or (2) will the postal service as we have known it throughout its history in our country be changed into a revenue producing or profit-motivated, Government-owned corporation outside the effective control of the elected officials of the executive and legislative branches of our Government who are answerable directly to the people for the operation of the postal service?

Clearly those who support the Committee adoption of a package apparently written in the White House basement, must either disregard the alternatives posed by this issue or decide in favor of the second alternative which chooses profit instead of public service as the motivating force of the U.S. Postal Service.

My objection to reporting H.R. 4, as amended, to the House of Representatives is based on two additional key issues; the first involving Committee procedure, and the second, Committee jurisdiction of a vital part of this bill.

The Committee substitute which this report accompanies is *not* the legislation on which our Committee spent 25 executive mark-up sessions. It is, instead, a package which was devised in secret and forced out of Committee in a maneuver which does not do justice to the integrity of the Committee.

The legislation which comes to the House as H.R. 4 restructures the entire Postal System in such a manner as to directly affect the livelihood of 750,000 employees and indirectly affect every citizen of our country. It is nothing less than astounding that the majority of the Committee would choose to take this dramatic action under a procedural motion which prevented debate or amendment, and, in fact, did not even allow for the measure to be read. This was done by adoption of a procedural motion which reads, in part, as follows:

[T]hat the Committee thereupon proceed immediately, with no further motion, debate, or intervening proceedings, to vote on the substitute; and that the bill then be reported to the House of Representatives.

Aside from the fact that the Committee action in reporting this substitute scrapped six months of work on the original H.R. 4, the gag-rule under which this substitute was adopted does not, in my estimation, lend itself to responsible legislating.

It would be reasonable, therefore, for this bill to be recommitted so that the Committee can give proper and adequate consideration to every feature of the measure which is now urged upon the House.

The second point of my objection lies in the fact that this legislation indirectly amends the Labor Management Relations Act of 1947, (Taft-Hartley) a statute which is clearly outside the jurisdiction of the Committee on Post Office and Civil Service.

Under the definitions of the Taft-Hartley Act, the term "employer" excludes "the United States or any wholly owned Government corporation". The bill H.R. 4, creates the U.S. Postal Service Authority, a wholly-owned Government corporation, and, in Section 807, applies in a restricted manner, the provisions of the Labor Management Relations Act of 1947 and the Labor Management Reporting and Disclosure Act of 1959.

Thus, the bill H.R. 4 clearly establishes a special exemption for the Postal Service Authority from the language of the Labor Management Relations Act which excludes wholly-owned government corporations from its coverage.

Those responsible for the 1947 Act obviously had good reason to exclude government corporations, and if this exclusion is in need of review, then the proper reference would be to the Committee on Education and Labor, which has jurisdiction over this matter.

Mr. George Meany, president of the American Federation of Labor and Congress of Industrial Organization, placed this issue in perspective when he testified before the Committee on July 30, 1969.

Said Mr. Meany: The philosophy of the administration is that the postal service is not sufficiently governmental for employees to continue to have all the rights and protections of Government employees, but that it is sufficiently governmental for postal workers to continue subject to most of the restrictions and disabilities of Government employees. They are, to some extent, to have the worst of both worlds." (Vol. III, page 1052, hearings on Post Office Reorganization).

Mr. Meany went on to say: "Except as otherwise provided, the Taft-Hartley Act is to apply, though neither its broad framework nor its numerous details were designed for an enterprise such as the Postal Service. Taft-Hartley's broad framework is collective bargaining, with the stimulus for agreement provided by the right to strike and to lockout. Unions are denied the right to strike by H.R. 11750; What of the lockout?"

As I pointed out in the public hearings, many of us have been deeply concerned from the very beginning with what appeared to be a lack of in-depth study of the consequences of a new hybrid structure for labor-management relations that the proposed postal corporation would create for only a part of the Federal employees, to wit, the postal employees.

With due respect to all of my colleagues on the Committee on Post Office and Civil Service, I seriously doubt that any can recite all of the ramifications and consequences of the language of Section 807 of

H.R. 4 as amended, which brings the employees of the Postal Authority under Taft-Hartley and Landrum-Griffin to the extent not inconsistent with the provisions of title 39 as revised by H.R. 4. The inconsistency, of course, is the continuance of the strike ban on these employees.

I do not, in this statement, advocate the precise labor-management arrangement which should be enacted. I merely draw attention to the fact that scant consideration was given the labor-management provisions of H.R. 4 as amended and reported from the Committee. I further suggest that before we alter or revise the language of Taft-Hartley, that we should rely on the judgment of the Committee on Education and Labor to guide us in the proper direction on that issue.

WILLIAM D. FORD.

