

The White House
Washington

Postal Reform

EXECUTIVE

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BRYCE HARLOW, ASSISTANT TO THE PRESIDENT

THE WHITE HOUSE

SINCE THE RANKING MINORITY MEMBER IS NOT AVAILABLE AT THIS
TIME I SUGGEST THE AFTERNOON MEETING OF WEDNESDAY FEB 11 BE
POSTPONED AT THIS TIME

CHAIRMAN T J DULSKY BUFFALO NY.

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ET-
Script on Postal Reform

Rec'd
1-13-70

Exhibit Postal Reform
EXECUTIVE ④

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PR 11
FG 33-14
FG 18

Use only slides indicated

Title Slide - Major Provisions of Postal Service Act of 1969

The Administration's bill for total postal reform is called the "Postal Service Act of 1969." It provides for the complete modernization of the postal service, in terms of its financing, its operations and its management structure.

Slide #1 - Organization

The Act provides for the creation of a new government agency known as the "United States Postal Service." It is a so-called corporate-form agency. It is not a private corporation, it is owned entirely by the federal Government. The Postal Service would have as its objective to become self-supporting, through economies in operation, within five years. (As you will see later, there is provision for continuing special "public service" mail, through Congressional funding.)

The Postal Service would be headed by a 9-man Board of Directors. Seven would be appointed by the President, with the advice and consent of the Senate, for 7-year overlapping terms. This arrangement - which is common in regulatory agencies - provides for continuity of top policy and the 7-year term goes a long way toward meeting one of the main objectives of postal reform, removing partisan politics from postal operations.

The seven public members of the Board would select a "chief executive officer" who would serve at their pleasure.

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Slide #2 - Board of Directors

This chart illustrates how the 9-man board would work. The seven members appointed by the president serve on a part-time basis -- like the directors of companies in the private sector. The chief executive officer and a chief operating officer also sit on the Board but have no vote on rate matters. They direct day-to-day operations in the postal service.

A 3-man panel of rate commissioners, who serve staggered 6-year terms, is the principal rate setting mechanism as we'll see in a moment. It is important to note that these rate commissioners report only to the presidentially appointed, or public members of the Board.

Slide #3 - Postal Rates and Classes

Whenever operating management wishes to change rates for any class of service, or change the level of service offered, it submits its proposals to the Panel of Rate Commissioners who give public notice and ask if anyone wants a hearing. It holds hearings, makes a record, and studies all aspects of the rate change proposal, including its effect on mailers. The Panel would be authorized to have an expert staff of economists and other specialists to dig into the evidence presented -- by both sides -- to an extent that is just not possible the way postal rates are set now.

The Rate Commissioners report their findings and recommendations to the Board of Directors. On the basis of the record, the Board can decide to adopt, modify or reject the proposals of operating management. Only the public members may vote on rate matters. If the Board does decide to change existing rates, the

change does not take effect until Congress has had 60 days to review it. If, during that time, Congress, by concurrent resolution, disapproves of the rate change, then it does not take effect.

The Panel of Rate Commissioners serves another important function. Operating management can make no change in the scope of services offered without giving the public an opportunity for a hearing. (Again, this differs from present law under which the Postmaster General can cut service in the interest of economy with no public hearing whatever.)

Slide #5 - Finances

Closely related to ratemaking is the whole question of financing.

All revenues from postage would go directly to the Postal Service. They would no longer pass through the appropriations process.

Investment capital would be raised the same way it frequently is in private industry - by borrowing.

The Postal Service would have authority to borrow up to \$10 billion, with a right to obtain at least \$2 billion from the U. S. Treasury. Up to \$1.5 billion could be borrowed for capital improvements in any one year.

These funds will finance a construction and modernization program that will result in major improvements in working conditions and productivity. Such improvements will create new jobs requiring higher skills. Expanded training programs will be undertaken to prepare postal workers for these jobs.

The money saved by increased productivity could be shared by postal workers, by the taxpayers and by post office patrons.

Public service subsidies would be funded by Congress, as at present. Special rates for non-profit mailers, books and records, material for the blind and so on would continue, with taxpayer making up the difference between what these mailers pay and what ordinary mailers pay. That part of the deficit has never been considered a loss on operations, and no change in its funding is contemplated.

Slide #6 - Personnel

All present employees of the Post Office would be transferred to the new Postal Service, with all their leave, seniority, pensions, etc. intact. All officers and employees would be appointed and promoted on a strictly non-political basis.

A new Postal Career Service would replace Civil Service for postal employees. With over 700,000 people, the Post Office is large enough to carry the overhead of its own "little Civil Service" tailored directly to the particular needs of the postal service. There would be protection against arbitrary action and merit would be the basis for promotions.

There is, however, no change in one important Civil Service matter: employee retirement benefits. All past, present, and future postal employees will retain Civil Service pension benefits. For retirement purposes, the Postal Service is "just another agency of government" and its employees will continue their Civil Service pensions just as if there had been no change in organization. Other benefits, including wages, will be determined by collective bargaining between management and the representatives of postal employees. Those employees not represented by unions, such as supervisors, will have their salaries set administratively.

Since the Postal Service remains part of the government, and strikes against the government are prohibited by law, the act provides a method for resolving any impasses which might arise between the parties in their contract negotiations.

The people and the Congress would not stand for a strike of postal workers. The postal service delivers 30 million social security checks a month -- I repeat, 30 million social security checks each month. There are hundreds of thousands of military allotment checks, disability checks, business transactions and 100 million automobile registration cards that go through the mail. All of these are expected on schedule. It would be unthinkable to permit a strike against such a vital public service.

The Act authorizes the parties to adopt any dispute-settling mechanism they choose to. No holds are barred -- they can work out any arrangement they see fit to resolve impasses.

If they fail to do so however, the Act sets up a two-step procedure to insure that impasses are resolved with impartiality and finality.

Disputes would be referred to a Postal Disputes Panel consisting of nine men who have no interest in the matter at hand. (Three come from the American Arbitration Association, three from the Federal Mediation and Conciliation Service and these six pick three more.) The Chairman - whom the group elects - selects three members to review a particular dispute. These three, whose identity is not known to the parties in advance, attempt to resolve any issue that separates the parties, through fact finding and mediation. (They have subpoena power.)

One of the tools at their disposal is to send the issue back to the bargaining table and say "you guys haven't done your homework, you haven't really bargained yet on this one."

If all else fails, the Disputes Panel can, at its option, send an impasse to binding arbitration. In that event, the arbitrators are chosen in the usual way: one by management, one by labor, and one by the other two. Should the other two fail to agree within five days, the head of the Federal Mediation and Conciliation Service picks the third man.

I've gone into some detail on this matter because this is the mechanism that is used in lieu of the right to strike. It is a completely impartial procedure, with a Disputes Panel that will insure that there is a final resolution -- by agreement if possible and otherwise by arbitration -- of all negotiating issues.

Slide #7 - Postal Employment and mail Volume Programs

This graph illustrates where the Post Office will be in 10 years both with and without basic reform. If present trends continue, the Post Office will need over a million man-years -- almost 1.1 million people -- in 10 years to handle the nations mail. That means adding over 300,000 people to the postal payroll in the next decade.

On the other hand, if a modest improvement in productivity -- 2% per year -- can be attained, the Department can get by with only 100,000 more employees. The savings that those 200,000 "phantom workers" represent mean higher wages and lower rates than the post office will have otherwise.

Slides #8 and 9 - Self Explanatory

Slide #10 - How is Public Interest Protected?

The Postal Service Act of 1969 is the charter for the new postal service. It contains many policy guidelines under which Congress directs the postal service be run -- a national service, equitable rates, comparable wages and so on.

The public members of the Board can vote to replace the two officer directors at any time.

- As noted earlier, rate changes can be made only after due-process procedures, including public hearings.
- For the first time, operating management must make its case for any service cutbacks. The Board receives an independent evaluation from the panel of Rate Commissioners.

The Act specifically provides that the Postal Service is required to provide mail service to all the people of the United States, and in the long run there should be expansion and improvement of mail service.

- Congress and the President review the postal budget each year, just as they do for such Government agencies as the Tennessee Valley Authority.
- It may appear obvious, but the charter, or anything relating to postal operations, can be changed by law at any time.
- All criminal laws remain as laws - the Board of Directors has no power to change them. The Postal Inspection Service continues to have the same authority to enforce these laws that it has today.
- Other postal laws (governing wages, rates and so on) become regulations of the postal service. They continue in effect until changed by the procedures described earlier.

The purpose of this legislation is to create a successful postal service. For many reasons, all of them beyond the control of the men and women who run the Post Office, the Department has failed to keep pace with the progress made elsewhere in our economy and with the demands placed upon it by the business and personal communications needs of a vigorous nation.

There are three ingredients to the success of any organization: ideas, resources and management. The ideas are already there -- this bill provides the financial resources needed to bring the postal system into the last quarter of the 20th century. But just as importantly, it provides the organizational structure needed to manage the postal service. Only if the system can be managed effectively can the ideas and resources be put to work.

The Administration's goal is a well-run, successful postal service which will be a source of pride to every postal worker and a first-class service to every American citizen.

Testimony of
Postmaster General
Winton M. Blount
before the
House Post Office and Civil Service Committee

June 12, 1969

Mr. Chairman.

I understand that the Committee wishes to concentrate this morning on the finance and rate-making provisions of the Postal Service Act. Accordingly, let me briefly review Chapters 10 and 12 of the bill.

Chapter 10 covers the finance provisions of the bill. The initial capital of the Postal Service would consist of the equity of the United States in the present Post Office Department, as reflected in the President's budget. The unexpended balances of appropriations to the Post Office Department would be transferred to the Postal Service. Liabilities attributable to operations of the Post Office Department prior to the transfer would continue to be the responsibility of the Department, but liabilities attributable to operations thereafter and liabilities chargeable to transferred appropriations would be liabilities of the Postal Service.

Chapter 10 provides guidelines for the Postal Service and General Services Administration in working out an orderly transfer of properties to the Postal Service, subject to the approval of the Bureau of the Budget. Provision is also made for subsequent transfers of property to and from the Postal Service where this would serve the public interest.

Chapter 10 would establish 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 Bill provides for temporary investment of any surplus money in the fund. Disbursements from the fund may be made in accordance with procedures established by the Postal Service. Operating depositories may be established by the Postal Service with the approval of the Secretary of the Treasury.

Chapter 10 authorizes appropriations in such sums as may be necessary to insure a sound financial transition for the Postal Service consistent with the rate policies of Chapter 12 of the Bill. We would hope, of course, to be able to operate the system so as to need no appropriations, but we have built into the rate policies a concept of gradualism and concern for the impact of rate changes on mail users. In view of these provisions, we think it is desirable to authorize contingency appropriations.

The balance of Chapter 10 contains various provisions related to the authority of the Postal Service to borrow money. Among all the various needs of the Postal System which collectively call out for total postal reform, perhaps none has been so widely recognized as the need for substantial infusions of new capital. In our immensely productive American economy, the Post Office is lagging further and further behind in

terms of productivity. We simply are not giving the postal workers the tools they need to do their job. It now seems very clear that, for years, the level of investment in capital improvements has been inadequate to the needs of the postal system. Moreover, the problems resulting from the inadequacy of our postal facilities and equipment have been compounded by extensive rescheduling of design work and construction as projects have been variously abandoned or accelerated to accommodate changes in appropriations. The Postal Service needs to avail itself not only of substantially increased capital resources, but also of dependable and effective long-range planning for improvements in facilities and equipment. To these ends, Chapter 10 provides broad borrowing authority, subject to full coordination with the Department of the Treasury.

The Postal Service would be authorized to borrow money and issue obligations in amounts up to ten billion dollars outstanding at any one time, but the net increase in obligations for capital improvements would be limited to \$1.5 billion in any one fiscal year. The \$10 billion limitation is realistic, we believe, in the light of our foreseeable requirements over the next decade.

The issuance of obligations by the Postal Service would be thoroughly coordinated with the Treasury Department, which has the right to purchase all such obligations or, at its option, to permit the Service to sell obligations to the public. These provisions are similar, in many respects, to those which provide for financing by the Tennessee Valley Authority.

It is possible that during the early years of its existence, the Postal Service might find it difficult to sell its securities on the open market. Accordingly, Chapter 10 would enable the Postal Service to require the Treasury to purchase Postal Service obligations in a net amount not exceeding \$2 billion. This is the Treasury's maximum mandatory exposure. The interest rates on obligations sold by the Postal Service to the Treasury would be set, under the statute, to produce a yield no less than the prevailing yield on outstanding marketable Treasury securities of comparable maturity.

Within the \$10 billion overall limitation, the Postal Service could market its obligations to the public if the Treasury chose not to take them. The discipline of having to satisfy the investing public of the integrity of the postal operation and of having to live within normal credit restraints would, we believe, be very healthy for the Postal Service. Private investors will not buy the securities if they do not represent good credit risks. We see no reason why, over the long term, the Postal Service cannot be operated in such a fashion as to warrant a credit rating as good as that of any public utility.

The Bill provides for audit of the Postal Service by the Comptroller General of the United States. In addition, the Service is to be permitted to engage an independent accounting firm to audit its accounts and render opinions and reports as required. I believe such authority, which the TVA also has, is essential if the Postal Service is to sell its obligations in the open market.

In summary, the financing provisions of our bill give the Postal Service authority and responsibility over its operating revenues and access to the financial markets for its capital needs. The financial affairs of the Postal Service are subject to policy control, as appropriate, by the requirement imposed by the Government Corporation Control Act that the Postal Service prepare and submit to the Congress, through the President, a business type budget. Further, the financial affairs of the Postal Service are subject to coordination and control by the Treasury in matters affecting Government monetary policy; and they are subject to audit and examination by the General Accounting Office.

Rates and Rate-Making

Let me turn now to Chapter 12 of the Postal Service Act, which deals with rate policies and rate-making principles and procedures.

Mr. Chairman, I am wholly convinced that the Postal Service will be neither efficient nor economical unless its managers are effectively required, by law, to run a self-sustaining operation. Revenue control and cost control must be inseparable functions. Unless they are joined, no one can ever be truly responsible for either one. Moreover, each individual class of service should carry at least its demonstrably related costs of operation. These two policies - a self-sustaining operation and each service bearing its own demonstrably related costs - are the cornerstones of the Bill's rate policy provisions.

Quite obviously a "break-even" exhortation as now written into the Postal Policy Act is not enough to achieve our objectives. In no year

since enactment of the Postal Policy Act of 1958 has the Department's revenue deficiency been less \$204 million. And that amount was exclusive of some \$448 million of additional tax-supported losses which Postal Policy Act guidelines identified as public service costs. On the same basis, the Department's revenue deficiency has ranged as high as \$585 million, despite substantial liberalization of public service cost allowances in 1962.

The Postal Service Act provides that, after a five-year transition period, the Postal Service will be required to conduct its operations in such a way that its overall revenues will cover its overall costs. These costs will include not only current operating expenses, but also depreciation on capital facilities and equipment, debt service, and a reasonable provision for contingencies. The sole exception to self-financing will be the revenue foregone on free and reduced-rate mails specifically identified by the Congress as public service costs. The revenue foregone on such special postage privileges would be financed by appropriations.

Except for free and reduced-rate mail, no postage rate would be set at a level below demonstrably related costs for the particular class or subclass involved. This provides a floor upon which a rate can be built to recover not only the demonstrably related costs but also an appropriate amount of the remaining costs, not traceable to any one service. The proposed legislation does not attempt to specify in detail how such allocation of nontraceable costs shall be made. That determination will

depend upon the type, value, and quality of service rendered, and such market factors as the ability of users to pay and elasticity of demand.

Subchapter II of Chapter 12 provides a comprehensive procedure for rate setting and service changes. Rate and service changes would be initiated by the Postal Service management. Public notice of the proposed change would be required and the change would be filed with a panel of three Rate Commissioners, who with their staff would be independent of the management and responsible only to the Presidentially-appointed members of the Board of Directors.

You will recall that I discussed the procedures for service changes last week. Let me now discuss rate changes.

Following publication of the proposed rate change, interested parties would have thirty days to file objections or requests for hearings, in which case the Rate Commissioners would conduct public hearings. The proceeding would be conducted as a rule-making proceeding under the Administrative Procedure Act, but one which is required to be made after notice and hearing. A formal record could be dispensed with only if the parties consented. The hearings could be conducted only by the Commissioners or their staff, and would proceed in much the same way as hearings before the major Federal regulatory agencies.

Following the hearing, the Rate Commissioners would submit a tentative decision to the Board, and this decision would form the basis of further review. The Presidentially-appointed members of the Board could either

affirm the decision of the Commissioners, or modify it, or reject it and reaffirm the original proposal, all in the light of the record. Affected parties could obtain judicial review of this decision for constitutional, statutory and procedural defects.

In any rate case, the Board would be required to submit the decision of its public members to Congress, along with the recommended decision of the Rate Commissioners and the record of proceedings. The decision of the Board would be subject to veto by concurrent resolution of both Houses of the Congress within sixty days; otherwise, it would become final. We believe the concurrent resolution procedure is an appropriate method of providing for broad policy review of the extensive record made below. A concurrent resolution procedure of this kind is by no means without precedent. We believe that in comparison with the resolution by a single house, which is an alternative that has sometimes been suggested, the provision requiring a concurrent resolution would unquestionably enhance the marketability of the obligations of the Postal Service.

I should point out that international postal rates and fees would not be subject to the foregoing procedure. The Board of Directors would have complete authority to establish these rates and fees, subject to international postal treaties and conventions concluded with the approval of the President, just as the Postmaster General now does. Also, changes affecting special services, such as special delivery, c.o.d., money order, and insured mail fees, would not be subject to Congressional review.

Postmaster General

Under existing law, these fees are set by the ~~SEC~~ without action by Congress.

Mr. Chairman, the Kappel Commission expressed profound concern with the problem of regulatory delay. I share this concern. For this reason the bill provides a full range of procedures which the rate commissioners may adopt to expedite proceedings while, at the same time, ensuring a full and fair hearing for all. In the event that the commissioners are unable to complete their proceedings within ^{three} ~~four~~ months, the Postal Service, like any major regulated industry, may adopt interim rate changes which will remain in effect until proceedings are completed. Finally, the courts are required to expedite such cases.

Chapter 12 also provides that interested parties may file complaints at any time if they believe rates or mail classifications do not conform to the policies set forth in the law. Such complaints would be filed with the Rate Commissioners, the Rate Commissioners would be authorized to hold hearings on the complaint and, if they determine the complaint to be justified, they would recommend to the Board that the Postal Service propose an appropriate change. In such a case, the Postal Service would be required to propose such a change, and the rate-change procedures which I previously described would be followed.

Mr. Chairman, the Postal Service Act provides a rate-making system with checks and balances to assure that all aspects of the public interest will be considered. Five separate groups or bodies would be involved

in the rate-making process: the professional management of the Service; a three-man panel of expert Rate Commissioners, established within the Postal Service but having substantial independence and assurance of continuity; the public members of the Board of Directors; the courts; and the Congress. At the same time, the rate-making system provides a badly needed responsiveness to the needs and desires of the users of the mails and the general public. For instance, if very large mailers are willing to take on presorting tasks which substantially reduce the distribution costs of the Postal Service, the Service could consider a commensurately reduced rate fairly promptly. Similarly, if our market research discloses a substantial demand for new categories of improved Postal Service, appropriate rates could be promptly set to support the new services to meet these demands. In short, the rate-making system envisioned by the Postal Service Act would permit "fine-tuning" of postal rates in ways that are wholly consistent with the public service nature of the United States mails.

Under the Postal Service Act, the Congress would continue to identify the classes of postal users privileged to receive free mail service or rates some specified percentage lower than those paid by other users of the mails. In order that other postal patrons will not have to make up the revenue foregone from preferred-rate patrons, the Bill provides for Congress to appropriate funds to match the postage revenue foregone in providing postal service at free or reduced rates. If the Congress

should fail to appropriate the necessary funds, the Postal Service is required to adjust rates for free and reduced-rate mail patrons by an amount necessary to yield equivalent funds.

The Act continues to provide protection to private parcel carriers as is done in the present law. Parcel post rates under the Act must include carrying charges on all capital employed in providing such service and an imputed charge for the taxes which the Postal Service would have to pay if it were privately owned.

One final but vitally important point relating to the setting of rates: we recognize that too abrupt an implementation of the self-sufficiency provisions of the rate policies could work an undue hardship on some mail users. Therefore, a five-year transitional period is provided during which we are not required to cover total costs. The transitional tolerance represents a policy of gradualism and an awareness of problems which can arise when the rules of the game are changed overnight. Moreover, even beyond the five year period, the Service will take into account the financial impact of rate changes on affected users.

Before the end of the five-year transition period, the pay-off from postal modernization should have begun to be realized. By then, the sharply rising cost curve of past years should have begun to flatten out. As a result, we believe that the momentum of rate increases will also be greatly slowed and the taxpayers will be relieved of all deficit financing. There will, of course, still be appropriations for revenues

foregone on free and reduced-rate public service mail identified by the Congress.

This concludes my prepared statement on the finance, rate, and rate-making provisions of the Postal Service Act.

Testimony of
Postmaster General
Winton M. Blount
before the
House Post Office and Civil Service Committee

June 10, 1969

Mr. Chairman.

I welcome this opportunity to discuss with the Committee the provisions of Chapter 8 of the Postal Service Act, which charters a vastly improved personnel program for all postal employees.

No one recognizes more than the present management of the Post Office Department the importance of a progressive personnel policy. Nothing is more important to the success of our postal service than knowledge on the part of each postal employee that he has a real reason for taking pride in his work; knowledge that there are no political or other artificial barriers blocking his opportunity to advance on the basis of merit; and knowledge that his job, his pay, and his employee benefits are secure against unreasonable or arbitrary actions of any kind.

The greatest asset the postal system has today is its people. But it is quite apparent that the existing personnel and labor relations policies and practices of the postal establishment are not giving postal people the kind of employment they deserve. Today's postal employees fall far behind their fellow workers throughout the country as far as working conditions are concerned. Let me cite a few examples:

1. Working environment. Postal employees, especially in the larger cities, all too often work in buildings that are ancient and overcrowded. Such buildings fall far below the standards that are common in American industry generally with respect to sanitary rest rooms, modern in-house eating facilities,

adequate parking space, work areas with ample aisle room and working space, and work rooms that are well lighted, air conditioned in the summer, and well heated in the winter.

2. Tools to do the job. American industry has learned that to improve productivity, modern principles of industrial engineering must be applied and labor-saving devices must be made available. We have post offices today that have more than ten thousand employees, yet do not have a single engineer on the payroll. Our investment in equipment for our employees is approximately \$1,100 per person, while the corresponding investment in progressive industry may run to 20 or 30 times that much. We are back in the horse and buggy days in respect to the equipment we make available to the vast majority of our people.

3. Supervision. Existing management practices frequently deny the employee the acknowledged benefit of knowing who his superior is and allowing him to work steadily for a single "boss". Instead, during the frantic peak period between six and nine in the evening, we typically ring bells and sound horns and literally maneuver hundreds of our people from one end of the room to another or from one floor to another. This practice, and others like it, smacks more of a Dickens novel than of a modern approach to the utilization of fine (and costly) human talents.

Considering the archaic conditions that hamper their work, our postal employees have done a remarkable job in making our outmoded postal system limp along. But just as our facilities and equipment must be modernized if

the growing mountain of mail is to be handled properly, so must we develop a modern labor relations program capable of meeting the unique needs of the postal system in today's industrial economy. We do not have such a program now.

Postal employees have not been given the kind of stake they ought to have in the success of the postal service.

Their opportunities for advancement, on a merit basis, have been shamefully scanty. Sixty percent or more retire from postal employment in the same grade in which they entered.

The physical surroundings in which they work are, in too many instances, disgraceful.

Procedures for settling the grievances of postal employees are inadequate.

Postal unions do not have the statutory recognition long enjoyed by unions in major industries outside the Government.

The wages of postal employees are fixed by statute and are not subject to collective bargaining. Unlike other industrial workers, therefore, postal employees must compete with the needs of national defense and a number of other priority requirements in seeking wage increases.

Postal employees have not been guaranteed a right to negotiate with postal management over a whole host of other matters that are routinely resolved at the collective bargaining table in private industry.

Agreements negotiated under the system that now passes for collective bargaining in the Post Office are subject to being overridden by future rules and regulations that can be adopted unilaterally by the Post Office Department management. In essence, unions can have their hard-earned labor contract provisions voided by administrative action.

A simple majority of those voting in postal union representation elections cannot determine who their exclusive bargaining representative will be unless at least 60% of all eligible voters participate. No such limitation exists with respect to private industry, although a private service-oriented industry is what the Post Office most nearly resembles.

In short, the labor-management structure that exists in the postal system today is simply not appropriate for a major communications enterprise in today's industrial economy. Change is badly needed; and the Postal Service Act would bring about the kind of change that must take place if labor-management relations in the Post Office are to become the model of excellence they ought to be.

Under the Postal Service Act, 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 the matters -- including bread-and-butter issues like wages and hours -- which their neighbors in private industry have long been able to bargain for. Wages and conditions of employment would no longer be imposed on the employee by "the system"; instead, he would have a real voice in determining these things that affect him so vitally.

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.

The present statutory ban on strikes by Federal employees would, of course, continue. I do not believe that the people of this country

would tolerate a postal strike, nor should they be asked to do so. The public service provided by the postal system is too important to too many people -- including the millions of Americans who are dependent upon the checks they receive through the mail -- for us to recommend that Congress change the law prohibiting strikes by postal employees.

The Post Office delivers some thirty million Social Security checks alone each month. To allow the people who depend on these checks to be subject to the disruptions of a postal strike should be unthinkable.

Moreover, 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.

I am convinced, however, that there must be an absolutely fair and impartial procedure for resolving disputes between labor and management in the Post Office. The Postal Service Act establishes the framework of such a procedure.

In discussing that framework, it is important to distinguish between disputes that arise under an existing collective bargaining agreement, and disputes that occur in the negotiation of a new collective bargaining agreement.

In the private sector, collective bargaining agreements routinely provide that there shall be no strikes during the life of the agreement.

Instead, the normal collective bargaining agreement spells out an agreed procedure for resolving disputes or grievances arising during its life. These contractual procedures for resolving disputes and grievances normally provide for binding third-party arbitration.

It is inconceivable to me that collective bargaining agreements negotiated by the new Postal Service would not contain grievance procedures similar to those that have come to be accepted as commonplace in the private sector. I think it would be a serious mistake, however, to try to define those procedures by statute.

This system has worked very well in American industry generally. Disputes over layoffs, disciplinary actions, and a variety of other matters claimed to be in violation of collective bargaining agreements are processed to a final resolution fairly and expeditiously. I see absolutely no reason why the advantages of such procedures should not be enjoyed within the Postal Service. The parties themselves will be in the best position to decide precisely what kind of procedures best suit their needs, and the Postal Service Act expressly provides that a collective bargaining agreement entered into between the Postal Service and a recognized bargaining agent may include whatever procedures the parties agree upon for resolving disputes.

Disputes arising during the negotiation of collective bargaining agreements present a different type of problem, and the Postal Service Act creates a more detailed procedure for dealing with the impasses that may occur during the negotiating process.

The Act provides that if the parties are unable to agree on the terms of a collective bargaining agreement, they may, by mutual agreement, adopt

any procedure they wish for breaking the deadlock. It explicitly encourages the parties to adopt their own mechanism for resolving impasses. Thus the parties could, by mutual agreement, refer every unresolved issue to a third party for binding arbitration, or they could follow any other procedure that made sense to both of them under the particular circumstances that might then exist. The services of the Federal Mediation and Conciliation Service would also be available to them.

It is entirely conceivable, of course, that the parties may be unable to reach agreement on a procedure for resolving an impasse in negotiations. In that event, either party would have an absolute right to refer the deadlocked negotiations to an utterly impartial disputes panel. The whole point and purpose of the panel is to see to it that the dispute is fairly resolved -- by acting as a catalyst if possible and as a referee if necessary.

Under the statute, the disputes panel would be composed of a total of nine persons, none of whom would be designated by the Postal Service. Three members of the panel would be named by the Director of the Federal Mediation and Conciliation Service, three would be named by the American Arbitration Association, and the remaining three would be named by the first six. This method of selection is designed to insure, as nearly as is humanly possible, that the members of the panel will not be spokesmen for either party to the dispute, but will occupy a truly objective and impartial position. The members of the panel will serve staggered six-year terms, and will select their own chairman. It is contemplated that the chairman would serve full time, but other panel members may, and probably would, serve on a part-time basis. Members of the panel would have the power to compel the attendance of witnesses and the production of documents to assist them in carrying out their work.

In the event that either labor or management exercises its statutory right to demand that a dispute be referred to the panel, the Act provides that the panel shall designate three of its members to act with respect to that particular dispute. These three panelists must be chosen in such a way that neither the Postal Service nor the union will know in advance who the three panelists will be. This built-in uncertainty should make it impossible for the parties to build a negotiating record slanted toward the personality of an individual panelist, and should constitute an additional incentive to the parties to work out their own agreement.

When a negotiation dispute is referred to the disputes panel, the three panelists assigned to the matter in question are charged, under the statute, with the duty of reviewing the entire conduct of the negotiations and determining which issues, if any, should be discussed further by the parties themselves before any action is taken by the panel. When the panel decides that the time is ripe for it to take action on a particular issue or group of issues -- that is, when the panel is satisfied that further unaided negotiations between the parties are not likely to be productive -- the panel can make use of any of a wide range of settlement techniques, including mediation, fact finding, and making recommendations. Flexible techniques such as these have been employed with a high degree of success by the Federal Mediation and Conciliation Service, the Atomic Energy Labor-Management Relations Panel, and other groups.

Ultimately, if all else fails and the parties to the dispute continue to be unable to reach agreement, every item that remains in dispute must be decided by one of two different ways: either the panel must refuse jurisdiction or relinquish jurisdiction over the item in question, which action, by law,

constitutes a binding decision that the practice in effect prior to the commencement of negotiations shall continue with respect to that issue, or the panel must refer the issue to final and binding arbitration by a separate three-member board of arbitration. One member of such board would be selected by the Postal Service, one by the bargaining agent of the employees, and the third by the two thus selected. Failure to agree on the third member within five days would result in the third member's being designated by the Federal Mediation and Conciliation Service.

While the procedure that I have outlined guarantees that every outstanding issue will ultimately be resolved, either on the basis of a decision by the panel itself to maintain the status quo or on the basis of a binding determination by the ad hoc arbitration board, neither party will be able to dictate which issues shall be decided by which group. Here again, an element of uncertainty has been built into the procedure so that the parties will have a real incentive to resolve their own differences.

There are many reasons why it would be a serious mistake to provide automatic recourse to arbitration. Automatic arbitration can destroy the collective bargaining process. Without the safeguard of a screening device like the disputes panel, to insure that frivolous issues are not sent to arbitration and to insure that no issue is sent to arbitration until the parties have exhausted every possibility of reaching mutual agreement, a right of automatic arbitration could sabotage meaningful negotiations.

Recognition by each party that it must deal with the other is absolutely essential if collective bargaining is to work; and a right of automatic arbitration tells each party, in effect, that it does not have to deal with the other. The procedure established in the Postal Service Act insures that there will ultimately be a final resolution of every issue that arises at the bargaining table, but it also provides the flexibility and range of options necessary to insure that the parties fully exhaust every possibility of resolving their differences themselves before resort is had to arbitration.

When the Postal Service commences operations, all employees of the Post Office Department -- with the sole exception of nine Presidential appointees at Headquarters -- will become employees of the new Postal Service, unless they elect to transfer out of the Service. The Service would be required, by law, to establish procedures assuring all employees of meaningful opportunities for promotion and career development and assuring all employees of an opportunity for a hearing on any adverse action. Pending adoption of the new procedures, the existing provisions of the Civil Service laws and regulations would continue to apply. In addition, all existing collective bargaining agreements shall continue in effect until modified by the parties or until they expire by their own terms.

On being transferred to the new Postal Service, postal employees would receive exactly the same wages and would have exactly the same benefits that they enjoyed before, except that such wages and benefits could be improved without an Act of Congress. The compensation and benefits received by every employee of the Postal Service would be subject to a permanent and continuing statutory policy of comparability to the compensation and benefits paid for comparable levels of work in the nonfederal sectors of the economy. (The sole exception to this policy consists of a statutory prohibition against paying any officer or employee of the Postal Service at a rate in excess of the level of compensation specified in Level I of the Executive Pay Schedule.)

The accrued sick and annual leave and compensatory time of every postal employee will be carried forward when the Postal Service commences operations. Such fringe benefits as medical, health and life insurance and unemployment compensation rights would also be continued, subject to improvement through the collective bargaining process. No change in the package of fringe benefits could be made if it resulted in a program less favorable to the employees than that which they previously enjoyed.

As employees of the new Postal Service, postal workers would continue to be covered by the Civil Service retirement program, and the Postal Service would continue to make payments into the Civil Service retirement fund just as the Post Office Department has done in the past.

The new Postal Service would operate on a true merit system. The Postal Service Act would make it illegal for any political test to be taken into account in the appointment or promotion of employees of the Postal Service, and all such personnel actions would be required to be taken on the basis of merit and fitness. Violation of these provisions would result in termination of employment or other disciplinary action.

Postal employees who left the Service to perform military duty would have the same reemployment rights they would have with respect to a private employer. The principles of the Veterans Preference Act would be applied in the same manner as they are in the Tennessee Valley Authority.

The employment policy of the Postal Service would be designed to extend opportunity to the disadvantaged and the handicapped, and the Postal Service would be subject to the equal opportunity policies that prevail throughout the Federal Government.

Mr. Chairman, I am convinced that the Postal Service Act will represent a new bill of rights for the postal employee. It will provide for the retention of all that is good in the existing system and, in addition, it will make it possible for the postal employee to enjoy the very considerable advantages that have long been possessed by his neighbor in private industry.

As I said at the outset, the greatest asset of the postal system is its people -- nearly three quarters of a million strong. Something like one out of every 110 employed persons throughout the United States is working for the Post Office. If we can create a postal service that will permit all of these people to have a sense of purpose, a sense of progress, and a sense of participation, the benefits will be felt not only by the postal service itself, but also by the entire public that it serves.

The Postal Service Act aims at doing just that.

This completes my prepared statement, Mr. Chairman, and I should be happy to try to answer any questions the Committee may have.

Testimony of
Postmaster General
Winton M. Blount
before the
House Post Office and Civil Service Committee

June 4, 1969

Mr. Chairman.

I appreciate this opportunity to appear again before the Committee and to discuss in somewhat greater detail than was possible at yesterday's hearing the chapters of the Postal Service Act dealing with services, transportation of mail and certain other matters.

As I believe I made clear in my testimony yesterday, we regard the Post Office first and foremost as a service organization. Postal service is the principal product of the Post Office Department today, and "Postal Service," with capital letters, is what our total reform legislation is all about.

I have been asked whether the new United States Postal Service would jeopardize the level of postal services existing today. Let me make it clear that nothing could be further from the truth. The prime objective of the new Postal Service will be to see that today's levels of service are not only continued, but, where possible, are improved to meet the nation's growing postal needs.

Our bill provides for the carrying forward of all existing provisions of law regarding postal service, as well as all existing rules and regulations in this area.

In contrast to the situation at present, in which the Postmaster General can cut back service for economy or other reasons, no significant change in postal service can be made, under this legislation, except after

full consideration, with opportunity for the affected users to be heard, and with definite assurance that such changes are in the public interest.

Chapter 4 of the bill defines postal service as the receipt, transmission, and delivery of written and printed matter and parcels throughout the United States, its territories and possessions, and, pursuant to international arrangements, throughout the entire world. The new Postal Service is specifically required, under section 401, to serve as nearly as practicable the entire population of the United States. This chapter also carries over, in a more generalized form, existing statutory powers of the Postmaster General in connection with the provision of postal services.

Postal services will continue to be provided -- on a nationwide basis -- regardless of whether a service or a route is "profitable" in an accounting sense.

At this point I would like to invite the Committee's attention to these provisions in Chapter 12, specifically, sections 1255 and 1256 on pages 82 through 86 of the bill. Under these sections, proposed service changes affecting users on a nationwide (or nearly nationwide) basis would go before the Rate Commissioners after public notice had been given. Interested parties would have an opportunity to present objections. The Commissioners would make a decision on the matter and, unless overruled by the Presidentially-appointed Board members, this decision would be final.

Service changes of a less than nationwide or nearly nationwide scope could be adopted under procedures established after proceedings by the

Rate Commissioners, and these procedures would have to provide, at a minimum, for notice and an opportunity to be heard.

The terms "nationwide" or "nearly nationwide" will require administrative definition. Service changes concerning the airlifting of all first class mail or the provision of Saturday delivery are obvious examples of service matters of nationwide or nearly nationwide impact. The continuance or location of a particular post office, on the other hand, is an example of a service matter of less than nationwide scope.

Section 1256 gives the user an opportunity to lodge with the independent Rate Commissioners complaints concerning either rates or service. The Rate Commissioners can hold hearings on such complaints and render a public report to the Presidentially-appointed members of the Board giving their opinion as to whether the service complained of conforms with the provisions of the Act. The procedure made available by this section could be highly important to the individual mail user, and it is a procedure that has no counterpart in the present postal laws.

Chapter 4 of the bill also imposes two important requirements on the Postal Service: The requirement to accept (except during emergencies) all mail matter, and the requirement that neither service nor rates and classifications be discriminatory.

Existing size and weight limitations for parcels have been retained. Although it is possible that certain of the references in these limitations to classifications of post offices and classes of mail service would, over time, become obsolete, the requirements of this section would remain permanent and the intent of Congress in this area would be fully carried out.

The Postal Service retains the authority to promulgate rules and regulations concerning the preparation of matter and the mailing thereof. The Postal Service may not, under these provisions, refuse to accept any mailable matter because of failure to conform to such rules, although it may levy additional charges on such matter, which charges would reflect the extra cost of handling the mail in question.

In addition, all classifications, rules and regulations would have to be brought before the Rate Commissioners under Chapter 12. Where a classification matter was involved which affected a postal rate, the matter would proceed like any rate change and would be subject to Congressional veto. Where a rule or regulation affecting only service was involved, the service change provisions just described would apply. Thus, the provision, again, gives the mailer considerably more due process in the establishment of such regulations than he has at the present time.

Two other provisions in Chapter 4 should be mentioned: the first carries over the existing authority to establish military post

offices and to arrange with the Departments concerned for the use of military personnel to perform postal functions at military post offices; the second grants the Postal Service the authority which the Postmaster General now has to negotiate international postal union conventions and treaties.

Chapters 6 and 14 of our bill also deal with the service question, and largely carry over existing provisions of law. The former deals with non-mailable matter and penalty and franked mail; the latter with the Private Express Statutes.

The determination of what transactions involving the use of the mails ought to be prohibited because they offend the public policy of the United States is clearly a matter for Congress. Accordingly, the Postal Service Act continues without change in substance the mailability laws now found in present title 39. Similarly, the existing provisions of title 18 concerning the use of the mails will remain in force.

We did not believe it advisable to explore in this bill possible changes in the relationship of the postal service to Government mail users. Accordingly, the bill also continues the present laws on Government mail. That mail will be continued to be carried under the franking and penalty privilege as as present. Existing reimbursement provisions will also be continued in force.

Another area in which we continued the existing law without change is that of the postal monopoly, the Private Express Statutes. There is some concern both within and without the postal service that the Private Express Statutes in their present form do not recognize modern technology

and economics. The Kappel Commission Report touched on this subject. While the bill does not change the existing law, Section 7 of the bill (page 119) directs the Postal Service to submit a report and recommendations to Congress for modernizing these laws. The report is to be made within two years of enactment of the Act.

In summary, our purpose in the services section is to provide for the carrying over of existing levels of service and the existing service obligations of the Post Office Department while, at the same time, providing the Postal Service more flexibility to respond more quickly and effectively to the needs of the postal patron.

With your permission, Mr. Chairman, I would like now to discuss the transportation chapter of our bill, which you will recognize as containing virtually every provision of your own Postal Transportation bill of last year.

Chapter 16, which covers the transportation of mail, is designed to permit the Postal Service to handle its ever-increasing volume of mail more expeditiously and at a lower unit cost. We are currently faced with the problem of collecting, processing and distributing over 82 billion pieces of mail a year. Since volume is constantly increasing, the problem will continue to intensify unless changes are made.

The present statutory arrangements governing the transportation of mail subject the Post Office to a number of restrictions that prevent the Department from obtaining the best possible transportation services at the lowest possible cost.

Common carriers by rail are under a statutory duty to transport mail according to the requirements of the Postal Service. Ocean common carriers are under the same statutory duty, as are air carriers to which the Civil Aeronautics Board has issued certificates of public convenience and necessity authorizing the carriage of mail. But regulated motor carriers of property are not subject to this statutory requirement and their services are not available to the Department except on a voluntary basis pursuant to competitive bids.