INDIVIDUAL VIEWS OF HON. EDWARD J. DERWINSKI

The purpose of this statement is to add a footnote to the majority report on H.R. 4 which, in general, expresses my opinion of this legislation.

I was proud to cast my vote with the majority side in reporting H.R. 4 with the feeling that we had cleared the biggest hurdle in accomplishing true postal reform and that we could move smoothly toward that goal.

However, it would be totally unrealistic to ignore the chain of events between the date H.R. 4 was ordered reported from Committee—on March 12—and the date on which this report was filed.

The wildcat strike of postal employees and the subsequent negotiations between Administration officials and employee union leaders has created a whole new atmosphere. While I am satisfied that H.R. 4 as reported by our Committee is a worthwhile vehicle of postal reform, we have yet to see the reform package which was agreed to by those who participated in the postal negotiations.

This unknown factor leads me to wonder whether it is practical to proceed with H.R. 4, to attempt to perfect it on the Floor of the House, or to simply start all over with the forthcoming Administration recommendation.

The March postal walkout was illegal, against the interest of the public and postal employees, and was, in fact unnecessary. Unfortunately, our Committee did not work promptly enough to present a postal reform bill to the Congress at an earlier date, nor was enough attention given to the Committee action on March 12 when the Administration-backed reform bill was approved. I am convinced that had a majority of our Committee acted months earlier as they did on March 12, that the postal disruption would have been avoided.

However, the fact remains that at this point in time we are faced with a new legislative situation. I am dedicated to workable postal reform, which I believe is the only avenue to correcting the defects of the Postal Establishment. At the same time, I believe that the Congress should decide the terms of postal reform, and therefore we should not be stampeded into blind acceptance of any recommendation that comes out of the union-Postal Department negotiations.

I recognize the responsibility of the Administration in facing up to the postal crisis, but the responsibility remains with our Committee to process and refine any further reform recommendations that will be forthcoming.

EDWARD J. DERWINSKI.

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INDIVIDUAL VIEWS OF CONGRESSMAN WILLIAM L. SCOTT ON H.R. 4

While I have joined with my colleague, H. R. Gross, in minority views, I would like to add these supplemental comments.

My primary objections to the bill, as reported by the Committee, are:

1. The almost unlimited control given the Postal Authority, headed by a Director General, over salaries, conditions of employment, postal rates and expenditures of funds without any responsible control over the Authority by either the President or the Congress. In my opinion, all government officials should be ultimately responsible to the elected representatives of the citizens.

2. The probability that all postal workers will have to belong to a union in order to retain their government positions. Compulsory unionism for public workers seems untenable and while it may be argued that Section 14B of the Taft-Hartley Act would apply to employees of the Authority, yet the National Right to Work Committee advises that there are a number of suits questioning the validity of right to work laws insofar as they relate to federal employees or persons employed on federal property.

3. Removal of more than 700,000 postal employees, or roughly one-quarter of all federal civil service workers, from the provisions of the competitive Civil Service Merit System. In my opinion, the appointment and promotion of federal employees through the Civil Service laws and regulations is in the interest of both the employees and the government. Since the bill, as reported, may seem to be ambiguous on this subject, I requested the Comptroller General of the United States to review the bill from this point of view and his reply dated March 31, 1970 is set forth below.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., March 31, 1970.

B-164786.

HON. WILLIAM L. SCOTT,
House of Representatives.

DEAR MR. SCOTT: This refers to your letter of March 13, 1970, transmitting for our consideration a copy of the postal reform bill which was reported out of the Committee on Post Office and Civil Service, House of Representatives, on March 6, 1970. Specifically, you request information regarding the extent to which the rights and benefits of present postal employees would be altered by the provisions of such bill if enacted into law.

Initially, we point out that section 209 of title 39, United States Code, as proposed by section 102 of the bill provides, *inter alia*, that no Federal law dealing with officers and employees of the United States shall apply to the exercise of the powers of the United States

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Postal Service Authority except as otherwise provided in title 39 and except insofar as such laws remain in force as bylaws or regulations of the Authority.

Subsection 801(a) of the proposed title 39 provides that the officers and employees of the United States Postal Service Authority shall be in the postal career service, which shall be a part of the civil service, and that appointments and promotions shall be in accordance with procedures established by the Authority. We believe the intent of subsection 801(a) is to remove postal employees from the competitive service. In the competitive service appointments and promotions are based upon merit and fitness as determined by examinations. See 5 U.S.C. 3304 and 3361. However, as stated, subsection 801(a) provides that appointments and promotions shall be in accordance with procedures established by the Authority. It is evident, therefore, that such personnel actions are not to be subject to the laws and regulations governing the competitive service. Moreover, bearing in mind the language of section 209, as discussed above, we note that the provisions of title 5, United States Code, pertaining to the competitive service, are not specifically made applicable to employees of the Authority.