The Postal Service Act would subject motor carriers, freight forwarders, and express companies, all of whom engage in inter-city transportation, to the same statutory duty to provide mail transportation service that has applied to railway common carriers since 1916, and to air carriers since 1938. Thus, all modes of transportation would be under a common statutory duty to respond to the transportation needs of the Postal Service.

The Postal Service should have, in our judgment, the contracting flexibility that commercial enterprises -- or, indeed, other parts of the Government -- generally possess. With respect to star route contracts, therefore, the Postal Service Act would eliminate the complicated technical requirements of the present law while retaining the authority to make star route contracts. In addition, since regulated motor carriers, freight forwarders, and express companies would be required by law to provide mail transportation service, the Act provides that the Interstate Commerce Commission will fix fair and reasonable rates of compensation for such obligated services. However, as has been the case with railroads for the last 53 years, the Postal Service would be authorized to negotiate special contracts with regulated motor carriers, freight forwarders, and express companies for mail transportation service at levels of compensation higher or lower than rates for such services prescribed by the Interstate Commerce Commission.

The Postal Service would be authorized to contract with air carriers for the transportation of mail by aircraft. Present law severely limits air carrier contracts. The Postal Service Act would allow the Postal Service to contract with certificated carriers for service between certificated points. It would also allow the Postal Service to contract with any air carrier for service between non-certificated points, and such contracts would not be subject to the jurisdiction of the Civil Aeronautics Board. However, such contracts would have

to be cancelled if the Board certificated a carrier between these points. This requirement is included in the current air star route law. Finally, between certificated points where scheduled service by certificated carriers does not adequately meet the needs of the Postal Service, a contract could be made with any air carrier to satisfy the unfulfilled need. In these instances, however, the ^{Aeronautics} Civil/Board would have 90 days prior to the inception of the service to veto the contract arrangement.

Contracting authority for the air transportation of mail is sorely needed. If the Congress were to authorize a new class of mail service to be transported by air under existing law, it could well be a matter of years before the transportation costs of that service could be known. This situation is hardly compatible with a Postal Service charged with operating on a break-even basis.

Moreover, contracting authority is needed now. For example, there are important air routes where adequate night air transportation is not available, and apparently cannot be made available, under the cumbersome administrative procedures that currently apply. If we could contract for air transportation during nighttime hours of minimal passenger density, we could materially improve air transportation efficiency.

Under the Civil Aeronautics Board's Procedural Regulations governing mail rate proceedings, ~~if the~~ Postal Service were to desire container rates or minimum shipment rates for airmail in the New York-Chicago market, it would be necessary to open up the entire domestic airmail rate, which would involve each trunk and local service carriers, some 20-odd carriers in all, even though only three or four carriers are authorized to serve the New York-Chicago market.

There is little doubt that the internal costs of administering the mail transportation program would be reduced if the provisions of Chapter 16 become law. In addition, while over-all transportation costs would probably not be reduced, because of the constantly increasing volume of mail, unit transportation costs can be expected to decline.

The more flexible provisions of the Postal Service Act will definitely not have a severe impact upon the star route service. These contractors have, for the most part, performed an essential service admirably. But bidders for star route contracts would no longer be tempted to form partnerships of dubious validity in order to appear to meet statutory residency requirements. They would no longer have to prove that they are engaged in a business other than mail transportation in a county traversed by the route, or an adjacent county. When a contract expires, it would no longer be impossible to negotiate a renewal of the contract at a reduced rate. We believe that the Postal Service would continue the long-established relationships with star route contractors. But the services of these contractors could be procured without complexities of the present contracting system, which would benefit both the contractors and the Postal Service.

In summary, the transportation provisions of our bill would go a long way toward rationalizing postal transportation procurement in the light of today's transportation industry. The Postal Service could use the most up-to-date, modern business practices in our transportation procurement. Where service is being procured from unregulated carriers, competition would be used wherever possible to achieve the best transportation of mail at the lowest possible cost.

Mr. Chairman, I am convinced our transportation provisions would benefit both the transportation industry and the mail users.

That concludes my prepared statement. I would be happy to answer questions.

Testimony of
Postmaster General
Winton M. Blount
before the
House Post Office and Civil Service Committee

June 3, 1969

Mr. Chairman.

I am very pleased to be here this morning to testify on the "Postal Service Act of 1969", which has been introduced as H. R. 11750 through 11753.

This legislation provides for total reform of the nation's postal system. It has been sponsored by more than 60 members of the House of Representatives, including 11 members of this Committee, from both sides of the aisle. It is a strictly bi-partisan measure, and that is just as it should be; for as President Nixon stated last week, in recommending enactment of this measure, "Postal reform is not a partisan political issue, it is an urgent national requirement."

This Committee, to its credit, has evidenced a keen awareness of the fact that our postal system is in trouble. At the very beginning of this session of Congress, several members of the Committee, including its Chairman, introduced bills designed to change, in various ways and in varying degrees, the manner in which the Post Office is organized and operated. Almost from the time that I assumed the office of Postmaster General last January, Mr. Chairman, you and other members of the Committee

impressed upon me the importance you attached to my doing two things: first, you urged me to make a careful analysis of the total problem facing the postal system today, and, second, you urged me to give top priority to formulating a comprehensive, practical plan for dealing with that problem.

That is precisely what we have done, Mr. Chairman, and I should like to take this opportunity to thank you and the Committee for the cooperation you gave us as we went about our work and for the patience you have shown while we studied postal problems and became familiar with their solutions. We could easily have made a snap judgment on postal reform; the responsible course, however, and the one that we have tried conscientiously to follow, was to master the facts first, and then, making full use of the valuable work that others have already done in this area, develop our own detailed proposal for doing the job that has to be done. The Postal Service Act of 1969 is the culmination of those efforts.

I am convinced that the idea of total postal reform, on which the Postal Service Act is based, is an idea whose time has come. It is an idea, as the Committee knows, that originated with Lawrence F. O'Brien, when he was Postmaster General. More than two years ago, Mr. O'Brien came to the conclusion that the Post Office was in a "race with catastrophe," and was in danger of losing the race if sweeping reforms were not instituted. Mr. O'Brien proposed, accordingly, that a government corporation, similar to the Tennessee Valley Authority, be established to operate the postal system.

Shortly thereafter, President Johnson established the President's Commission on Postal Organization to study the organization and structure of the postal service and to report within a year on the feasibility and desirability of a transfer of the postal service to a Government corporation or such other form of organization as the Commission might consider desirable. The President's Commission was made up of ten extremely able and well qualified people, headed by Frederick R. Kappel, former chairman of the Board of Directors of the American Telephone and Telegraph Company. The Commission and its staff, assisted by detailed studies by nationally prominent management consultant, labor relations, and cost accounting firms, developed a searching and comprehensive report on the situation facing the Post Office. The Commission report was published one year ago.

The Kappel Commission recommended that a corporation owned entirely by the Federal Government be established to operate the postal service on a self-supporting basis; that immediate steps be taken to improve the quality and kind of postal service offered and the conditions under which postal employees work, that all promotions and appointments within the postal system be made on a nonpolitical basis; that present postal employees be transferred, with their accrued Civil Service benefits, to a new career service within the postal establishment; and that the Board of Directors, after hearings by expert rate commissioners, establish postal rates subject to veto by concurrent resolution by the Congress.

In January of this year President Johnson endorsed the thrust of the Kappel Commission recommendations in his State of the Union message, and that endorsement was reiterated by Postmaster General Watson.

President Nixon, on taking office shortly over four months ago, directed me to make a thorough study of the recommendations that Mr. O'Brien and the Kappel Commission had made as well as other recommendations. I have done so, and on the basis of that study I have reported to the President my own deeply felt conviction that a fundamental reorganization is essential from two standpoints: we need total reform of the postal service to check the steady deterioration in the quality of our postal service and the sharp increase in postal costs that will otherwise be inevitable, and we need total reform so that the nation's postal employees can share in the benefits -- not only in terms of salary, but also in terms of working conditions and opportunities for advancement -- that will be available under a truly modern postal service. The President, as you know, is convinced that the time for creating such a postal service is at hand, and he has strongly recommended enactment of the legislation on which it is my privilege to testify today.

In urging creation of a new Postal Service, Mr. Chairman, we are determined to preserve that which is good in the postal system we have today. The flow of mail through the American postal system, however,

is constantly growing. Next year, we expect to handle 84 billion pieces of mail -- almost as much as all the other nations of the world combined -- and we project a volume of 116 billion pieces by 1980. With the kind of reform we are proposing, our present employees -- as well as the mail user and the taxpayer -- could and should find it possible to share in the tremendous cost savings that I am convinced are achievable if this increased volume is handled under a truly productive, efficient, professionally-managed postal system.

New plants and new high speed equipment will result in improved morale and better working conditions for postal employees, and should lead to substantial cost savings in the operation of our postal system. As President Nixon stated in his message to the Congress last week:

"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."

To give these men and women the help they need, a major investment of capital funds will obviously be required. But money alone is not enough. It is vitally important that the postal service be assured of professional,

nonpolitical management, , whose sole responsibility is to provide the American people efficient, dependable and economical mail service. Such management must be given the authority that is needed to carry out that responsibility. You may recall a 1967 exchange between the Chairman of the House Postal Appropriations Subcommittee and Postmaster General O'Brien:

"Mr. Steed: 'Would this be a fair summary: that at the present time, as manager of the Post Office Department, you have no control over your work load, you have no control over the rates of revenue, you have no control over the pay rates of the employees that you employ, you have very little control over the conditions of the service of these employees, you have virtually no control, by the nature of it, of your physical facilities and you have only a limited control, at best, over the transportation facilities that you are compelled to use - all of which adds up to a staggering amount of "no control" in terms of the duties you have to perform. . . . '

"Mr. O'Brien: 'Mr. Chairman, I would have to generally agree with your premise . . . that it is a staggering list of "no control". I don't know [whether] it has ever been put that succinctly to me. If it had been at an appropriate time, perhaps I wouldn't be sitting here.'"

Mr. Chairman, it is because I am keenly aware of the truth of what Chairman Steed said that I am sitting here today.

The Post Office is one of the major service industries of this country. It provides an identified service to identified customers. Within the limitations imposed by the system under which it operates, the Post Office has done an outstanding job; but the system is one in which control is so thoroughly

diffused that no one really runs the Post Office. The postal employee, the taxpayer and the mail user have all suffered as a result. It is time, in my judgment, to change that system.

The remarkable success of the Tennessee Valley Authority and other service-oriented government corporations clearly demonstrates the advantages of a type of organization in which true management authority is vested in the body responsible for providing the service. As President Truman has said, in speaking of government corporations generally:

"Experience indicates that the corporate form of organization is peculiarly adapted to the administration of governmental programs which are predominantly of a commercial character -- those which are revenue producing, are at least potentially self-sustaining, and involve a large number of business-type transactions with the public."

The Postal Service is precisely that kind of enterprise, and, in our opinion, it needs that kind of organization.

Accordingly, the Postal Service Act of 1969 would abolish the position of Postmaster General -- a cabinet office since the days of Andrew Jackson -- and would place responsibility for operating the nation's postal system in a new government-owned corporation known as the United States Postal Service.

The new Postal Service would be headed by a nine-member Board of Directors. Seven of these directors, including the Chairman, would be appointed by the President, with the advice and consent of the Senate. They

would have fixed terms of office, with the term of one presidentially-appointed director expiring each year. These seven members of the board would be "part-time" directors, not personally involved in day-to-day postal operations, and chosen (without regard to political affiliation) to represent the public interest. The seven presidentially-appointed board members would select an eighth member, who would serve as a full-time Chief Executive Officer of the Postal Service. A ninth board member -- a full-time management official serving as Chief Operating Officer of the Service -- would be chosen by the other directors. The compensation of these full-time executives would be set by the presidentially-appointed directors, but could not exceed that specified in Level I of the Executive Pay Schedule. The Chief Executive Officer and the Chief Operating Officer could be removed by the presidentially-appointed directors at any time, upon payment of damages for interruption of any employment contracts they might have been given.

These provisions would give the Postal Service a management structure similar, in many respects, to organizational forms that have proved highly successful in other nation-wide service enterprises.

When the new Postal Service begins operations, all employees of the Post Office Department except the nine presidential appointees at Headquarters

will automatically become employees of the Postal Service. Every postal employee will retain his full Civil Service retirement rights. The Veterans' Preference Act, of course, will apply, as it does with respect to the Tennessee Valley Authority. Present salary scales, fringe benefits, and adverse action procedures will be carried forward unless they are changed in accordance with the methods set forth in the statute. All postal employees would be transferred into the new Service with their accrued pension rights, leave, pay and seniority. Personnel policies and procedures developed by the Postal Service will be required to assure all postal employees of meaningful opportunities for promotion and career development. Any modification in the fringe benefits now available to postal employees would, by law, be required to result in a package at least as favorable to the employees as that which exists today.

The major change in the personnel area is that wages and conditions of employment would, for the first time, be subject to collective bargaining. Labor management relations would, in general, be conducted under the provisions of the Labor-Management Relations Act of 1947, as amended. Postal employees will, of course, still be employees of the Government. Like other Government employees, they will have no right to strike. In lieu of the right to strike, however, binding third-party arbitration

will be permitted. Labor-management disputes arising during the life of a collective bargaining agreement will be settled in accordance with whatever procedures -- including arbitration -- the parties agree to. Disputes arising outside of a collective bargaining agreement will likewise be settled under any procedures agreed to by the parties. In the absence of such agreement, either party may cause the matter to be referred to three members of a "Postal Disputes Panel." This Disputes Panel will consist of nine individuals, three named by the Federal Mediation and Conciliation Service, three named by the American Arbitration Association and the last three named by the first six. Only three members of the Panel will be involved in the resolution of any particular impasse, and neither labor nor management will know in advance which three members will participate. The Postal Disputes Panel may apply any of a wide range of settlement techniques to resolve the dispute, including mediation, fact-finding and recommendations. If the dispute cannot be settled, the Panel will have authority to refer any or all of the unresolved issues to binding arbitration by a separate ad hoc board. One member of this arbitration board would be selected by management, one by labor, and the third by the two thus appointed. In the absence of agreement on the third man, he would be chosen by the Federal Mediation and Conciliation Director.

To make available the capital funds that are needed to modernize our physical plant, thereby enabling the Postal Service to handle an increasing volume of mail more efficiently and economically than can now be done, the Act authorizes the Postal Service to borrow up to \$10 billion. The net increase in obligations for capital improvements may not exceed \$1.5 billion in any one fiscal year. The terms and conditions of the Postal Service's obligations will be subject to consultation with the Secretary of the Treasury, and the Secretary of the Treasury may elect to purchase any or all such obligations. The Secretary of the Treasury may be required to purchase obligations of the Postal Service up to a limit of \$2 billion. Obligations sold to the public will not be guaranteed by the United States.

In the area of rates and rate-making, the Postal Service Act contemplates that the Service will become self-sufficient within five years after the commencement of operations. Existing postal rates would stay unchanged until modified pursuant to the rate-making procedures set forth in the law. Existing categories of free mail and the existing provisions of law with respect to preferential-rate mail would be continued unless changed by Congress, provided that the necessary funds are appropriated to cover the revenue foregone in the carriage of such mail.

The Postal Service Act provides a comprehensive procedure for making changes in the rate structure. Such changes would be initiated by the Postal Service management, but could not become effective without adequate notice and an opportunity for public hearings before a three-man panel of expert rate commissioners. These rate commissioners, who would be selected from a special Civil Service register by the presidentially-appointed directors, would be completely independent of operating management and would be responsible only to the presidentially-appointed part-time members of the Board. The rate commissioners would render an initial decision, which the presidentially-appointed part-time members of the Board might either reject, adopt, or modify to the extent justified by the record. Except for special services like c.o.d. and special delivery, decisions of the Board on rate changes would be transmitted to the Congress and would become final unless disapproved by concurrent resolution within 60 days.

In the area of mail transportation, the Postal Service Act significantly improves the present law. Regulated motor carriers and freight forwarders would have the same statutory obligation to transport mail and provide related services as now applies to the railroads. Additionally, the Postal Service would be authorized to enter into contracts with carriers at rates

different from those set by the Interstate Commerce Commission.

Further, the Postal Service would have the same authority to negotiate with air carriers for mail transportation as the Post Office Department today has in regard to mail carried by railroads.

This completes my general summary of the Postal Service Act, Mr. Chairman. In presenting it, I have merely given a brief overview of the Act's major provisions, and I am looking forward to discussing the details in the next several days.

No one is more acutely aware than I, Mr. Chairman, that the changes we have proposed are sweeping ones. They merit, and I am sure they will receive, the careful scrutiny of this Committee and of the Congress. I have no doubt, however, that the broad course we have tried to chart in this legislation is the course that must be followed if the nation is to have the mail service it deserves. The alternatives to the kind of reform that we have proposed, I am convinced, are deterioration in postal service, erosion of individual initiative and responsibility, inadequate progress for our postal employees, frequent increases in postage rates, and mounting postal deficits.

January 14, 1970

TO: John Ehrlichman

FROM: Bryce Harlow

This is to confirm what I believe you already know -- that Harry Dent, Harry Flemming and I have concluded that any further pressing of Postmaster General Blount to become politically practical inside his Department would be not simply unproductive, but counter-productive.

We believe that this effort should await further progress on postal reform in the Congress. Dent and Flemming visited with Blount only last week and returned convinced even more strongly that this is an inappropriate time to discuss politics in any form with Blount.

I send this memorandum in relation to your message to me of mid-October on this subject.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 2774

Date: Wednesday, January 14, 1970

Time: 4:20 P.M.

EXECUTIVE

FOR ACTION: Henry Cashen

cc (for information):

PO
76-6-11-1/Cashen,
Henry

FROM THE STAFF SECRETARY

DUE: Date: Wednesday, January 21, 1970

Time: 2:00 P.M.

SUBJECT: Mr. Larson's telegram to the President regarding
HR 15430 (Postal Reform).

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☒ Draft Reply☐ For Your Comments☐ Draft Remarks

REMARKS:

3/4 No answer needed
or desired**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

The White House
Washington

1970 JAN 13 PM 8 30

WA639 (MS) NL PD

WASHINGTON DC JAN 12

THE PRESIDENT

THE WHITE HOUSE

YOUR ADMINISTRATION HAS ENDORSED ACCORDING TO PUBLISHED
REPORTS A NEWLY INTRODUCED POSTAL REFORM BILL (HR15430)

3 UNDER WHICH 750 THOUSAND POSTAL WORKERS WILL BE EXPOSED TO
COMPULSARY UNIONISM A PROVISION OF THIS BILL EFFECTIVE
JANUARY 1 1971 WOULD PERMIT THE FIRING OF POSTAL EMPLOYEES
2 FOR THEIR REFUSAL TO HELP FINANCE A WIDE VARIETY OF

WHWHICH UNION ACTIVITIES INCLUDING PARTISAN POLITICKING INTRODUCED
ON DECEMBER 23 BY REPRESENTATIVE GLENN CUNNINGHAM
(REPUBLICAN NEBRASKA) THIS BILL CONFLICTS WITH YOUR
RECENTLY ISSUED EXECUTIVE ORDER 11491 THAT ORDER NOW SHIELDS
ALL FEDERAL EMPLOYEES INCLUDING ALL POSTAL WORKERS
FROM ALL FORMS OF COMPULSARY UNIONISM ENACTMENT OF
3 HR15430 WOULD STRIP POSTAL EMPLOYEES OF THAT PROTECTION
THE OVERWHELMING MAJORITY OF THE AMERICAN PEOPLE BELIEVE
THAT NO WORKER IN PRIVATE OR PUBLIC EMPLOYMENT SHOULD BE
2 FORCED TO PAY DUES TO A UNION AS A CONDITION OF EMPLOYMENT

↑

WE STRONGLY URGE YOU TO PRESERVE FREEDOM OF CHOICE BY
INSISTING THAT POSTAL REFORM LEGISLATION CONFIRM TO THE
EXPLICIT RIGHT TO WORK GUARANTEES OF YOUR EXECUTIVE ORDER
AS WELL AS THE 1968 REPUBLICAN PARTY PLATFORM PROMISE
AND YOUR CAMPAIGN PLEDGE OF OCTOBER 21 1968 RESPECTFULLY
REED E LARSON EXEC VICE PRES NATL RIGHT TO WORK COMMITTEE.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON
February 3, 1970

EXECUTIVE

PL 2-6

PD

4/18

4/17

426-11-1/Cashen, Henry

TO: KEN COLE

FROM: HENRY C. CASHEN *HC*

SUBJECT: Postmaster General Blount's report to the
President on Obscenity in the Mail.

LOG NO. 2729

Attached is a summary of the captioned subject prepared
for Mr. Ehrlichman's signature to the President, including
a cover memorandum to Mr. Ehrlichman for his information.

Attachments.

Nothing else sent to
Central Files as of 3-2-70
L.R.

THE GENERAL COUNSEL
POST OFFICE DEPARTMENT
WASHINGTON, D. C. 20260

FEB - 6 1970

C. F.

PO
FG/8

(3)

February 6, 1970

MEMORANDUM FOR: Henry C. Cashen, II
FROM: David A. Nelson
SUBJECT: Postal Reform

*Has the print of
Dec. 19*

I think your February 5th memo to Bryce Harlow is splendid, subject to two qualifications:

1. We should make it crystal clear that except as otherwise agreed, the exact language of H. R. 15430 is to be followed; and

2. We cannot live with a bill under which postal employees would actually retain "Civil Service status." Both Mr. Dulski and Mr. Corbett should understand that we are not proposing a delegation of authority from the Civil Service Commission to the Postal Service, and that while we can accept either H. R. 15430 or H. R. 11750, neither bill would give postal employees "Civil Service status" in a technical sense.

Thaddens
Robert
D.A.N.
David A. Nelson

cc: Mr. Ehrlichman
Mr. Harlow
Mr. Colson

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

February 5, 1970

FEB 6 - 1970

CF
Full
Postal
Reform

10/31/69
PEI

TO: BRYCE HARLOW *KEE*

FROM: HENRY C. CASHEN II and CHARLES W. COLSON *WRC*

SUBJECT: Points of Agreement with Respect to Postal Reform-
Re Meeting with Chairman Dulski and Congressman
Corbett

- (1) Two-step pay increase for postal field service employees, retroactive January 1, 1970.
- (2) The Members of Congress who sit on the Executive Council would not be entitled to a vote on any matter before the Council. (There is a Constitutional question with respect to giving Members of Congress a vote on the Council).
- (3) Postal rate changes would become final 60 days after publication of a final decision by the Presidentially appointed members of the Executive Council, unless both houses of Congress adopted a concurrent resolution disapproving the change.
- (4) The authority would commence operation one year after enactment.
- (5) The Executive Council may hire executives on long term employment contracts when necessary. Notwithstanding any such contract, the Executive Council may at its discretion and at any time remove any executive employee.
- (6) The transportation section of the bill would be as accepted by the House Committee in markup of H. R. 4.
- (7) Legislation to be silent on the matter of whether Executive Order 10988 or 11491 applies to labor management relations. Accordingly, Executive Order 11491 would be applicable to the Post Office Department during the transition period.

✓
one house

- (8) With respect to compression, the legislative history accompanying the bill would include the following language:

"Under the current pay structure, it takes 21 years for most postal employees to reach the top pay level within grade. The Committee believes that this period is too long, and, unless otherwise agreed by collective bargaining, the pay scales or graduated schedules of compensation that are to be established for employees of the Authority who are in collective bargaining units should provide, effective not later than 4 years after the date on which the Authority commences operations, that the maximum period of continuous service thereafter required for an employee to reach the highest rate in whatever labor grade might have been established for him would not exceed 8 years."

- (9) With respect to comparability, postal field service employees would be treated exactly the same as employees in the general schedule. The 1971 Administration Budget provides for a comparability increase of 5.7% effective January 1, 1971, and applicable to postal field service employees.
- (10) Postal employees would retain ~~Civil Service rights and status~~ ^{defining benefits} administration to be delegated to the Postal Authority; benefits could not be reduced unless bilaterally bargained away.

#

THE GENERAL COUNSEL
POST OFFICE DEPARTMENT
WASHINGTON, D. C. 20260

January 31, 1970 FEB 2 - 1970

MEMORANDUM

ADMINISTRATIVELY CONFIDENTIAL

FOR: BRYCE HARLOW

FROM: DAVID NELSON

SUBJECT: FRINGE BENEFITS UNDER THE POSTAL REFORM
LEGISLATION

H.R. 11750, the postal reform bill submitted by the Administration last May, provided that pay scales, fringe benefits and other terms and conditions of employment applicable to postal employees immediately prior to the commencement of operations by the new Postal Service would continue to be applicable until changed by the management of the new organization. For employees in collective bargaining units, any such change could only be made through the collective bargaining process. The bill also provided that any change in the package of fringe benefits consisting of workmen's compensation, health insurance, life insurance and unemployment compensation could not be "less favorable to the employees" than the package they now have under existing law. A copy of the provision in question, 39 U.S.C. 803(c) as contained in Section 2 of H.R. 11750, is attached as Enclosure 1.

As you may recall, H.R. 11750 also provided that postal employees would, by law, remain under the Civil Service Retirement System, but postal management was left free to institute a program of supplemental retirement benefits. Any such supplemental program would, of course, be subject to collective bargaining.

In a statement before the House Post Office and Civil Service Committee on August 12, 1969, the Postmaster General compared the probable development of fringe benefits for postal employees under the collective bargaining process with the development of fringe benefits for other Government employees under the legislative process, and testified that:

ADMINISTRATIVELY CONFIDENTIAL

Memorandum to Bryce Harlow - page two

"It is extremely unlikely that postal management would propose that any of these benefits for its employees be permitted to fall behind those enjoyed by the civil service, and it is inconceivable that the unions representing these employees would allow it to happen." (p. 1198 of the House Hearings).

In the Senate Hearings, similarly, the Postmaster General testified as follows on October 28, 1969:

"On being transferred to the new Postal Service, postal employees would receive exactly the same wages and would have exactly the same benefits that they enjoyed before, except that such wages and benefits could be improved without an act of Congress." (p. 539 of the Senate Hearings; underscoring supplied).

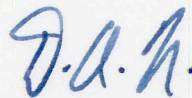
These statements would, of course, be brought to the attention of an arbitration board if the management of the Postal Service ever attempted, in the collective bargaining process, to reduce the level of any benefits not protected by law under H.R. 11750. There is virtually no chance, in our judgment, that an arbitration board would ever permit the level of wages and benefits for employees of the new Postal Service to fall below the level that postal employees had enjoyed while they were under the Civil Service system.

While the provisions of H.R. 11750 were extremely favorable to the employees, as far as fringe benefits are concerned, the union leaders had some apprehension about bargaining over fringe benefits in the initial contract negotiations. Because of this, and because Mr. Rademacher and the Department had agreed that collective bargaining contracts should have a minimum term of two years, the compromise postal reform/postal pay bill (H.R. 15430) provides that no change in the statutory package of fringe benefits consisting of workmen's compensation, health insurance, life insurance and unemployment compensation can become effective through collective bargaining prior to January 1, 1973, when the first two-year collective bargaining agreement can be expected to expire. Moreover, the compromise bill provides that wages established by the collective bargaining agreement

ADMINISTRATIVELY CONFIDENTIAL
Memorandum to Bryce Harlow - page three

becoming effective on January 2, 1971, shall not be less than the wages that would have been provided by the statutes applicable to postal employees prior to enactment of the bill. It also provides that fringe benefits in effect on December 31, 1970, may not be changed through the collective bargaining process prior to January 1, 1973, See 39 U.S.C. 803(c), as contained in Section 102 of H.R. 15430, and Section 111(b) of H.R. 15430, copies of which are attached as Enclosures 2 and 2A.

While the Department is prepared to follow either the route laid out in H.R. 11750 or the route laid out in H.R. 15430, as far as fringe benefits are concerned, we would find it awkward to travel both routes simultaneously.



David A. Nelson

cc: Mr. Colson
Mr. Cashen

1 ment of operations of the Postal Service shall be obligations
2 of the Postal Service pursuant to the provisions of this
3 chapter.

4 “(c) Compensation, benefits, and other terms and con-
5 ditions of employment applicable to such employees immedi-
6 ately preceding their becoming employees of the Postal
7 Service whether provided by statute, or by rules and regula-
8 tions of the Post Office Department or the executive branch
9 of the Government will continue to apply to employees of
10 the Postal Service until changed by the Postal Service. How-
11 ever, any changes in compensation, benefits and other terms
12 and conditions of employment shall be subject to the terms
13 of sections 804-808 of this title. Subject to the provisions of
14 section 806 of this title, the provisions of subchapter 1 of
15 chapter 81, subchapter 1 of chapter 85, and chapters 87 and
16 89 of title 5, shall apply to employees of the Postal Service
17 unless varied, added to, or substituted for pursuant to this
18 subsection. No such variation, addition, or substitution shall
19 result in a program which, on the whole is less favorable
20 to the employees thereunder than the provisions of such
21 chapters.

22 “(d) Any employee of the United States Post Office
23 Department on the effective date of this section shall be for a
24 period of one year eligible to transfer, at the same or a higher

22 “(c) Compensation, benefits, and other terms and con-
23 ditions of employment applicable to such employees imme-
24 diately preceding their becoming employees of the Authority,
25 whether provided by statute or by rules and regulations of the

1 Post Office Department or the executive branch of the Gov-
2 ernment, will continue to apply to employees of the Author-
3 ity, until changed by the Authority. However, any changes
4 in compensation, benefits and other terms and conditions of
5 employment shall be subject to the terms of sections 804-808
6 of this title. Subject to the provisions of section 806 of this
7 title, the provisions of subchapter 1 of chapter 81, subchapter
8 1 of chapter 85, and chapters 87 and 89 of title 5, shall apply
9 to employees of the Authority, unless varied, added to, or
10 substituted for pursuant to this subsection. No such variation,
11 addition, or substitution shall become effective prior to Janu-
12 ary 1, 1973.

1 mainder of the title shall not be affected thereby; and if
2 any other part of this Act is held to be invalid the remainder
3 of the Act shall not be affected thereby.

4 TRANSITIONAL COLLECTIVE BARGAINING AGREEMENTS

5 SEC. 111. (a) On or before October 1, 1970 the Post
6 Office Department and the designated collective bargaining
7 representatives of its employees shall commence bargaining
8 over wages to be paid employees of the Post Office Depart-
9 ment and the Postal Service Authority commencing January
10 2, 1971. In the event the parties fail to reach an agreement
11 by December 31, 1970, the provisions of sections 809 (c) -
12 (d) of title 39, United States Code as enacted by section
13 102 of this Act shall be applied.

14 (b) Wages established by collective bargaining or arbi-
15 tration pursuant to this section shall not be less than those
16 which would have been provided by laws applicable to
17 employees of the Post Office Department enacted prior to
18 the effective date of this section had those laws remained
19 applicable to such employees. Fringe benefits in effect on
20 December 31, 1970, shall not be changed prior to Janu-
21 ary 1, 1973.

22 (c) Wages and other matters covered by collective
23 bargaining agreements negotiated pursuant to this section
24 or which are the subject of an arbitration decision shall be
25 applicable to employment in the Post Office Department and

JAN 30 1970

January 29, 1970

MEMORANDUM FOR TOD HULLIN

FROM: CHUCK COLSON

Please substitute the attached page 2 for my memorandum of this date to John Ehrlichman. Of the two memos I sent over, it was the one that contained the cost comparisons of the various pay plans.

CC: Bryce Harlow

January 29, 1970

MEMORANDUM FOR THE POSTMASTER GENERAL

FROM: CHUCK COLSON

The attached Page two has been substituted with John Ehrlichman for the earlier memo. Please also change your copy.

The attached memorandum from Bob Hampton shows a pay line comparability analysis at Level 5, which after the 5.7% that will be recommended will be \$971. Prior to the recommended 5.7% increase, the disparity is \$1361 or approximately 20% of Step 4 in Level 5. This is a real problem in the classified service where the average employee is at Step 4. Our comparability recommendations will not come anywhere near closing the gap. In the postal service, however, the average employee is at Level 8, which after the comparability increase will put him within \$80 of the civilian comparability level. The comparability rate will, therefore, make the postal employees whole. Since the BLS formula, however, compares Step 4 the unions will try to argue that there is the 20% disparity. In fact, there is not but this does create a political problem, which we obviously must counter.

It also points out what is really wrong with the BLS system. We should also be prepared for a tremendous outburst from the Government employees, who may have a very legitimate argument -- but this is another matter.

JAN 29 1970

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 29, 1970

ADMINISTRATIVELY
CONFIDENTIAL

MEMORANDUM FOR

BRYCE HARLOW

FROM:

HENRY C. CASHEN II

Attached is what is purported to be the agreed Administration position with respect to postal reform. However, the majority which is contained in the attached has been discussed only between Dave Nelson and myself, with principle consideration given to comparability and compression which are the most important considerations within the bill. However, Red Blount has not given his full approval and you will probably want to discuss certain of the other provisions with John Ehrlichman, Chuck Colson and myself prior to making contact with Chairman Dulski, et al.

Attachment.



The Postmaster General
Washington, D.C. 20260

MEMORANDUM

ADMINISTRATIVELY CONFIDENTIAL

FOR: JOHN EHRLICHMAN AND
BRYCE HARLOW

FROM: WINTON M. BLOUNT

SUBJECT: POSTAL REFORM AND POSTAL PAY ACT

In line with our conversation of yesterday, here are my thoughts on the extent to which the Administration should be prepared to compromise in order to secure passage of comprehensive postal reform legislation.

A. STATUTE

The bill enacted by Congress would retain all the provisions of the compromise legislation developed last month and introduced as H. R. 15430 (including the two-step pay increase for postal field service employees, retroactive to January 1, 1970), subject to the following changes, and these changes only:

1. The members of Congress who sit on the Executive Council would serve in an advisory capacity, and would not be entitled to vote on any matter before the Council. (There is a very serious Constitutional problem in giving members of Congress a vote on the Council, since that would almost certainly make them officers of the United States under Article I, Section 6 and Article II, Section 2 of the Constitution. I attach as Enclosure 1 the statutory language necessary to accomplish the changes described in this paragraph and the following paragraph.)

ADMINISTRATIVELY CONFIDENTIAL

Memorandum to John Ehrlichman and Bryce Harlow

page two

2. Postal rate changes would become final 60 days after publication of a final decision by the Presidentially appointed members of the Executive Council, unless both houses of Congress adopted a concurrent resolution disapproving the change. (This provision - which was contained in H.R. 11750, the original Administration proposal - is clearly in the best interest of the postal unions as well as postal management. The alternatives that have been discussed - e.g., permitting rate changes to be vetoed by the resolution of a single house, or by a privileged resolution - are designed to make it much easier for rate changes to be vetoed. The easier it is to get a Congressional veto, the harder it may be for the Authority to obtain the funds needed for future wage increases. Moreover, the easier it is for Congress to veto proposed rate changes, the harder it will be for the Authority to sell its bonds to the public.)
3. H.R. 15430 would require the Authority to commence operations on January 1, 1971. Depending on when the bill is passed, this short a fuse could make it nearly impossible for the Authority to get off to the right kind of start. It would be preferable for the legislation to contain the following provision, which is patterned after language found in H.R. 11750:

"The Authority shall commence operations within one year after the enactment of this section and upon the date fixed by a resolution of the Executive Council."
4. Section 801(b) of H.R. 15430 contains a sentence which, standing alone, would seem to give the Authority discretion to remove any postal employee at any time. The corresponding provision in H.R. 11750 related only to appointees of the Board of Directors, who would be executives rather than rank and file employees. I believe, therefore, that the first sentence of section 801(b) should be replaced with the following language:

ADMINISTRATIVELY CONFIDENTIAL

Memorandum to John Ehrlichman and Bryce Harlow

page three

"The Executive Council may hire executives on long term employment contracts when necessary. Notwithstanding any such contract, the Executive Council may at its discretion and at any time remove any executive employee."

5. As the result of a printing error, a provision authorizing the Authority to contract for the transportation of mail by vessel was inadvertently omitted from H.R. 15430. A corresponding provision had been accepted by the House Committee in its mark up of H.R. 4, and obviously it should be restored. H.R. 15430 contains one or two other departures from the language adopted by the House Committee, while these changes are desirable, from the Department's standpoint, I believe that our strongest position would be to support the exact language accepted by the House Committee.
6. H.R. 15430 incorporates the terms of Executive Order 10988, for the transitional period prior to commencement of operations by the Authority, notwithstanding President Nixon's issuance of a new Executive Order (E.O. 11491) governing labor-management relations in the Federal service.

We would prefer that the legislation be silent on the matter of which Executive Order applies; if such a change were made, the new Executive Order would be applicable to the Post Office Department during the transitional period.

As a fall-back position, if the pressure generated by the National Postal Union and the Alliance becomes too intense, we might offer to try to persuade the Civil Service Commission to change its regulations in a way that would permit us to continue the dues check off for the Alliance and/or the NPU as social organizations, rather than labor organizations.

ADMINISTRATIVELY CONFIDENTIAL

Memorandum to John Ehrlichman and Bryce Harlow
page four

B. LEGISLATIVE HISTORY

I am strongly opposed to attempting to deal with the subject of "compression" in the legislation itself. The paragraph attached as Enclosure 2 is language that we could live with as legislative history in a Committee Report. We should try to get agreement on the submission of minority views stating that the Post Office Department does not want compression to be used as a means of granting hidden pay raises. As a fall-back position, however, I would be prepared to accept the language of Enclosure 2 as legislative history without any minority views.

C. COMMITMENT ON COMPARABILITY

I think we have reached a point where Bryce Harlow could tell his friends on the Hill that if a postal reform-postal pay bill is passed by Congress in exactly the form described above, the Administration's position on a subsequent "comparability" increase for Postal Field Service employees will be exactly the same as its position on a comparability increase for employees in the General Schedule, even though this will result in postal employees receiving substantially more than they would receive if their pay were truly comparable to the pay received by employees in the private sector for performing comparable jobs.

In the interest of preserving Bryce's credibility, I think he ought to make it clear that the Administration does not expect any "comparability" increase to become effective before January 1, 1971.

D. PERMANENT CIVIL SERVICE STATUS

The "unified position" announced last week by the seven postal craft unions contains a demand that postal employees retain their Civil Service status permanently. We absolutely cannot live with this. H. R. 15430 provides that officers and employees of the Postal Service Authority shall be in a postal career service "which

ADMINISTRATIVELY CONFIDENTIAL

Memorandum to John Ehrlichman and Bryce Harlow

page five

shall be a part of the civil service," the bill goes on to provide, however, that appointments, promotions, and (in general) adverse action procedures "shall be without regard to the provisions of the civil service laws applicable to other officers and employees of the United States." Under H.R. 15430, therefore, postal employees would remain in the Civil Service in name only, and would not have true Civil Service status. Instead, job security, merit promotions, and the like would be provided for in collective bargaining agreements.

I am not too happy about the way the Civil Service question has been fuzzed up in H.R. 15430, but if the union leaders will accept this approach - as I understand they will - we can certainly live with it.

Henry Cashen has reviewed this memorandum, and concurs in its substance.

Winton M. Blount

cc: Henry Cashen

C

Revise Section 201 as follows:

"§201. Definitions.

"As used in this title --

"'Presidentially-appointed councilors' means the members of the Executive Council appointed pursuant to section 203(b)(1) of this title.

"'Director General' means the member of the Executive Council appointed pursuant to section 203(c)(1) of this title.

"'Deputy Director General' means the member of the Executive Council appointed pursuant to section 203(c)(2) of this title.

"'Congressional councilors' means the members of the Executive Council appointed pursuant to section 203(d) of this title.

Revise Section 203 as follows:

Insert the word "voting" between "seven" and "members" in line 2 of paragraph 203(b)(1).

Delete section 203(c) and substitute the following:

"(c)(1) The Presidentially-appointed councilors shall appoint and have discretionary power to remove an eighth member of the Executive Council who shall serve as Director General of the Authority. The Director General, who shall have such term as may be fixed by the Presidentially-appointed Councilors, shall be the Chief Executive Officer of the Authority. He shall be a voting member of the Executive Council except as otherwise provided in this title.

(2) The Presidentially-appointed councilors and the Director General shall appoint and shall have discretionary power to remove an additional member of the Council who shall serve as Deputy Director General of the Authority for such term as the Presidentially-appointed councilors and the Director General may fix. The Deputy Director General shall be a voting member of the Executive Council except as otherwise provided in this title.

Substitute the following for section 203(d):

"(d) Four non-voting members of the Executive Council shall be appointed as follows:

- (i) Two from the United States House of Representatives, one of whom shall be appointed by the Speaker of the House and the other by the Minority Leader of the House,
- (ii) Two from the United States Senate, one of whom shall be appointed by the President Pro Tempore of the Senate and the other by the Minority Leader of the Senate.