Subsection 801(a) further provides that the provisions of chapter 75 of title 5 shall be applicable to employees of the Authority subject to the provisions of any collective bargaining agreements and subject to procedures established by the Postal Service (the Authority) and approved by the Civil Service Commission. Chapter 75 of title 5 encompasses provisions derived from the Lloyd-LaFollette Act of 1912 prohibiting removal of individuals in the competitive service except for cause, provisions relating to actions adverse to preference eligibles, provisions relating to removal of hearing examiners, and provisions relating to suspension and removal of employees for reasons related to the national security. Subsection 801(c) of the proposed title 39 specifically adopts the veterans preference provisions of chapter 75 and subsection 1251(b) adopts the hearing examiner provisions. Therefore, we assume that only those provisions of chapter 75 that are derived from the Lloyd-LaFollette Act prohibiting removals except for cause (section 7501) and those concerning national security (sections 7531 and 7532) are subject to collective bargaining agreements and procedures established by the Authority as provided in subsection 801(a).

With the exception of the provisions of title 5 which were formerly known as the Veterans Preference Act and of retirement benefits, which would continue to be provided under the civil service retirement program (chapter 83 of 5 U.S.C.), all compensation, benefits and other terms and conditions of employment would be determined by the Executive Council of the United States Postal Service Authority through collective bargaining in accordance with section 806. No change in those rights occur until affirmative action is taken by the Authority. It is not possible to determine the extent to which benefits such as leave, travel, training, back pay, etc., would be affected by the bill. With respect to unemployment compensation, compensation for injuries and death, life and health insurance, subsection 803(c) provides that the present statutory provisions governing such benefits shall apply to employees of the Authority unless varied, added to, or substituted for pursuant to that subsection. However, the subsection

provides that no variation in fringe benefits shall result in a program which, on the whole, is less favorable to the employees than that in effect on the date the Authority commences operation. Although the bill provides for employee protection through collective bargaining agreements and sets forth procedures for the settlement of disputes, we note that it does not contain any minimum requirements for compensation such as for fringe benefits but, rather, provides only for comparability with the non-Federal sector. See section 805 of title 39 as proposed.

Under subsection 803(d) any employee of the Post Office Department on the effective date of that section would be eligible to transfer to any position within the Government which is open and for which he is qualified. The subsection places no time limit on such transfers. Compare subsection 803(d) of H.R. 11750, 91st Congress, which provides for a one-year period on transfer eligibility.

In summary, it appears that very few of the statutory provisions presently applicable to postal employees would continue to be mandatorily applicable to them under the bill in question. Generally, however, the provisions of the bill are designed to afford postal employees benefits and protections no less than they presently enjoy.

Sincerely yours,

R. F. KELLER,

Assistant Comptroller General of the United States.

For the foregoing reasons I urge that the bill be recommitted to the Post Office and Civil Service Committee.

WILLIAM L. SCOTT.

MINORITY VIEWS ON H.R. 4

The unbelievable circumstances under which this bill, the Committee Substitute to H.R. 4, comes to the Floor are ample reasons for it to be rejected outright.

The "variety" of draftsmen (whoever they are) of this so-called compromise package have themselves, in a bold-face notation on the face of the bill, disclaimed it. I call attention to the note on the first page of the March 6, Committee Print, approved by the Committee, which reads:

"(Note.—This print has been prepared by a variety of persons. It reflects the views of many people in an attempt to reach a compromise. There are sections of it that may need changing and no one person is claiming that this represents a complete and total answer. It is a basis for discussion—a place to start.)"

Matching this disclaimer against the Committee action on March 12, 1970 strains creditability for even the most gullible.

A four-part procedural motion, adopted by a vote of 16 to 8, thrust this package before the Committee and brought it to a vote. The key procedure, offered by the gentleman from North Carolina, Mr. Henderson, was this:

"That I be recognized not later than 11 a.m. today, to offer a motion to substitute, for the entire text of H.R. 4, as amended by the Committee, the language contained in the Committee Print dated March 6, 1970, which is on each Member's desk; *that the Committee thereupon proceed immediately, with no further motion, debate or intervening proceedings* to vote on the substitute; and that the bill then be reported to the House of Representatives."

We believe it is irresponsible legislative procedure at its worst to vote on a 148-page bill under a motion which prohibited debate, intervening proceedings, or amendments, and, in fact, did not even call for the reading of the bill, a bill which most of the Members had not even seen before arriving at the meeting.

The "variety of persons" who drafted the bill admitted it was "a place to start." If the "variety" of unidentified persons were convinced the corporation bill had flaws, why did the "place to start" automatically become the place to stop and blindly vote?