J

Substitute the following for section 203(h):

"(h) The Council shall act upon majority vote of those voting members who are present, and any 5 voting members present shall constitute a quorum for the transaction of business by the Council, except --

- (1) in the appointment or removal of the Director General, and in setting the compensation of the Director General and Deputy Director General a favorable vote of an absolute majority of the Presidentially-appointed councilors in office shall be required;
- (2) in the appointment or removal of the Deputy Director General a favorable vote of an absolute majority of the members in office from among the members serving as Director General and the Presidentially-appointed councilors shall be required, and
- (3) as otherwise provided in this title.

1 respect to the commissioners except as inconsistent with
2 this chapter.

3 "§ 1252. Proposed changes in rates and classifications

4 " (a) Except as provided in subsection (c) of this
5 section, the ^{Authority} ~~Postal Service~~ shall give general notice of pro-
6 posed change in rates, charges, fees, the classification of
7 mail matter or mail users, and the postal rate structure or
8 design by publishing its proposals therefor in the Federal
9 Register not less than thirty days prior to the date on which
10 it is proposed to adopt such changes. It shall also file the
11 proposed changes with the commissioners in such form and
12 manner as the commissioners may prescribe. The notice
13 published in the Federal Register shall state briefly—

14 " (1) the proposed change;

15 " (2) the reasons therefor;

16 " (3) the earliest date on which the ^{Authority} ~~Postal Service~~
17 proposes to adopt the change;

18 " (4) that interested parties may file objections
19 thereto or a request for a hearing thereon with the
20 commissioners within thirty days after the date of
21 publication of the notice in the Federal Register or
22 such longer period as the notice may prescribe; and

23 " (5) the place and manner which the commissioners
24 have fixed for filings with it.

25 " (b) If no party at interest files a timely objection to

1 a proposed change or a request for a hearing thereon, the
2 commissioners shall forward the proposed change to the
3 ~~Board~~ without opinion, unless the presidentially appointed
4 members of the ~~Board~~ *Executive Council* request to the contrary

5 “(c) The provisions of this chapter do not apply to
6 changes in the fees or rates of exchange for international
7 money orders and similar instruments or to changes in inter-
8 national postal rates adopted pursuant to section 405 of this
9 title.

10 “§ 1253. Proceedings and recommended decisions by com-
11 missioners

12 “(a) Pursuant to sections 556 and 557 of title 5, the
13 commissioners shall conduct public hearings in all cases in-
14 stituted under section 1252 (a) of this title in which a party
15 at interest files timely notice with the commissioners that
16 he desires to be heard.

17 “(b) The commissioners shall compile a record con-
18 sisting of:

19 “(1) the proposed change and supporting material
20 submitted by the ~~Postal Service~~ *Authority*

21 “(2) the oral testimony, if any, on behalf of the *Authority*
22 ~~Postal Service~~, and by or on behalf of any party at
23 interest,

24 “(3) the written submissions, if any, on behalf of

Authority

1 the Postal Service and by or on behalf of any party at
2 interest; and

3 “(4) such other material as the commissioners deem
4 appropriate.

5 “(c) After consideration of the record, the commis-
6 sioners shall render an initial decision to the presidentially
(Executive Council) 7 appointed members of the Board stating whether in the
8 opinion of the panel the proposed change conforms to the
9 rate policies and other provisions of this title and giving their
10 reasons therefor.

11 “(d) In the event the commissioners do not complete
12 their proceedings within ninety days after the notice of pro-
13 posed changes is filed with it, or in the event that judicial
14 proceedings are instituted under section 1257 of this title, the
15 Postal Service upon thirty days’ notice in the Federal Reg-
16 ister may put a proposed change into effect temporarily. The
17 interim changes shall be effective for a period of no longer
18 than thirty days after the commissioners have rendered their
19 initial decision to the presidentially appointed members of
20 the Board and the period the change may be before Congress
21 pursuant to section 1254 of this title.

22 “§ 1254. Final decisions

23 “(a) The presidentially appointed members of the
(Executive Council) 24 Board acting on behalf of the *Authority* Postal Service shall make and
25 publish in the Federal Register a final decision on the pro-

1 posed change in light of the recommended decision of the
 2 commissioners and the record of the proceedings. They may
 3 reject the proposed change or they may adopt it—

4 “(1) as published in the Federal Register pursuant
 5 to section 1252 of this title, or

6 “(2) as proposed in the recommended decision of
 7 the commissioners, or

8 “(3) with such modifications as they find are sup-
 9 ported by the record of the proceedings.

10 “(b) The ~~Board~~, except as to changes enumerated in
 11 subsection (c) of this section, shall transmit to the Congress
 12 the final decision in any proceeding instituted pursuant to
 13 section 1252 (a) of this title. The ~~Board~~ shall transmit the
 14 decision to both Houses of the Congress on the same day and
 15 to each House while it is in session and shall transmit with
 16 the final decision the recommended decision of the commis-
 17 sioners together with the record of the proceedings.

18 “(c) The change contained in a final decision trans-
 19 mitted to the Congress pursuant to subsection (b) of this sec-
 20 tion shall become final at the end of the first period of sixty
 21 calendar days of continuous session of the Congress after the
 22 date on which the decision is transmitted unless, between the
 23 date of transmittal and the end of the sixty-day period, the
 24 two Houses adopt a concurrent resolution disapproving the

*Executive
Council*

1 change. The continuity of a session is broken only by an
2 adjournment of the Congress sine die, and the days on which
3 either House is not in session because of an adjournment of
4 more than three days to a day certain are excluded in the
5 computation of the sixty-day period.

6 “(d) The final decision may include a provision that
7 the change shall become effective at a time later than the
8 date on which the decision becomes final pursuant to the fore-
9 going provisions of this section.

10 “(e) Rate changes required by section 1202 (c) of this
11 title and rate changes for such special services as the Postal
12 ~~Service~~ may provide, including special delivery, collect on
13 delivery, insurance, registered and certified mail, return re-
14 cepts, stamped envelopes and box rents, and similar special
15 or nonpostal services shall become final as provided in the
16 final decision of the ~~Postal Service~~ in accordance with sub-
17 sections (a) and (d) of this section.

18 “§ 1255. Service changes

19 “(a) Except as provided in subsection (d) of this sec-
20 tion the ~~Board~~ shall give public notice of a proposed change
21 in the type, quality, terms, or conditions of any services
22 provided by the ~~Postal Service~~ which substantially affects a
23 postal service provided to users on a nationwide or nearly
24 nationwide basis and which does not involve a proposed
25 change subject to sections 1252-1254 of this title. Public

Authority

Executive Council

1 notice shall be given by publishing a notice of the proposed
2 change in the Federal Register. The notice shall state
3 briefly--

4 " (1) the proposed change,

5 " (2) the reasons therefor,

6 " (3) the earliest date on which the Postal Service
7 proposes to adopt the change,

8 " (4) that interested parties may participate in the
9 proceeding through submission of written material to the
10 commissioners with opportunity for oral presentation as
11 the commissioners may determine, and

12 " (5) the time, place, and manner which the com-
13 missioners have fixed for submissions to it.

14 " (b) Except as otherwise provided in this section, pro-
15 posals for service changes shall be considered as proposed
16 rules and the commissioners shall be considered 'the agency'
17 for purposes of sections 551-559 of title 5. The commission-
18 ers shall compile a record consisting of:

19 " (1) the proposed change and supporting material
20 submitted by the Postal Service; *Authority*;

21 " (2) the oral testimony, if any, on behalf of the *Authority*
22 Postal Service, and by or on behalf of any party at
23 interest,

24 " (3) the written submissions, if any, on behalf of

1 the ~~Postal Service~~ and by or on behalf of any party at
2 interest, and

3 “(4) such other material as the commissioners deem
4 appropriate.

5 “(c) After consideration of the record, the commis-
6 sioners shall render an initial decision as to whether the pro-
7 posed change, either in its original form or in a modified
8 form, is consistent with the policies of this title. The initial
9 decision shall become the final decision of the ~~Postal Service~~
10 unless within such time as the ~~Board~~ establishes by general
11 rule, the presidentially appointed members of the ~~Board~~
12 modify the tentative decision in the light of record or revoke
13 the proposal.

14 “(d) Whenever the ~~Postal Service~~ proposes a change
15 in the type, quality, terms or conditions of service which sub-
16 stantially and adversely affects the users of such service but
17 on less than a nationwide or nearly nationwide basis, the
18 ~~Postal Service~~ shall—

19 “(i) comply with the provisions of subsections (a)
20 through (c) of this section; or

21 “(ii) comply with rules, regulations or procedures
22 established pursuant to subsections (a) through (c) of
23 this section which shall include the publication of a
24 notice designed to inform the affected users of the pro-

1 posed changes and the opportunity for such users to pre-
2 sent their objections.

3 “(e) Whenever the ^{Authority} Postal Service finds that an emer-
4 gency exists which does not permit sufficient time for the
5 procedures prescribed in subsections (a) through (d) of
6 this section, the ^{Authority} Postal Service contemporaneously with, or
7 subsequent to, publication in the Federal Register of the
8 notice of a proposed change, may adopt and publish in the
9 Federal Register a temporary change which shall become
10 effective upon publication in the Federal Register or such
11 later date as may be prescribed therein. A change adopted
12 in accordance with this subsection shall remain in effect until
13 proceedings pursuant to subsection (a) through (d) of this
14 section have been completed, or for such shorter period as
15 the ^{Authority} Postal Service may fix.

16 “§ 1256. Rate and service complaints

17 “Interested parties who believe the ^{Authority} Postal Service is
18 charging rates which do not conform to the policies set out
19 in this title or who believe that they are not receiving postal
20 service in accordance with the policies of this title may lodge
21 a complaint with the commissioners in such form and in such
22 manner as the commissioners may prescribe. The commis-
23 sioners may in their discretion hold hearings on such com-

24 plaint. If after such hearings the commissioners determine

1 the complaint to be justified, they shall, if a matter covered
 2 by section 1252 of this chapter is involved, recommend to
 3 the ~~Board~~ that the ^{Authority} ~~Postal Service~~ propose an appropriate
 4 change. The ^{Authority} ~~Postal Service~~ shall propose such a change and
 5 such change shall proceed as if proposed initially by the
 6 ~~Board~~. If a matter not covered by section 1252 of this chap-
 7 ter is involved, and the commissioners after hearing find the
 8 complaint to be justified, they shall render a public report
 9 thereon to the presidentially appointed members of the
 10 ~~Board~~ who shall take such action as they deem appropriate.

11 "§ 1257. Judicial review

12 " (a) Any final decision of the ^{Authority} ~~Postal Service~~ pursuant
 13 to sections 1254 or 1255 of this title and any final decision
 14 of the commissioners pursuant to section 1256 of this title
 15 shall be subject to judicial review. Review shall be in the
 16 manner prescribed in chapter 7 of title 5 and chapter 158
 17 and section 2112 of title 28 except as otherwise provided
 18 in this section. Such review shall be confined to holding un-
 19 lawful and setting aside a final decision which the petitioner
 20 has shown to be:

21 " (i) contrary to constitutional right, power, privi-
 22 lege or immunity;

23 " (ii) in excess of statutory jurisdiction, authority or
 24 limitations; or

25 " (iii) without observance of procedure required by

1 law or by the rules promulgated by the commissioners
2 pursuant to this chapter.

3 The court shall not consider any objection which was not
4 urged in the proceedings of the ~~Postal Service~~ ^{Authority} unless there
5 were reasonable grounds for failure to do so.

6 “(b) Review may be had only by a party to the pro-
7 ceedings who has

8 “(i) participated in the proceedings in accordance
9 with section 1253 of this title,

10 “(ii) participated in the proceedings in accordance
11 with section 1255 (a) (4) of this title, or

12 “(iii) filed a complaint pursuant to section 1256 of
13 this title.

14 “(c) Petitions for review shall be filed within fifteen
15 days after the publication of notice of the final decision. After
16 the expiration of said fifteen days, a petition may be filed
17 only by leave of court upon a showing of reasonable cause
18 for failure to file such petition. The action shall be against
19 the ~~Postal Service~~ ^{Authority} and not against the United States.

20 “(d) Upon the filing of a petition for review of a final
21 decision under section 1254 (a) of this title the ~~Board~~ ^{Executive Council} shall
22 not transmit to the Congress its final decision pursuant to
23 section 1254 (b) until judicial proceedings under this section
24 are completed. All judicial proceedings shall be made pre-
25 ferred causes and shall be expedited in every way.

1 “(e) Temporary changes under section 1253 (d) and
 2 emergency changes under section 1255 (c) of this title may
 3 not be affected in any way by a court. The thirty-day period
 4 after the commissioners’ initial decision referred to in section
 5 1253, shall be extended to include the entire period of
 6 judicial proceedings under this section. Final decisions under
 7 section 1255 of this title may not be stayed by any court
 8 pending review.

9 “(f) Except as provided under section 1251 (d) (1)
 10 of this title, no court shall have jurisdiction to review a final
 11 decision made by the ~~Postal Service~~ *Post Office* pursuant to this chapter
 12 in any manner other than as provided in this section.

13 “Chapter 14.—PRIVATE CARRIAGE OF LETTERS

“Sec.

“1401. Letters carried out of the mail.

“1402. Foreign letters out of the mails.

“1403. Searches authorized.

“1404. Seizing and detaining letters.

“1405. Searching vessels for letters.

“1406. Disposition of seized mail.

14 “§ 1401. Letters carried out of the mail

15 “(a) A letter may be carried out of the mails when—

16 “(1) it is enclosed in an envelope,

17 “(2) the amount of postage which would have been
 18 charged on the letter if it had been sent by mail is paid

19 by stamps, or postage meter stamps, on the envelope;

20 “(3) the envelope is properly addressed;

ENCLOSURE 2

Under the current pay structure, it take 21 years for most postal employees to reach the top pay level within grade. The Committee believes that this period is too long, and, unless otherwise agreed by collective bargaining, the pay scales or graduated schedules of compensation that are to be established for employees of the Authority who are in collective bargaining units should provide, effective not later than 4 years after the date on which the Authority commences operations, that the maximum period of continuous service thereafter required for an employee to reach the highest rate in whatever labor grade might have been established for him would not exceed 8 years.

MEMORANDUM OF INFORMATION FOR THE FILE

DATE 2/6/70

EXECUTIVE

PO
FG-18

Sulski, Thaddens
Carbett, Robert

LETTER, MEMO, ETC.

TO: Henry C. Caslow, II

FROM: David A. Nelson

SUBJECT: Postal Reform

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

3

BBJ

MEMORANDUM OF INFORMATION FOR THE FILE

DATE 2/11/70

EXECUTIVE

PO

FG 999-2

FG 33-14

FG 18

LETTER, MEMO, ETC.

TO:

FROM:

SUBJECT:

J. Ehrlichman

Staff Sec.

Postmaster General Blount's recent
statements re: postal legislation

CORRESPONDENCE FILED CENTRAL FILES - ~~CONFIDENTIAL~~ FILE

MEMORANDUM

THE WHITE HOUSE
WASHINGTON
February 11, 1970

EXECUTIVE

PO
FG 18
FG 133

Tom to call back
with status of
complaint

FOR: JOHN ROSE

FROM: CHUCK COLSON *WC*

We have been working closely with the National Association of Letter Carriers. Their support has been critical to the progress we have made on Postal Reform. The NALC filed a complaint on September 11th with the Federal Trade Commission arguing that the Independent Postal System of America, which is based in Oklahoma, had a misleading title and would cause public confusion with the U.S. Postal System. It seems to me that they have a legitimate point. I don't wish to become involved in the merits, however, but would like to know the status of the complaint at the FTC. I would appreciate your finding out where it stands and what action the FTC intends to take, if any, so that I can report back to the NALC. Obviously, we don't want to interfere in a regulatory agency's work but in view of our special relationship with the NALC, I would like to at least be in a position to give them information.

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JUN 6 1970
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

February 16, 1970
Monday - 10 55 a.m.

EXECUTIVE

FEB 16 1970

3

MEMORANDUM FOR BRYCE N. HARLOW

FROM DWIGHT L. CHAPIN

RE. The Postal Reform

You called me on Saturday in Key Biscayne and suggested the following three meetings

1. Tuesday, February 17th - the President meet with Postmaster General Blount to review the present status of postal reform and to brief him on the following two meetings.
2. A breakfast meeting on Wednesday, February 18th with Senators ~~McGee~~ ^{Gale} and ~~Fong~~ ^{Hiram}
3. A meeting Wednesday afternoon, February 18th with Congressman ~~Derwinski~~ ^{Thaddeus} and ~~Corbett~~ ^{Robert}

The purpose of these meetings would be to get postal reform off dead center and for the President to participate in wheeling it through Congress.

As of yet this has not gone to the President. Chuck Colson and Henry Cashen would like to discuss the matter with you at your earliest convenience.

cc: H. R. Haldeman

PO
4/18
2/17
Chapin
Forget it!
meetings cancelled.
B. Harlow
A

RECEIVED
FEB 17 1970
CENTRAL FILE

elw

THE WHITE HOUSE
WASHINGTON

7
EXECUTIVE

PR 7-1
4/18
PO

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: Meeting with Postmaster General Blount
March 10, 1970
10:30 a.m.

PURPOSE

To allow the Postmaster General to bring you up-to-date with respect to the current status of postal reform legislation.

BACKGROUND

(a) Subsequent to the meeting with Jim Rademacher of the National Association of Letter Carriers, certain problems arose with respect to full union and Congressional support for a compromise postal authority bill. Mr. Blount will probably want to discuss these with you.

(b) On Thursday, February 20, Mr. Blount, Bryce Harlow, and Chuck Colson met with Chairman Dulski and Congressman Corbett of the House Post Office and Civil Service Committee. A general agreement on a compromise bill was reached by this group. The contents and the detailed points of agreement are attached as Tab (A).

(c) Subsequent to this agreement, the Postal Clerks Union (Rademacher's rival) and the Mail Users Lobby pressured Congressman Dulski and he reversed his position and publicly announced he would not support the Administration bill.

Subsequently, Mr. Blount has worked with the White House and Jim Rademacher and hopes to have reported out a postal reform bill this Thursday. Mr. Rademacher's tremendous support is almost singularly responsible. Rademacher has put his whole career on the line to bring about what he agreed to with you.

*John
name*

EXECUTIVE (2)

*PO
76 18*

THE WHITE HOUSE

WASHINGTON

March 12, 1970

W. Jones

MEMORANDUM FOR THE PRESIDENT

From: William E. Timmons *BT*

After months of frustration the Administration's postal reform bill was reported out of the House Post Office Committee this morning 17-6. Actually, the Post Office Department's version was offered as a substitute to Chairman Dulski's bill.

Thaddeus J.

Much credit goes to Postmaster General Blount for this signal victory.

(Huston) JK

March 12, 1970

Proposed Statement on Postal Reform Bill

⑦ approved 3/13/70
The decision of the House Post Office and Civil Service Committee to report out the postal reform bill is an important victory for the nation's mail users and for the 750,000 postal workers. It is a significant first step ^{ON} ~~up~~ the road to total reform of an institution which has failed to keep pace with the mounting demands of our modern economy and expanding population. I hope that the full House and the Senate will move promptly to enact this major piece of reform legislation.

This measure provides the tools -- financial, managerial, and technological -- necessary to enable the dedicated men and women who wear the uniform of the postal service to deliver the quality mail service which the public deserves and expects. It reaffirms the principle that ^{partisan} ~~party~~ politics and the mail do not mix -- that there is no Republican or Democratic way of delivering the mail, only the right way.

Final enactment of this monumental reform measure will usher in a new, progressive era. It is my hope that it will arrive on my desk for signature at the earliest possible time.

#

RECEIVED
MAR 13 1970
CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

March 17, 1970

EXECUTIVE

FG18

PO

MEMORANDUM FOR

POSTMASTER GENERAL BLOUNT

In his statements and Messages to Congress during the past year, the President requested that various executive actions be taken.

In his REFORM OF THE POSTAL SERVICE MESSAGE, February 25, 1969 the President stated that you

- were initiating action to improve the criteria by which postmasters are selected This revised criteria, he stated, would emphasize managerial competence human relations sensitivity, responsiveness to customer concerns an understanding of labor relations, and other important qualities
- were creating a high level, impartial national board to assist you in the future selection of postmasters for the 400 largest post offices in the country

In his OBSCENE AND PORNOGRAPHIC MATERIALS MESSAGE, May 2, 1969, the President directed you

- to provide every Congressional office with pamphlets explaining how each citizen can use a law enacted by Congress in 1967 to deal with offensive material received in the mail

Would you please prepare a detailed report by April 20 1970 on your actions to date regarding these statements, outlining any work yet to be done and expected completion dates

K. R. Cole Jr
Kenneth R Cole Jr

Deputy Assistant to the President
for Domestic Affairs

Report filed on size attachments # 3742

EXECUTIVE

PEI-3

PO

PR 7-1/B *

EG 22

March 23, 1970

The following points should be stressed:

1. This action was not taken until there was no alternative. The mails had to move. Citizens expecting welfare checks, pay checks, etc., were getting desperate. The economy of the area was beginning to be affected with layoffs and hardships in the office.

MEMORANDUM FOR THE PRESIDENT

2. The administration had dealt in good faith with the leadership of the affected unions in intensive negotiations during the last 22 hours. Complete agreement was reached between the
Attached at Tab A is Secretary Shultz' recommendation of the points you should make regarding the mail strike when you meet with the General Presidents of the Building Trades Unions, AFL-CIO, this afternoon at 5:30 p.m. ~~and~~ to heed their leaders was other action considered.

Secretary Shultz reports also that George Meany is sick in

3. bed and will not be able to attend. ~~strict restriction~~. Only a limited number of military personnel will be used; somewhere in the neighborhood of 2,000. Their object will be to get mail sorted and available for pick up within the various Post Offices. Outside deliveries are not planned. Only essential services will be provided.

JOHN D. EHRLICHMAN

4. We have kept in touch with union leaders and Congressional leaders in our handling of this matter. We have avoided being hasty and it is only with reluctance that the move has been taken.

Attachments

5. The military personnel will be withdrawn and negotiations started as soon as regular employees return to work and service is restored.
6. It is mandatory that the Government maintain orderly processes as its duty to the people of the Nation. That's what the Government means. The mails had to move. This was the only way they could be moved under the circumstances.

RECEIVED

APR 16 1970

CENTRAL FILES

EXECUTIVE
PEI-3
PO

March 24, 1970

Dear Mr. Postmaster General:

Herewith for the files of the Post Office
Department is a copy of the Proclamation by
the President entitled "Declaring a National
Emergency" and a copy of the Executive Order
entitled "Calling into Service Members and
Units of the National Guard".

Sincerely,

William J. Hopkins
Executive Assistant

The Honorable
The Postmaster General
Washington, D.C. 20260

Enclosures

Proc & E.O.
Signed: 3/23/70

THE GENERAL COUNSEL
POST OFFICE DEPARTMENT
WASHINGTON, D.C. 20260

C.F.
PO
FG18

EYES ONLY

March 25, 1970

MEMORANDUM FOR: JOHN EHRLICHMAN
BRYCE HARLOW

FROM: DAVID A. NELSON *D.A.N.*

SUBJECT: Deficiencies in S. 3613

GALE Hiram
As requested earlier today by the Postmaster General, here is a brief outline of some of the deficiencies in the McGee-Fong postal reform bill. We did not see this 106-page bill until last Friday, and we have, of course, been occupied by other matters since then. Because of the haste in which the bill was reviewed and the summary prepared, this memorandum may contain some errors of commission: in any event, we have certainly omitted much that could have been said. The outline will, however, give you the general trend of our thinking.

EYES ONLY

ORGANIZATION

- The Post Office would remain an Executive department, subject to a variety of rigid statutory constraints with respect to personnel, fiscal and other matters.
- Postmaster General would have a statutory seven-year term, and could not be fired for mediocre performance. While the President would be free to drop the Postmaster General from his Cabinet if desired, the Postmaster General -- even when not of the President's party -- would remain in the statutory line of succession to the Presidency, directly behind the Attorney General.

PERSONNEL

- Postmasters and all other postal employees except "the heads of such offices as the Postmaster General determines" would be appointed in the Competitive Civil Service. This makes it difficult for the Department to hire the right kind of people in the numbers that are needed, forces us to hire the wrong kind of people for many jobs, and locks us in to a cumbersome personnel program that is very poorly adapted to the needs of a modern commercial enterprise.
- Collective bargaining unit determinations, representation questions and unfair labor practice proceedings would all be left with the Assistant Secretary of Labor, rather than the NLRB. While the NLRB leaves much to be desired, it is somewhat more insulated from political pressures than the Assistant Secretary of Labor is, and it has statutory enforcement powers that the Assistant Secretary of Labor lacks.

The criminal sanctions of the Labor-Management Reporting Act (Landrum-Griffin) would not apply to the postal unions.

- The union shop would not be a bargainable issue, even in non-right-to-work states. While this is arguably an advantage, Ted Klassen believes that the power to bargain over the union shop, where not prohibited by state law, would give us tremendous leverage in negotiations with the unions, and could be of critical importance in making the fundamental reforms in our personnel program that are essential to an efficient operation.
- The Norris-LaGuardia Act would be made applicable, and Federal courts could not issue temporary restraining orders or injunctions against strikes like those experienced in the past week.

EYES ONLY

FINANCES AND RATES

- The Post Office Department would never be self-sustaining.
- Congress would be subsidizing the Department -- and thus the mail users -- by huge annual appropriations equal (under my interpretation of some very ambiguous language) to the revenue foregone on free and reduced rate mail, plus 10% of the sum of the Department's operating costs and 1/2 of the amount expended from borrowed funds on capital improvements. The deficit that Congress would underwrite forever, under this formula, would be substantially in excess of \$1 billion a year. A subsidy of this magnitude would
 - o insure excessive political influence on the Post Office through the Congress;
 - o encourage excessive use of the postal system in preference to other forms of communication; and
 - o promote sloppy and inefficient management practices.
- While the Postmaster General could borrow a total of up to \$10 billion, as under H.R. 4, he could not borrow more than \$750,000,000 in any one year. H.R. 4 permits annual borrowings of up to \$2 billion, of which \$500,000,000 could be for operating expenses. Under S. 3613, borrowed money could be spent only on capital improvements.
- All borrowings would necessarily be from the Treasury; direct access to private investment capital would be barred. This has at least two drawbacks:
 - o the discipline of having to satisfy private lenders of the efficiency of our operation would be lost; and
 - o all of our borrowings would necessarily be included in the portion of the public debt that is subject to the statutory debt ceiling.

EYES ONLY

- GAO apparently would be given power to disallow Post Office Department expenditures.
- The Bureau of the Budget would apparently retain its power of apportionment with respect to capital improvement funds. (This question was very thoroughly discussed when the Administration's original reform proposal received BOB clearance. At that time Dr. Burns argued very persuasively -- and successfully -- that the apportionment power is inappropriate insofar as a reformed Post Office is concerned.)
- The Department's power to forgive claims against its own employees and others would be unreasonably restricted and would be made subject to GAO control to an undesirable degree.
- The postal rate structure could apparently be changed only once a year, thereby ruling out the continuous "fine tuning" of the rate structure that we ought to have.
- A rate commission appointed in a way that could well make it a highly political body would make annual recommendations on rate changes to the Postmaster General, the Postmaster General could only accept or reject these recommendations, and could not make appropriate modifications.
- In lieu of a Congressional veto over rate changes, the courts would be empowered to overturn rate changes not considered to be supported by substantial evidence on the record. The bill would make no provision for interim rates pending litigation -- a glaring deficiency in view of the labor-intensive character of the postal business. The third class mailers have been lobbying very hard indeed for exactly this type of rate setting mechanism, and Senator McGee (or his staff) obviously got the message.
- Mail classification would be handled in accordance with the same unworkable procedures.

EYES ONLY

TRANSPORTATION

- Authority to contract with supplemental air carriers -- granted under H.R. 4 -- would be eliminated.
- Authority to contract with certificated air carriers would be limited to situations in which at least 5,000 pounds of mail -- no more than 5% of which could consist of letter mail -- would be transported on each flight. The CAB would have a veto power over any such contract. All such contracts would have to run for at least one year. None of these restrictions is found in H.R. 4.

SUMMARY

The President began his message of May 27, 1969, by saying that "Total reform of the nation's postal system is absolutely essential."

S. 3613 would ~~provide~~ provide halfway reform.

While substantially increasing the Postmaster General's authority, it would leave an excessive degree of control in the hands of Congress and the Congressional committees. The Department would thus continue to be exposed to the kinds of political influences that have historically been the bane of its existence.

Whatever legislation is enacted now may well prove to be something we shall have to live with for a long time to come, we had better get it right the first time, because we may not have a second chance.

The President is sure to get much of the credit -- or blame -- for whatever reform bill is passed. The public is not likely to discriminate very carefully among the different brands of postal reform now being peddled; in the public eye, any legislation enacted under the postal reform label is going to be widely accepted as the "total reform" called for by the President. No reform at all -- for the time being -- might well be preferable to a reform bill that fails to give us the tools we need to do the job right.

BB

3

MEMORANDUM OF INFORMATION FOR THE FILE

DATE 3/25/70

EXECUTIVE

PO
FG18

McGu, Gale
Fong, Hiram

LETTER, MEMO, ETC.

TO:

John Ehrlichman/Bryce Harlow

FROM:

David A. Nelson

SUBJECT:

Deficiencies in 5.3613

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

March 25, 1970
Wednesday - 11:45 a.m.

EXECUTIVE

PR15

PO

PE1-3

UTI-3

MEMORANDUM FOR MR. H. R. HALDEMAN

FROM: Dwight L. Chapin

John ^XDavis of ^XGallup called to give me the results of a telephone survey regarding the Postal situation which was taken Tuesday night. This poll will be wired to the papers today for release tomorrow morning.

The sample size is 545.

Eight in ten polled feel that Congress should vote higher wages now.

Sixty-two percent support the President's action of sending troops to New York City.

Five to four people feel that postal workers in big cities should be paid more than those in smaller cities.

On Sunday, they will run the results of a poll on postal reform -- setting up an independent agency. Based on a hand tabulation, it looks as though 40 percent favor reform; 35 percent disapprove; and 25% have no opinion.

DLC:ny

6. The Post Office Department could never borrow capital funds in the private money market; all borrowings would therefore be subject to the statutory debt ceiling, and the amount that could be borrowed in any one year would be subject to undesirable limitations of several kinds.
7. The labor-management section, which was written by Pat Nilan of the United Federation of Postal Clerks, contains a number of undesirable features. Many of these features are subject to negotiation if we can make our peace with the Clerks, but Senator McGee is said to be insistent upon keeping postal employees in the competitive Civil Service. It would be very difficult indeed for us to live with this.

Minton is prepared to compromise on a number of minor points, but any bill that meets with his approval is likely to contain the major problems outlined above. These problems are described in somewhat greater detail in the attached memorandum.

The Postmaster General has suggested that we discuss this matter at your convenience.

Attachment

cc: Postmaster General
Deputy Postmaster General
Mr. Carlin

JUNK MAIL REFORM?

Total reorganization of the postal system -- with mailmen's wages fixed by collective bargaining, and not by Congress -- is imperative.

As early as 1967, Postmaster General Lawrence F. O'Brien acknowledged that the Post Office Department stood at the brink of catastrophe, and proposed that a totally new organization be created to operate the postal system in a way that makes sense.

The reorganized postal system would give the postal employee decent wages and working conditions through collective bargaining; would give the mail user decent postal service through efficient, non-political management, and would give the taxpayer a decent break through elimination of the huge subsidies that have been hidden away in the Post Office Department's budget for decades.

In 1968, after a thorough study of all the alternatives, President Johnson's blue-ribbon postal commission, headed by Frederick R. Kappel, concluded that the postal system as presently organized simply is not capable of meeting the demands of our growing economy and expanding population. In a carefully documented report entitled "Towards Postal Excellence," the Kappel Commission persuasively demonstrated the need for a major reorganization of the Post Office Department along the lines suggested by Mr. O'Brien.

/March 30, 1970

President Nixon, shortly after taking office in 1969, called for total reorganization of the postal system to achieve the objectives that the Kappel Commission had identified as vital. The first major piece of domestic legislation initiated by the Nixon Administration was the proposed "Postal Service Act" that Postmaster General Winton M. Blount sent to Capitol Hill in May of 1969.

The junk mailers -- and other groups that have a vested interest in preserving the hidden subsidies they enjoy under the present deficit-ridden postal system -- promptly announced that the O'Brien-Johnson-Nixon-Blount proposal had no chance of being enacted into law. As the enemies of postal reform continued regularly to announce its demise, however, the American people were letting their Senators and Congressmen know that these death notices were grossly exaggerated. The people let it be known that they wanted positive action on postal reorganization; and on March 12th of this year -- in a stunning blow to the junk mail industry -- a bi-partisan majority of the Post Office Committee of the House of Representatives voted to send to the House floor a bill that would provide a retroactive pay increase for postal employees and establish the kind of reorganized postal system the nation so desperately needs.

Six days later, their patience with Congressional delay finally exhausted, the Letter Carriers in New York City went on

strike -- and the entire country recognized that what we were witnessing was the beginning of the end of an outmoded postal system that has lost its capacity to deal fairly with its own employees.

The strike and the action of the House Committee made it as plain as day to the junk mailers and their allies in Congress that some kind of postal reform legislation is inevitable.

The junk mail lobby lost no time in jumping on the bandwagon. On March 19th, the day after the strike began, a hastily drafted "postal reform" bill bearing number S. 3613 was quietly introduced in the Senate. This Senate bill would, in effect, make the junk mail industry a permanent appendage of the United States Treasury.

Senate Bill 3613 would make it mandatory that the Post Office Department operate at a deficit of more than 10%, thus forcing the American taxpayer to make an annual gift of roughly \$1 billion to the mailers (predominantly business mailers) that account for the heaviest use of our postal system.

Senate Bill 3613 would let the nation's postal system be flooded with junk mail, without requiring the junk mailers ever to pay their fair share of the cost of running the Post Office Department.

Senate Bill 3613 would keep the Post Office Department in a political quagmire, with powerful Congressional committees -- whose members have not always been indifferent to promises of big political campaign contributions -- continuing to tell the Post Office Department how to run its business.

Senate Bill 3613 would virtually guarantee that the Post Office Department will continue to pay more than it ought to pay for long-haul mail transportation -- thereby perpetuating another hidden subsidy for special interest groups that might not be able to justify such subsidies if they were out in the open.

Senate Bill 3613 would relieve Congress of all responsibility for postage rates. If the Post Office Department is always to be headed by a politically-appointed Postmaster General who will remain under the thumb of the Congressional committees, it is not hard to see why Congress would want to try to insulate itself from criticism for the sharp increases in first class postage rates that are bound to become routine under such a system. But if the Postal Service were to be given a truly professional, non-political management structure, as President Nixon has proposed, the substantial pay increases to which postal workers are entitled could be offset, in part, by the operating efficiencies capable of being achieved under a well-managed, adequately financed Postal Service. In that event, Congress would not have to be afraid of retaining general oversight of postage rate changes, as the President has also proposed.

Senate Bill 3613 is a bad bill. The special interest groups have no legitimate claim to the kind of bonanza that S. 3613 would give them, and the American people do not deserve the kind of "postal reform" that S. 3613 would saddle them with. The Senate should put this junk mail reform bill on the junk pile at once, so Congress can get down to work on a postal reorganization bill that makes sense. Enactment of such a bill is long overdue.

Will the Mails Now Be Put on A Business Basis?

The nation's couriers have returned to their appointed rounds. But the underlying problems which produced the paralyzing eight-day postal strike came no closer to solution. Negotiations and pay legislation may allieviate the immediate gripe of the strikers — inadequate pay aggravated by an unfilled promise to provide substantial wage increases — but when postal workers again begin to squirm under the impact of increased living costs and unsatisfactory working conditions, the nation may face another mail catastrophe.

The problems of the Post Office transcend this strike, and embrace chronic mail delay, archaic facilities, outmoded procedures and permanent — and steadily increasing — deficits. Why? Because, it is submitted, Congress cannot effectively run the postal service as a Government department. Though affected with the public interest the Post Office is different from other Government departments in the essentially businesslike character of its operations. It is a business, however with little control of its own affairs.

Not only its top management, but also its 25,000 local postmasters are political appointees often chosen without regard for experience or expertise. Congress exercises detailed control over postal rates, wage scales, and transportation policies. The Congress appropriates, or fails to appropriate, for capital improvement.

Effect on Modernization

This appropriation process has had a devastating effect on postal modernization efforts. Typically, giant corporations reinvest one-fourth or more of their revenues annually in capital improvements. Congress appropriates to the Post Office 2 per cent for this purpose.

Despite the existence of proven time and labor-saving mail-handling devices, many postal centers are unmechanized. The optical-scanning letter-sorting machine, now in experimental operation in Detroit, has potential to produce enormous savings, but Congress has not even appropriated the funds to introduce earlier generation equipment throughout the postal system.

But for historical accident, the Post Office might have been a regulated business corporation, such as American Telephone and Telegraph Co. The contrast in quality of service and efficiency of operations of these two similar enterprises is striking. When A.T.T. introduced nationwide direct-distance dialing, the Post Office was still sorting mail into the 49-compartment cases created by the first Postmaster General, Benjamin Franklin.

The bases of postal difficulties have hardly escaped attention. Twenty years ago the Hoover Commission noted that politics and effective postal operations do not mix. For these and other reasons, some years ago Postmaster General Lawrence F. O'Brien advanced the proposal to reorganize the Post Office as a public corporation. After a year of study, President Johnson's Commission on Postal Organization concurred in the O'Brien approach.

When President Nixon took office, it seemed that the momentum for reform would continue because he cited postal reform as one of his first priorities, and his Postmaster General, Winton M. Blount, submitted a comprehensive bill to reorganize and modernize the postal service. But the Postal Service Act of 1969, which would have transferred postal operations to a public authority similar to the Tennessee Valley Authority, was defeated by one vote in the House Post Office and Civil Service Committee.

Chief among the reasons for its defeat was the steadfast opposition of Representative Thaddeus Dulski, chairman of this committee, whose power would be lessened in proportion to the autonomy granted to the postal corporation.

Earlier this month, however, the reform effort renewed momentum as the Administration concurred in a compromise bill, the Postal Reform and Salary Adjustment Act of 1970. Apart from a change of name — the

public corporation is titled the United States Postal Service Authority — the bill added other features, including a pay raise, attractive to labor and Congress. This time, the bill easily cleared committee, despite the negative vote of the chairman. Then, at the verge of postal reform success, the mailmen staged a rebellion.

Pay Increase

The 1970 bill provides a modest pay increase, but for the postal workers it offers much more. The bill makes possible, for the first time, genuine collective bargaining over wages and working conditions.

The bill also opens the possibility of area wage negotiations, now unavailable. Moreover, the bill reduces from 21 to eight years the period of service to reach maximum pay within a civil service grade. If the bill becomes law, postal employees will have their cake and eat it too. They will continue as civil servants covered by existing pensions and insurance plans. But their unions will be able to negotiate for greater fringe benefits, which they cannot do today.

Collective bargaining on these new terms would significantly reduce the strike threat. Although the 1970 bill preserves the existing ban on strikes, it introduces new procedures for resolving contract disputes and negotiation impasses. Disputes not resolved by agreement are referred first for fact-finding to a panel drawn from the Federal Mediation and Conciliation Service. If fact-finding proves insufficient, binding arbitration is prescribed. Just as the problems of the Post Office extend beyond the immediate difficulties of this strike, the 1970 reform bill addresses the other causes of postal difficulties. Aside from appointments by the President of members of the Executive Council, it prohibits political influence in all personnel decisions. It enables the postal service to raise money for capital expenditures through the sale of bonds, and to spend that money outside of the appropriation process. It vests rate-making authority in the Executive Council. In sum, the bill not only establishes the groundwork for genuine satisfaction of employee demands, but it goes a long way toward making the postal service an effective public communications network.

—STANLEY SIEGEL

3/30/70

Summary of S. 3613

Organization

- The Post Office would remain an Executive Department, subject to a variety of rigid statutory constraints with respect to personnel, fiscal and other matters.
- Postmaster General would have a statutory seven-year term, and could not be fired for mediocre performance. While the President would be free to drop the Postmaster General from his Cabinet if desired, the Postmaster General -- even when not of the President's party -- would remain in the statutory line of succession to the Presidency, directly behind the Attorney General.

Personnel

- Postmasters and all other postal employees except "the heads of such offices as the Postmaster General determines" would be appointed in the Competitive Civil Service. This makes it difficult for the Department to hire the right kind of people in the numbers that are needed, forces us to hire the wrong kind of people for many jobs, and locks us in to a cumbersome personnel program that is very poorly adapted to the needs of a modern commercial enterprise.
- Collective bargaining unit determinations, representation questions and unfair labor practice proceedings would all be left with the Assistant Secretary of Labor, rather than the NLRB. The NLRB is more insulated from political pressures than the Assistant Secretary of Labor is, and it has statutory enforcement powers that the Assistant Secretary of Labor lacks.
- The criminal sanctions of the Labor-Management Reporting Act (Landrum-Griffin) would not apply to the postal unions.
- The Norris-LaGuardia Act would be made applicable, and Federal courts could not issue temporary restraining orders or injunctions against strikes like those experienced in the past week.