If, as the "variety" assert, "no one person is claiming that this represents a complete and total answer", why was it insisted that the complete and total package be voted without the opportunity for a single amendment?

One can only wonder why the "variety of persons" responsible for this package were fearful of submitting it to discussion, amendment, and scrutiny of the Post Office and Civil Service Committee, for the Committee, up to that point, had been diligent in its examination and review of all the facts, facets, opinions, and proposals regarding postal reform as contained in the original H.R. 4.

Public hearings, before the full committee, began on April 22, 1969, and continued through August 12, 1969, with 33 days of hearings in all. On September 18, 1969, we convened in the first executive session on postal reform. At the next executive session, on September 23, the Committee by a vote of 25-0 voted to take up for consideration H.R. 4—that is the original H.R. 4 and not the embodiment of the Postal Corporation which is now displayed under this bill number. Then in a key vote on October 8, on a 13-13 vote, the Committee rejected the substitution of the Administration's postal corporation proposal.

From that date, there were 22 more executive sessions on postal reform during which the bill H.R. 4 was read section by section and every line open to amendment in one of the most exhaustive, perfecting legislative processes in which we have ever participated.

This progress was interrupted only by the pig-in-a-poke proposal on December 18, when the "variety of persons" insisted that the Committee immediately approve a "compromise" package combining a postal corporation with a postal pay bill. The only problem then was that the compromise had not yet been written, much less introduced as legislation, and even its staunchest proponent later washed his hands of the whole proposal.

But, shortly after 11 A.M. on the morning of the 25th executive session, the Committee abruptly aborted all its long labor and brought forth a hybrid of questionable ancestry which is notable as much for what is excluded as what is included.

It will be argued that some of the Committee work is incorporated in the committee substitute. However, a good deal of the Committee effort is omitted, and more important, questions remain unanswered about new language which is foreign to anything considered by the Committee in its executive deliberations.

One fact would be made perfectly clear about this committee substitute. It establishes a government-owned postal corporation under the camouflage of an "Authority." The language in the Substitute which accomplishes this is identical to the language in the earlier "compromise", H.R. 15430, about which the Comptroller General said: "... the bill would establish the United States Postal Service Authority, referred to in the bill as either the Postal Service or the 'Authority' which, in effect, would be a body corporate and an instrumentality of the United States for the purpose of owning and operating the postal service on a self-supporting basis."

We should make no mistake about the fact that this legislation establishes a postal corporation, and all postal laws which are not reenacted in the language of this bill, are repealed.

With this in mind, and since not a single question could be asked during Committee consideration, many questions should be asked including the following: Why is it necessary to appoint four non-voting Congressional Councilors to the Executive Council of the Authority? If this is intended to impress the Congress that it is "participating" in the operation of the Postal Corporation, it fails completely to even approach this goal.

What will be the true status of employees under the Postal Authority? Is it not a fact that in section 209, the bill states that "*No Federal law dealing with public, United States or Federal contracts, property,*

works, *officers, employees*, or funds, including the provisions of chapters 5 and 7 of title 5, *shall apply to the exercise of the powers of the Authority*”? And section 801(a) states: “Officers and employees of the Authority shall be in the postal career service, which shall be a part of the civil service. Such appointments and promotions shall be in accordance with procedures established by the Authority.” This section goes on to say that such procedures shall be subject to the collective bargaining provisions of the bill. The deceptive language of this section carries the implication that postal employees will continue under *competitive* civil service laws and regulations, which they will not. Employee rights will be arrived at through negotiations.

In section 808(d), what is the significance of the phrase “for each employee of the Authority *who is in a collective bargaining unit*”? How is this provision applied to employees who are *not* in a collective bargaining unit?

Where is the phantom section on parcel post rates? At the beginning of Chapter 12, on Rates and Ratemaking, the index indicates that Section 1203 relates to parcel post rates. But there is no section 1203 in the substitute and no language whatsoever to govern the rates of postage on parcel post. Why was this language omitted?

One final question. At the time the Substitute was adopted, an anonymous memorandum entitled “Personnel Policies of the Proposed Postal Reform Package” was circulated. It contained this paragraph:

“The White House has guaranteed, privately to many persons (Members of Congress included), that if a Postal Reform package agreeable to the Administration reaches the White House first, the President will ‘reluctantly’ withdraw his objections to a July 1st increase and sign such a bill.”

Is this statement true?

It serves no useful purpose to describe the grave rumors which have circulated with respect to the pressures brought to bear on the Members of the Committee. While these rumors should not be used as the basis for opposition to this legislation, nevertheless they cast serious doubt upon the wisdom and action of the Committee.

We earnestly hope that the Members will reject this legislation and recommit it to the Committee where legislation can be drawn to carry out proper postal service reforms.

H. R. GROSS,
WILLIAM L. SCOTT.