Finances and Rates

- The Post Office Department would never be self-sustaining.
- Congress would be subsidizing the Department -- and thus the mail users -- by huge annual appropriations equal (under one interpretation of some very ambiguous language) to the revenue foregone on free and reduced rate mail, plus 10% of the sum of the

Department's operating costs and 1/2 of the amount expended from borrowed funds on capital improvements. The deficit that Congress would underwrite forever, under this formula, would be substantially in excess of \$1 billion a year. A subsidy of this magnitude would

- o insure excessive political influence on the Post Office through the Congress,
 - o encourage excessive use of the postal system in preference to other forms of communication; and
 - o promote sloppy and inefficient management practices.
- While the Postmaster General could borrow a total of up to \$10 billion, as under H R. 4, he could not borrow more than \$750 million in any one year. H.R. 4 permits annual borrowings of up to \$2 billion, of which \$500 million could be for operating expenses. Under S. 3613, borrowed money could be spent only on capital improvements.
 - All borrowings would necessarily be from the Treasury; direct access to private investment capital would be barred. This has at least two drawbacks.
 - o the discipline of having to satisfy private lenders of the efficiency of our operation would be lost; and
 - o all of our borrowings would necessarily be included in the portion of the public debt that is subject to the statutory debt ceiling.
 - The Department's power to forgive claims against its own employees and others would be unreasonably restricted and would be made subject to GAO control to an undesirable degree.
 - The postal rate structure could apparently be changed only once a year, thereby ruling out the continuous "fine tuning" of the rate structure that we ought to have.
 - A rate commission appointed in a way that could well make it a highly political body would make annual recommendations on rate changes to the Postmaster General; the Postmaster General could only accept or reject these recommendations, and could not make appropriate modifications.
 - In lieu of a Congressional veto over rate changes, the courts would be empowered to overturn rate changes not considered to be supported by substantial evidence on the record. The bill would make no provision for interim rates pending litigation -- a glaring deficiency in view of the labor-intensive character of the postal

business. The third class mailers have been lobbying very hard indeed for exactly this type of rate setting mechanism, and Senator McGee (or his staff) obviously got the message.

- Mail classification would be handled in accordance with the same unworkable procedures.

BB/

③

MEMORANDUM OF INFORMATION FOR THE FILE

DATE

3/30/70

EXECUTIVE

PO
FG265-
FG18

LETTER, MEMO, ETC.

TO:

Dwight D. Eisenhower

FROM:

David A. Nelson

SUBJECT:

Sen. Gale McGee's Postal Reform Bill

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

March 31, 1970

MEMORANDUM FOR HONORABLE JOHN D. EHRLICHMAN

The Postal Situation: A Fallback Position

These suggestions are intended as an alternative in case postal reform turns out not to be a possible part of the negotiations now in process. Points 5, 6, and 7 should be moved forward vigorously in any case.

1. Work out within the Administration some postal plus civil (classified) service increase on an across the board basis

- justifying the amount on a "comparability" basis
- and recommending this for immediate Congressional action.

2. Instruct the Civil Service Commission to work with all government agencies on any special pay problems that agency may have, the work to take place within the structure of authority presently available to the C.S.C.

3. Remove the legal monopoly of the Postal Service, so that private arrangements for movement of mail can develop. This would serve two purposes: the stimulation of competition for the Postal Service and the development of alternatives for the public.

4. Instruct the Post Office to recommend within 60 days a strong managerial program, including plans for investment, an examination of the adequacy (quantity and quality) of supervision, the price

structure (as distinct from level) of service charges, arrangements for the conduct of employee and labor-management relations, and possibilities for subcontracting of work.

5. Appointment of Director of Federal Labor-Management Relations, directly responsible to the President at the moment but ultimately to be a part of the Office of Management and the Budget, responsible for coordination and control of this area and acting with general guidance of the Federal Labor Relations Council (Hampton, Mayo, Shultz).

6. Instruct all agencies of government to "get cracking" in the implementation of E.O. 11491, which the President signed on October 29, 1969. Personnel ceilings may have to be adjusted in some cases to bring this about.

7. Instruct the C.S.C., in coordination with the Federal Labor Relations Council, to develop an improved system for handling classified and postal wages levels and make recommendations to the President within 60 days. Recommendations should focus on two matters: (1) the concept to be used in judging the need for a change in pay levels, (2) a more decisive management of Executive and Congressional machinery to bring the changes about.



George P. Shultz
Secretary of Labor

Cost of Raises

rec'd.
4/3/70

EXECUTIVE

PE12 3.

411-2

PO

PE1-3

(3)

✓

(1) 6% government-wide
Effective January 1, 1970

	FY '70	FY 71	FY 72
	1.25 Bil.	2.5 Bil.	2.5 Bil.

Income tax offset*	162.5 mil.	325 mil.	325 mil.
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Net cost to govt.	1.0875 bil.	2.175 bil.	2.175 bil.
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(2) 6% postal only
Effective July 1, 1970

	-	372 mil.	372 mil.
--	---	----------	----------

Income tax offset		48.3	48.3
-------------------	--	------	------

Net cost to govt.		323.7 mil.	323.7 mil.
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(3) Compression
Effective July 1, 1970

	250 mil.	500 mil.
--	----------	----------

Income tax offset	32.5	32.5
-------------------	------	------

Net cost to govt.	217.5	467.5
-------------------	-------	-------

Total Net Cost	1.087 bil.	2.716 bil.	2.966 bil.
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* Any government wage increase creates 17% tax income

elm

rec'd
4/3/70

EXECUTIVE
PR1-1
PR10
PR1-3
PO ✓

(3)

LIST OF ATTENDEES

1. Postmaster General Blount - Chairman
2. Elmer T. Klassen - Deputy Postmaster General - Chief Negotiator
3. Kenneth A. Housman - Assistant Postmaster General for Personnel
4. Paul N. Carlin - Executive Assistant to the Postmaster General
5. James P. Blaisdell - Consultant
6. James D. Hodgson - Under Secretary of Labor
7. William J. Usery - Assistant Secretary of Labor
8. John Leslie - Department of Labor
9. Jack Warshaw - Department of Labor
10. George Meany - President of AFL-CIO
11. James C. Gildea - Executive Assistant to the President of AFL-CIO -
Chairman and Chief Negotiator
12. Francis J. Filbey - President of United Federation of Postal Clerks
13. James H. Rademacher, Jr. - President of National Association of
Letter Carriers
14. Herbert F. Alfrey - President of National Rural Letter Carriers
Association
15. Lonnie Johnson - President of National Association of Post Office
Mail Handlers, Watchman, Messengers and Group Leaders
16. Monroe Crabler - President of National Association of Post Office
and General Services Maintenance Employees
17. Chester W. Parrish - President of National Federation of Post Office
Motor Vehicles Employees
18. Michael J. Cullen - President of National Association of Special
Delivery Messengers
19. Albert Zack - AFL-CIO
20. James R. Holland - Special Assistant to the Postmaster General

EXECUTIVE

PD
PR7-1

(3)

elm
April 4, 1970

TO: Bill Timmons

FROM: Bryce Harlow

When the President telephoned Senator McGee and Congressman Dulski in regard to the postal negotiations, he said that he would like to have a meeting on Tuesday or Wednesday, April 7 or 8, with these two chairmen and Senator Fong and Congressman Corbett to discuss the legislative package for postal reform, pay increases and postal rate increases.

Thaddeus
The above is a reminder to you of our conversation, in which you agreed to arrange this meeting.

Robert
The day of the meeting is contingent on the status of negotiations between the Post Office Department and the postal unions, so the first point of contact to make these arrangements should be with the Postmaster General.

cc: Bob Haldeman
✓ Dwight Chapin

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elm

Held
in April 9th
back up

THE WHITE HOUSE
WASHINGTON

April 4, 1970

To: HALDEMAN

cc: Ehrlichman (4)

- (1) PMG says we will know late today if meeting should be Wed. or Thursday.
- (2) Should take 30 to 45 minutes.
- (3) Remember Carswell vote Wed. Afternoon - if it is a problem
- (4) 10:15A Thursday may be best

MEMORANDUM FOR DWIGHT CHAPIN

From: William E. Timmons *for*

It is recommended that a Presidential meeting be scheduled for 3:00 p.m., Wednesday, April 8, in the Cabinet Room to brief key Congressmen on progress in the Postal Reform negotiations. Attending* would be:

1. The President
2. Red Blount, PMG
3. Ted Klassen, Deputy PMG
4. David Nelson, General Counsel, Post Office Dept.
5. Paul Carlin, Executive Assistant to the PMG
- ✓ 6. Sen. Gale McGee, Chairman, P.O. Committee
- ✓ 7. Hiram Fong, ranking GOP, P. O. Committee
- ✓ 8. Rep. Thaddeus Dulski, Chairman, P.O. Committee
- ✓ 9. Rep. Bob Corbett, Ranking GOP, P.O. Committee
10. Bryce Harlow
11. John Ehrlichman
12. Bill Timmons

I understand the PMG has discussed this with the President. The list of invitees has been approved by Blount. Please let me know if this meeting can be scheduled.

depends * Next week, if Blount is near agreement with the unions he may request the addition of Mansfield, Scott, McCormack and Ford to this list.

Maybe Many to Come

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EXECUTIVE

PR15

441

441-3

PO

PE1-3

April 6, 1970
Tuesday - 10:45 a.m.

MEMORANDUM FOR MR. H. R. HALDEMAN

FROM: Dwight L. Chapin

RE: ^X
Gallup Poll

3
A Gallup Poll on popularity showing 53% approve, 30% disapprove, and 17% no opinion will be out this Thursday.

It will say that the President dropped to a new low just prior to the troops moving into New York. It will also point out that perhaps the decline in popularity is temporary and they back this up with the 62% support the President received for his action in regard to the postal situation which the President received in the Gallup telephone survey.

Thursday's poll will point out for the first time that the President dropped below 50% in the East (49%). He had 51% in the Midwest, 56% in the South, and 60% in the West.

They will have another poll coming out this Sunday, the results of which I will get late this afternoon. This poll will weight the effect of the postal strike, Carswell, and the Vietnam War in relation to the President's popularity.

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JUN 12 1970

EXECUTIVE

PEI-3

PO

April 9, 1970
Thursday - 3:00 p.m.

MEMORANDUM FOR MR. H. R. HALDEMAN

FROM: Dwight L. Chapin

The Postmaster General called to say he hoped to have a settlement tomorrow and would like to meet with the President in the early afternoon. I told him that 3:00 p.m. might be a possibility but did not commit the time.

He said he had talked to Bryce and Ehrlichman this morning about the possibility of having George Meany's top assistant there (Meany is sick) and also some AFL-CIO people to represent the postal unions. In addition, he would like to have the men listed on the memorandum which Bill Timmons submitted and of which you have a copy.

The next step is for you to call Secretary Shultz and then for us to confirm the time back to Blount.

DLC:ny

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

Monday - 2:30 p.m.
April 13, 1970

EXECUTIVE
PO
MC
7618
HIGH PRIORITY
PR 10

MEMORANDUM FOR MR. H. R. HALDEMAN

FROM: Dwight L. Chapin *DL*
RE: Postal Meeting - 3:00 p.m. April 14

The following people will participate in the postal meeting tomorrow afternoon:

Congressional

Senator Mansfield
Senator Scott
Senator McGee
Senator Fong

Speaker McCormack
Congressman Albert
Congressman Ford
Congressman Dulski
Congressman Corbett

Administration

Postmaster General Blount
Secretary Shultz
Deputy Postmaster General Klassen
Secretary Usery
Vice President

Others

George Meany

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2.

The meeting will be structured around the announcement of postal reorganization and the new rate schedule.

At the conclusion of the meeting, it is recommended that Postmaster General Blount and Mr. Meany go out and meet the Press Corps. It is recommended that the Members of Congress do not participate in this press conference. (Timmons is worried about McGee who has his own views on reorganization *and* may offer some comments to the press which would take away from the thrust of the point the Administration wishes to make.)

Proper briefing materials will be prepared.

What we need now is approval on the above list of attendees so that Timmons can proceed with the inviting.

Approve Members of the Congressional Delegation ✓ Disapprove _____

For planning purposes, we need to know if it is agreeable that only Blount and Meany will meet the press.

Approve Blount and Meany ✓ Disapprove _____

Other _____

Note

John Ehrlichman, Bill Timmons, and Henry Cashen have all been consulted on the above and approve of the Congressional Delegation, and the briefing by Blount and Meany.

PMG Blount also agree with the plan! /C

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

April 11, 1970

*Timmons says fine for
3PM - & send message
on Wed.*

(Handwritten red mark resembling a stylized 'A' or '4' inside a circle)

MEMORANDUM FOR DWIGHT CHAPIN

From: William E. Timmons *fx*

*Refer
Proposed*

I. PROPOSAL: To stage a briefing, postal reform announcement and bill signing ceremony to maximize publicity for the President's leadership in recent government-labor negotiations; and to cultivate sufficient congressional support to pass the the President's recommendations at the earliest practical date.

II. RECOMMENDATIONS

1. That the President schedule a 11:00 a.m. meeting, Tuesday April 14 with:

- or 3:00 P

1. Red Blount
2. Ted Klassen
3. ~~Paul Carlin~~
4. Hiram Fong
5. Gale McGee
6. Thaddeus Dulski
7. Bob Corbett
8. George Meany
9. White House staff

*Schultz, Casey - Recognition of labor
TO Announce the Bill &
to discuss the Bill &
negotiations - observation -
Blat after - 4 men*

for the purpose of a briefing on the postal reform agreement which will have been reached by then.

2. That at 11:45 a.m. *or 3:45 P* there be a bill signing ceremony in the East Room for the 6% salary raise. The President could use that occasion to also publicize the postal agreement. Invited could be:

1. All Members of Senate PO Committee
2. All Members of House PO Committee
3. All bipartisan leaders
4. All Members of House & Senate Appropriations Subcommittees
5. Leaders of Armed Service Committees
6. Selected postal union officials
7. Representatives of AFL-CIO
8. Selected officials of Post Office and Labor Departments and Civil Service Commission.

*(VP)
Bis 4
Huff
Allert
McConnell
Scott
Ford*

*Timmons
agreed Casey
on briefing -
bills - Caplan
Red - V
Meany
on
briefing*

-more-

This could total about one hundred seated guests for the signing and postal reform announcements. (This office and POD can invite guests.).

3. A Message with accompanying legislation be sent to the Congress about 2:00 p.m. on Tuesday. (Bill Safire has first draft of Message, and POD will have text of agreed-upon legislation).

or on wed morning.

PMG Blount recommends this approach, the President's schedule permitting.

cc: Bryce Harlow
John Ehrlichman
John Brown

P.

TO: HALDEMAN
CC: Ehrlichman

4/4/70

THE WHITE HOUSE
WASHINGTON

HIGH PRIORITY

*H-
E preters*
April 4, 1970
Thursday

MEMORANDUM FOR DWIGHT CHAPIN

From: William E. Timmons *for*

- L.*
- (1) PMG says we will know late today if meeting should be wed. or Thursday
 - (2) Should take 30 to 45 minutes.
 - (3) Remember Carswell vote wed AFTERNOON - if it is a problem
 - (4) 10:15A Thursday may be best

It is recommended that a Presidential meeting be scheduled for 3:00 p.m., Wednesday, April 8, in the Cabinet Room to brief key Congressmen on progress in the Postal Reform negotiations. Attending* would be:

1. The President
2. Red Blount, PMG
3. Ted Klassen, Deputy PMG
4. David Nelson, General Counsel, Post Office Dept.
5. Paul Carlin, Executive Assistant to the PMG
6. Sen. Gale McGee, Chairman, P.O. Committee
7. Hiram Fong, ranking GOP, P. O. Committee
8. Rep. Thaddeus Dulski, Chairman, P.O. Committee
9. Rep. Bob Corbett, Ranking GOP, P.O. Committee
10. Bryce Harlow
11. John Ehrlichman
12. Bill Timmons

I understand the PMG has discussed this with the President. The list of invitees has been approved by Blount. Please let me know if this meeting can be scheduled.

* Next week, if Blount is near agreement with the unions he may request the addition of Mansfield, Scott, McCormack and Ford to this list.

Only if worth P. while.

A talk to Shultz.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

EXECUTIVE 4 (4)

PH 2-4

PE 1-3

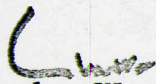
PO

April 14, 1970

MEMORANDUM FOR DWIGHT CHAPIN

As you will see, our little deal with the ASAE is paying off immensely.

This goes to every association executive in the U.S. It happens to have come out the day before our postal reform message goes to the Congress.


Charles W. Colson

P.S. Don't forget the little request they have made. - 10 minutes

** American Society of Association Executives*

** Magazine filed in Oversize Attachments*

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APR 15 1970
CENTRAL FILES

ET

EXECUTIVE
PO
FG18
(F)

THE WHITE HOUSE
WASHINGTON

April 15, 1970

MEMORANDUM FOR THE STAFF SECRETARY

From: William E. Timmons *WET*

On the Postmaster General's request we are adding three guests to the 11:00 a.m. meeting on postal reorganization in the Cabinet Room, Thursday, April 16.

They are:

1. Mr. Lane ^XKirkland
Secretary-Treasurer, AFL-CIO
2. Mr. Tom ^XHarris
General Counsel, AFL-CIO
3. Mr. David ^XNelson
General Counsel, Post Office Department

cc: John Ehrlichman
Dwight Chapin
Henry Cashen
Ron Ziegler
White House Police
Chief Usher

CENTRAL FILE
APR 15 1970
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EXECUTIVE

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4/16/70

TO THE CONGRESS OF THE UNITED STATES:

My message of April 3 outlined the preliminary agreement that the Government reached with its postal employees after the end of the recent postal work stoppage.

In that agreement, the Post Office Department and the postal employee organizations affiliated with the AFL-CIO undertook to negotiate and jointly sponsor a postal reorganization and pay bill to be recommended to the Congress as a measure that could ultimately lead to a cure of the problems that have been festering for years in the postal system. *United States Postal Service Commission on Postal Costs and Revenue*

The negotiations went forward in an atmosphere of good will and good faith on both sides, and they have now culminated in agreement on a legislative proposal that would:

-- Convert the Post Office Department into an independent establishment in the Executive Branch of the Government, freed from direct political pressures and endowed with the means of building a truly superior mail service.

-- Provide a framework within which postal employees in all parts of the country can bargain collectively with postal management over pay and working conditions.

-- Increase the pay of postal employees by 8%, over and above the Government-wide increase of 6%, and shorten the time required to reach the top pay step for most postal jobs.

I support the proposed legislation that has been agreed to in the negotiations between the Post Office Department and the postal unions, and in transmitting it to the Congress I urge that it be given prompt and favorable consideration.

The Secretary of Treasury is sending to the Congress shortly the detailed legislative proposals necessary to accelerate the collection of estate and gift taxes which will pay for the 6% governmentwide pay raise.

EXECUTIVE

PEI-3

PO

PR13

ND18/CO165

KOLKO PAPER COMPANY, INC.

April 22, 1970

ROCHESTER, NEW YORK

Dear Mr. Kolko:

It was particularly thoughtful of you and those who joined with you to let me have your comments about my response to the recent postal work stoppage. I was pleased to hear from you and I want to express my thanks for your encouragement.

With my best wishes,

Sincerely,

RICHARD NIXON

Mr. Mort^x Kolko
Kolko Paper Company, Inc.
Post Office Box 1820
Rochester, New York 14603

RN:NMM:MD:hc

RECEIVED
APR 23 1970
CENTRAL FILES

THADDEUS J. DULSKI, N.Y., CHAIRMAN

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 DOMINICK V. DANIELS, N.J.
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 LAWRENCE J. HOGAN, MD.

U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

207 CANNON HOUSE OFFICE BUILDING

Washington, D.C. 20515

April 24, 1970

MEMORANDUM

To: Mr. Bryce N. Harlow, Counsellor to the President
 From: Mr. Charles E. Johnson

Subj: H. R. 17070 -- Postal Reform

Thaddeus J.
 Chairman Dulski asked that two areas be discussed with you -- one of procedure and one of substance.

1(a) It is critically important that all of our Committee Minority Members attend promptly and continuously the executive sessions beginning at 10:00 A. M., Tuesday, April 28, on through Wednesday and Thursday, April 29 and 30.

(b) It is also important, in order to avoid dilatory tactics, that two or more supporting Members on each side of the aisle be present and prepared at all times to move the previous question and prevent excessive debate on amendments.

2. The following amendments (among possibly others), with our estimates of their prospects, are expected to be offered:

(a) An amendment to protect the status of the National Postal Union and the National Alliance of Postal and Federal Employees as it was under Executive Order 10988. This well may carry.

(b) An amendment to permit postal employees to refrain from union membership, as in Executive Order 11491. This may carry. It will gain extra support from the interest of many Members in a request by the Seventh-Day Adventist Church for similar language, based on religious scruples against union membership.

(c) An amendment to continue the existing policy in Title 39, United States Code, that parcel post revenues and expenses may not vary by more than 4 percent. This appears to have considerable support.

(d) An amendment by Mr. Scott to stipulate that postal employees will continue to be in the competitive civil service and subject to civil service laws and regulations. Success is doubtful -- partly for personal reasons.

(e) An amendment to subject the air transportation contracting authority to Civil Aeronautics Board control -- or even possibly to strike the entire section. This will be close, but probably will fail.

(f) An amendment by Mr. Gross to strike out the 11-member Commission on Postal Costs and Revenues and to provide for 9-year appointment of the Postmaster General.

Handwritten signature: J. L. = J. L. >

April 24, 1970

Dear Mr. and Mrs. Snyder:

It was particularly thoughtful of you and Miss Rose E. Mahanay to let me have your comments about my response to the recent postal work stoppage. I was pleased to hear from you and I want to express my thanks for your encouragement.

With my best wishes,

Sincerely,

RICHARD NIXON

Mr. and Mrs. L. N. Snyder
5621 Tourist Drive
Fort Worth, Texas

RN:NMM:dsf

EF

MEMORANDUM OF INFORMATION FOR THE FILE

DATE 4/29/70

EXECUTIVE

DO

FG18

LETTER, MEMO, ETC.

TO:

The President

FROM:

John D Ehrlichman

SUBJECT:

*Status of Post Office Reform
Package in Congress*

DC
CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

May 11, 1970

*Cole talked w/Cashen
5/23. It was
decided that there
is nothing that
can be done on
this - BOB is
aware of the
decision.*

TO: KEN COLE

FROM: HENRY C. CASHEN II *HCC*

SUBJECT: Control of the Postal Service under the
proposed "Postal Reorganization and Salary
Adjustment Act of 1970"

LOG NO 3798

KCC
EXECUTIVE

PD

4418

PE 12-3

446-1

446-11-1/Cashen, Henry

446-11-1/Jimmey, William

446-11-1/Harper, Ed

Attached is a copy of a summary memorandum in response to Jim Schlesinger's memorandum to the President of May 1.

I agree to a certain extent with what Dave ^XNelson says, in that the President would still have control over the postal service budget by asserting his personal influence rather than statutory right. However, I do not agree that his personal influence can afford to him anywhere near the control if the same were to be provided by statute.

A most significant consideration with respect to this entire question is set forth in the last paragraph of Page 4 and the top of Page 5 of Mr. Nelson's memorandum which states as follows:

"Mr. Schlesinger's memorandum is quite accurate in suggesting that the risk of undesirable Congressional amendments is a serious one. To minimize that risk, we have publicly stated that we are not supporting any changes in the agreement negotiated between the Administration and the unions. To the extent that we are caught maneuvering behind the scenes to make changes in the version of the bill that was negotiated with the unions and publicly endorsed by the President, it would seem to me that the prospects for getting a decent bill out of the Congress will be diminished. The number of special interest groups pushing their own pet

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CENTRAL FILES

sets of amendments is almost limitless; if we do not maintain our defenses against amendments, the bill ultimately passed by the Congress may not be worth very much. "

In general, we have reached an agreement between the Administration and the unions and to make a forceful attempt to change the provisions of this agreement, at this time, is impractical and would open the door to allow the unions to attempt to make changes which would be more favorable to their way of thinking.

Attachment.

APR 15 1971

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THE WHITE HOUSE
WASHINGTON

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PR 4-1/17*
4/18

INFORMATION

House Post Office and Civil
Service Committee Action on
Postal Reform Bill, May 11, 1970

MEMORANDUM FOR THE PRESIDENT

I. POINTS OF CONSIDERATION:

George Meany
Ted Klusser

(1) Late last evening the House Post Office and Civil Service Committee reported out a reform bill which included 17 amendments to the union-Administration bill.

(2) The Post Office Department advises that certain of the issues present serious problems at this time, but strongly believe that the entire bill will go back to Committee for reconsideration on Wednesday, May 13. The amendments presenting the most serious problems are:

(a) The Committee voted to make the 8% pay increase retroactive to April 18, 1970, for all 700,000 postal workers,

(b) The Postal Service would be required to negotiate with supervisors, as well as rank and file.

(c) The Committee amendment would extend the Congressional veto time to 90 days and require only a simple majority vote of either House to kill rate increase proposals (our bill required a 3/4ths vote of either House within 60 days).

II. RECOMMENDATION

In your meeting with the Executive Council of the AFL/CIO, the question of postal reform should be low-key for the following reasons:

(1) Union leaders, and particularly George Meany, are somewhat embarrassed by the reported bill and have not at any time deviated from their agreed support,

(2) Red Blount and Ted Klassen are meeting at 12 00 today with George Meany and other AFL/CIO representatives to determine how the action of the Committee can be rectified,

(3) The Senate Committee is expected to act very soon on a bill closely in accord with our reform bill

(4) If anything concerning postal reform is mentioned, I believe the best position would be to ask George Meany to continue with his strong support for passage at the earliest possible date, of that reform bill which was agreed to by the Administration and the unions.

THE WHITE HOUSE
WASHINGTON

9:45 AM

Henry C. Cashen II

John Ehrlichman
recommends that
you read this FYI
memo prior to your
mtg with AFL-CIO.

AJ

THE WHITE HOUSE

WASHINGTON

May 8, 1970

MEMORANDUM FOR KEN COLE

FROM

Ed Harper *2d*

SUBJECT Control of the Postal Service Under the Proposed
"Postal Reorganization and Salary Adjustment Act
of 1970"

REFERENCE

Log No. 3798

The Bureau of the Budget alerts ^{us} to two problems in the Postal Reorganization and Salary Adjustment Act of 1970 which the Administration has endorsed as a result of its negotiations with the Postal Unions.

The first problem is that the Bureau feels that the President and the Bureau would maintain insufficient fiscal control over the Postal Service. The Bureau claims that it is not interested in detailed control over the Postal Services' fiscal operations, but it is more interested in general levels of expenditure as they could affect the surplus/deficit calculation in the President's budget. They correctly note that the Postal Service would remain in the unified federal budget.

It is true that the Postal Service's fiscal activities which could include borrowing at the rate of \$2 billion per year and running a substantial deficit could have a significant impact upon the President's budget. However, it has generally been anticipated that the Postal Service would, during its first few years of operation, run a deficit. It is further generally recognized that one of the major problems the Post Office Department has had is that successive administrations and the Bureau of the Budget have always made the Post Office Department the first target of any major budget cut. This has made it very difficult for the Postal Department to have any kind of a sustained modernization drive.

The second problem the Bureau of the Budget points out is that the procedures for nominating candidates for the Postal Rate Review Board infringes upon the President's Constitutional appointive powers. The nominating procedures for the Postal Rate Review Board involve having non-Federal organizations such as the American Economic Association, the American Institute of Certified Public Accountants and the American Bar Association nominating candidates from which the President is to make a selection.

This type of provision in a law is highly subject to criticism because it officially sanctions and recognizes some professional groups and not others. It may be true that at this time these organizations adequately represent their professions. However, if some dissent developed in one of these organizations and a rump group were formed, which group would the government recognize in making its selection? A number of political scientists and others have severely criticized informal procedures for clearing appointments with various professional organizations because they do not represent the people or even, in most cases, the majority opinion of their professional group - (the gap between the opinions of the Executive Officers of an organization, and the rank and file is one of the more well documented sociological and political facts of life.)

RECOMMENDATIONS

1. That no action be taken with respect to the fact that the Postal Service is not under the restrictions of the Government Corporation Act.
2. That political scientists and others be alerted to the provisions for nominating members of the Postal Rate Review Board, and that their viewpoint be expressed to the Congressional committees presently reviewing the legislation.

200 FEB 11 AM 5 51

U.S. DEPARTMENT OF JUSTICE
RECEIVED

THE GENERAL COUNSEL
POST OFFICE DEPARTMENT
WASHINGTON, D.C. 20260

May 8, 1970

MEMORANDUM FOR: HENRY C. CASHEN, II

FROM: DAVID A. NELSON *D.A.N.*

SUBJECT: POSTAL REORGANIZATION BILL

This is in response to your request of yesterday afternoon for my comments on Mr. Schlesinger's memorandum concerning certain budgetary aspects of the Administration's postal reorganization bill, H. R. 17070.

The differences to which Mr. Schlesinger's memorandum alludes in comparing H. R. 17070 with H. R. 11750 (the May, 1969 edition of the Administration's postal reform proposal) are, I believe, more apparent than real.

H. R. 11750, as you know, would have turned the operation of the postal system over to a Government corporation. This corporation would have been made subject to the Corporation Control Act, "except as otherwise expressly provided" As you also know, we "expressly provided otherwise" with respect to several major features of the Government Corporation Control Act, so that the independent Postal Service proposed by the President in May of 1969 would not have been subject to the degree of statutory control applicable to most other Government corporations.

In our negotiations last March with the AFL-CIO and the seven postal unions over a postal reorganization bill that both the Administration and the unions could agree to support, it quickly became apparent that because of the corner into which they had previously painted themselves, the unions simply could not endorse the Government corporation form of organization.

Accordingly, after some rather intense soul searching on both sides, we agreed to join in recommending to the Congress that the Post Office Department be reorganized "as an independent establishment in the executive branch of the Government" 5 U.S.C. 104 expressly provides that an independent establishment is not a Government corporation.

Because the entity that we were now discussing was not to be a Government corporation, we naturally omitted the provision in H.R. 11750 that would have made the Postal Service subject to certain provisions of the Government Corporation Control Act.

As a result of this omission, it is perfectly true, as Mr. Schlesinger's memorandum points out, that the President would no longer have the statutory power to modify, amend, or revise the budget of the Postal Service in transmitting it to the Congress.

In point of fact, however, it is my belief that the President would have the same degree of control over the budget of the Postal Service under H.R. 17070 as under H.R. 11750. The President's real control over the Postal Service budget would rest on moral suasion, rather than statutory right, under both bills.

I base this suggestion on the fact that any modification in the Postal Service budget made by the President under H.R. 11750, the original Administration bill, would have no legally binding effect on the Postal Service. Suppose, for example, that the budget submitted to the President by the Postal Service under H.R. 11750 totaled \$10 billion, and, in submitting it to Congress, the President cut the budget down to \$5 billion. In the absence of affirmative legislation passed by the Congress and signed by the President, or passed by Congress over a Presidential veto, the Postal Service would not be legally barred from going right ahead and spending the full \$10 billion notwithstanding the President's "modification."

While the ostensible right that the President would have under H.R. 11750 to "modify" the budget of the Postal Service in transmitting it to Congress would have had no real legal significance,

I think it is obvious that a President who decided a Postal Service budget was seriously endangering the national economy would hardly be powerless under either bill. You may recall that in the Spring of 1969, when H.R. 11750 was going through the BOB clearance process, Dr. Arthur Burns, in discussing with Bob Mayo the desirability of letting the Bureau of the Budget retain its apportionment power over Postal Service funds, expressed the view that the retention of that power as a matter of statutory right was unnecessary because in actual practice, if the President found himself in a bind with respect to some major capital expenditure that the Postal Service wanted to undertake, the President would simply call in the management of the Postal Service, explain his problem, and suggest that the expenditure be deferred. Dr. Burns pointed out that it would be a very rare civil servant indeed who would find it expedient to turn a deaf ear to that kind of appeal from the President of the United States.

With respect to Presidential control over the borrowing authority of the Postal Service, it is true that the Kappel Commission did propose, at page 81 of its report, that the Treasury be given authority to delay issuance of general Postal Service obligations for up to six months, in order to avoid conflicts with the Government's monetary policy. We included such a provision in the original draft of H.R. 11750 that was circulated among the Executive Departments last year. The Treasury Department requested, however, that we substitute language that would do away with the delaying authority and give the Treasury preemption rights with respect to all Postal Service obligations. The language suggested by the Treasury Department is contained in both H.R. 11750, as submitted to the Congress, and in H.R. 17070.

I am not aware of any significant difference between the two bills with respect to the degree of control exercised by the President over borrowings by the Postal Service. Here again, I think that the real control possessed by the President under both bills lies in his moral authority rather than in any statutory right.

You should be aware of the fact that Senator McGee is going to do his best to see that whatever postal reorganization bill is finally passed does not contain any provision for Congressional veto of rate increases. We are prepared, if necessary, to accommodate ourselves to his wishes in this regard, but because rate increases are obviously going to be inevitable in the future, and we can hardly expect them to be popular, there is a real danger, I think, in getting the Postal Service too closely identified with the President. If the statute purports to create a truly "independent" postal establishment, both the Congress and the President can, if they see fit to do so, publicly wash their hands of direct responsibility for whatever necessary but unpopular actions the Postal Service may have to take.

The fact is, however, that regardless of how much "independence" the Postal Service has on paper, both the President and the Congress will still be around, and both the President and the Congress will let the management of the Postal Service hear from them if the management ever goes too far off the track.

With respect to Mr. Schlesinger's criticism of the manner in which the members of the Postal Rate Board would be appointed under H.R. 17070, I do not see any constitutional problems, but I personally share Mr. Schlesinger's view that a better procedure could be devised. The reason that H.R. 17070 contains the provisions it does on selection of the Rate Board is that there was a very strong feeling in the House Committee that our original proposal did not give the Rate Board sufficient independence. We have suggested to Senator McGee that he may wish to propose an alternate method of naming the Rate Board, and I suspect that this particular problem will be taken care of by the Senate.

Mr. Schlesinger's memorandum is quite accurate in suggesting that the risk of undesirable Congressional amendments is a serious one. To minimize that risk, we have publicly stated that we are not supporting any changes in the agreement negotiated between the Administration and the unions. To the extent that we are caught maneuvering behind the scenes to make changes in the version of the bill that was negotiated with the unions and publicly endorsed by the President, it would seem to me that the prospects for getting a decent bill out of the Congress will be diminished. The number of

special interest groups pushing their own pet sets of amendments is almost limitless, if we do not maintain our defenses against amendments, the bill ultimately passed by the Congress may not be worth very much.

If I can be of any further help, please let me know; and if it becomes necessary to submit any kind of memorandum to the President personally, I know the Postmaster General would expect to be advised of its contents in advance.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

May 6, 1970

LOG #3798

MEMORANDUM FOR THE STAFF SECRETARY

From: William E. Timmons *WET*
Subject: Control of the Postal Service under the proposed
"Postal Reorganization Salary Adjustment Act
of 1970".

This office has reviewed the attached and has no
objection thereto.

25 MAY 9 6W 2 52

STAFF SECRETARY
WHITE HOUSE OFFICE OF
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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 3798

Date: Monday, May 4, 1970

Time: 10:36 am

FOR ACTION: ~~Bill Timmons~~ 5/7
Henry Cashen 5/11
Ed Harper 5/11

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, May 5, 1970

Time: 3:00 pm

SUBJECT:

Control of the Postal Service under the proposed "Postal Reorganization and Salary Adjustment Act of 1970"

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

For your comments and recommendations.

✓

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

MAY 1 1970

MEMORANDUM FOR THE PRESIDENT

Subject: Control of the postal service under the proposed
"Postal Reorganization and Salary Adjustment Act
of 1970"

The Post Office Department's new reorganization bill contains a major departure from the original May 1969 administration bill that we would like to bring to your attention.

Unlike the original bill, the new bill does not provide for Presidential modification, amendment or revision of the annual budget program of the postal service before it is transmitted to the Congress. The consequences of omission of such a provision are:

- ° The President will have no control over postal deficits, which will probably amount to at least \$1 billion in the first year of operation under the new organization. Although there is a break-even directive in the bill, it also contains three authorizations for appropriations for various forms of deficit operation. These deficits will be a part of the Federal budget and may restrict Presidential initiatives in other areas.
- ° The President will have no control over the Postal Service's ability to borrow up to \$2 billion annually, up to a total limit on outstanding debt of \$10 billion. Expenditures of such borrowed funds will also be a part of the Federal budget and may restrict Presidential initiatives in other areas and may run counter to Presidential economic policies. The effect of the borrowing itself on capital markets may also be contrary to Presidential policy.

Regardless of organizational form, expenditures of the postal service in excess of revenues, whether funded by appropriations or borrowing, are net additions to the Federal budget and will

be virtually uncontrollable under the present bill. It is important to underscore, since there has been some misunderstanding on this point, that reorganization of the postal service does not remove it from the Budget of the United States. Except for subsidies from the general fund of the Treasury, the postal budget could, of course, be defined out of the Federal budget by law. There are, however, important reasons for not doing this, and there is no provision for doing it in the bill.

- The President will be deprived of a major tool for influencing substantial public policy issues that are certain to arise concerning the new organization. For example, if he could review and modify postal capital investment plans, he could influence the extent to which the Postal Service will be allowed to enter new areas of competition with private industry (e.g., electronic communications).

To correct the deficiencies cited above, we recommend that the same provisions as were in the original administration bill, allowing for limited Presidential review of the annual postal budget program, be incorporated in the present bill. As in the case of the original bill, the language should be selectively drawn from the Government Corporation Control Act. Some provisions of that Act are already in the bill, but not those crucial to limited Presidential program review.

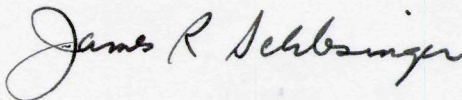
Inclusion of such a provision would not be in conflict with your announced desire to insulate the postal service "from direct control of the President, the Bureau of the Budget, and the Congress." The general sort of review we are recommending would cover the broad budget program of the Postal Service, not a detailed appropriations budget such as is now submitted.

It is significant that the Kappel Commission, which was greatly concerned with providing management freedom for the Post Office, nevertheless recommended that the reformed postal organization be subject to the provisions of the Government Corporation Control Act (p. 81 of their report). We do not believe that the fact that we are no longer applying the "corporation" label to the postal service in any way detracts from the soundness of applying the substance of the Act's key provisions.

One other departure from the original bill which is a matter of some concern is that the President has been made the appointing officer for the postage rate review board, but the nominating responsibility for the candidates has been partially delegated to non-Federal organizations (the American Economic Association, the American Institute of Certified Public Accountants, and the American Bar Association). This constitutes an infringement upon the constitutional appointing authority of the President. Since this review board is subordinate to the Presidentially-appointed Commission on Postal Costs and Revenues, there seems to be no necessity for the President to get involved. We recommend that the problem be cured either by removing the constraints placed upon the President in making his selections or by making someone other than the President the appointing officer.

The reorganization bill has already been sent to the Congress and is in the process of being marked up by the House Post Office and Civil Service Committee. To minimize undesirable congressional amendments, the Postmaster General is taking the position that the entire bill represents agreement between the Administration and the unions and that he can support no changes whatsoever. Thus, some delicate maneuvering may be necessary in order to accomplish changes in the areas we have discussed, should you desire them. We did not have an opportunity to examine the bill prior to its release to the Hill, hence our delayed comments.

If you have not already decided upon these issues by the time Mr. Mayo returns on May 5, I am sure that he would want to discuss them with you. Things are moving along rapidly on this bill, however, and I will be available if you should wish to discuss the issues prior to his return.



James R. Schlesinger
Acting Director

Approve _____
Disapprove _____
See me _____



EXECUTIVE

PO
FG18

①

The Postmaster General
Washington, D.C. 20260

May 27, 1970

✓

Dear Mr. President:

The Senate Post Office Committee reported out the Postal Reform Bill yesterday. Both the House and Senate Committees have now acted and I would anticipate floor action shortly.

Both bills contain some amendments we would like changed from a technical point of view, but both contain all the essential parts of the postal reform legislation you sent to Congress just one year ago this week. We have not compromised on a single principle.

There is a difficult right-to-work issue to be fought out on the House floor, but I would anticipate little difficulty in the Senate. I will keep you advised.

Respectfully,

Red

Winton M. Blount

The President
The White House
Washington, D. C. 20500

1970 MAY 27 PM 4:38

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EXECUTIVE

NA 18/00165

PO

May 28, 1970

Dear Mr. Gilbert:

This is just a note to thank you for your May 15 letter. I appreciate your comments and I am grateful for your encouragement on the Cambodia strike. It means a great deal to all of America's fighting men, and as you can imagine, it means a great deal to me.

With my best wishes,

Sincerely,

Mr. Benjamin D. Gilbert
Greenaway Island
Stamford, Connecticut 06902

RN:NMM:chw