

**DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]**

DOCUMENT NUMBER	DOCUMENT TYPE	SUBJECT/TITLE OR CORRESPONDENTS	DATE	RESTRICTION
N-1	Memo	Charles W. Colson to Ehrlichman Re: Postal pay /reform	4/6/70	C (Nixon)
<del>N-2</del>	<del>Notes</del>	<del>Handwritten notes headed "signif of this event" (10 pages total)</del>	<del>n.d.</del>	<del>C (Nixon)</del>
<del>N-3</del>	<del>Notes</del>	<del>Typed notes "Base Position for Negotiations" w/ attached handwritten draft notes, also entitled "Base Position for Negotiations"</del>	<del>n.d.</del>	<del>C (Nixon)</del>
<del>N-4</del>	<del>Notes</del>	<del>Handwritten notes beginning "8:00 a.m. ph PMG Blount" (7 pages total)</del>  <del>N-2 thru N-4 reintegrated from Contested Files on December 19, 2006</del>	<del>3/3/70</del>	<del>C (Nixon)</del>

FILE GROUP TITLE

WHSF: Ehrlichman

BOX NUMBER

33

FOLDER TITLE

Numerical Subject File  
238 [Postal Strike 1 of 3]

RESTRICTION CODES

- A. Release would violate a Federal statute or Agency Policy.
- B. National security classified information.
- C. Pending or approved claim that release would violate an individual's rights.
- D. Release would constitute a clearly unwarranted invasion of privacy or a libel of a living person.

- E. Release would disclose trade secrets or confidential commercial or financial information.
- F. Release would disclose investigatory information compiled for law enforcement purposes.
- G. Withdrawn and return private and personal material.
- H. Withdrawn and returned non-historical material.

**DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]**

DOCUMENT NUMBER	DOCUMENT TYPE	SUBJECT/TITLE OR CORRESPONDENTS	DATE	RESTRICTION
N-1 [81]	Memo	<del>Charles W. Colson to Ehrlichman</del> Re: <u>Postal pay/reform</u>	4/6/70	C (Nixon) Open 6/8/2009
N-2 [82]+[83]	Notes	Handwritten notes headed "Signif. of this event" (10 pages total)	n.d.	C (Nixon)
N-3 [84]	Notes	Typed notes "Base Position for Negotiations" w/ attached handwritten draft notes, also entitled "Base Position for Negotiations"	n.d.	C (Nixon)
N-4 [85]	Notes	Handwritten notes beginning "8:00 a.m. ph PMG Blount" (7 pages total)	3/31/70	C (Nixon)

FILE GROUP TITLE

WHSF: Ehrlichman

BOX NUMBER

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238 [Postal Strike 1 of 3]

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Presidential Materials Review Board

Review on Contested Documents

**Collection:** John D. Ehrlichman  
**Box Number:** 33  
**Folder:** 238 [Postal Strike 1 of 3]

<u>Document</u>	<u>Disposition</u>
81	Retain <del>Close</del> <del>Invasion of Privacy</del> <i>Open 6/8/2009</i>
82	Retain Open
83	Retain Open
84	Retain Open
85	Retain Open

FILE NO. 238

<u>No. of entry</u>	<u>No. of pages</u>	<u>Date of entry</u>	<u>Material entered</u>
27	2	3/31/70	HRH transmittal of Buchanan statement on the strike situation Mar 27
28	2	3/31/70	Mar 26 Dex to Key Biscayne re Cahsn report from David Nelson re Senate decision on HR 13000

## Postal Strike

No. of entry	No. of pages	Date of entry	Material entered
1	2	3/27/70	March 20 Hampton memo to JDE re Work Stoppages by Postal Employees
2	1	3/26/70	March 20 Rummel memo to Rosen re cities with postal workers out
3	1	3/26/70	JDE notes
4	1	3/26/70	Highlights of Rademacher's comments at 12:30 news conference
5	4	3/26/7-	Rehnquist memo to JDE re E.O. and Proclamation for use of troops
6	2	3/26/70	Timmons memo to JDE re list of invitees to WH for briefing on postal strike situation
7	2	3/26/70	March 22 memo from a confidential source in the NYPD
8	many	3/26/70	Ben Holman (Justice) memo to Robert Brown re minority community reaction to postal strike
9	2	3/26/70	Declaring a National Emergency - Proclamation
10	2	3/26/7 0	E.O. Calling into service members and units of the National Guard
11	2	3/26/70	JDE Notes
12	many	3/26/70	Notes of JDE, Blount, Klassen, Shultz, Z, H meeting on March 23 re strike
13	notebook	3/26/70	OPERATION GRAPHIC HAND (Secret)
14	many	3/27/70	Blount memo for Laird re request for troops to safeguard process and deliver mail
15	1	3/27/70	Laird memo to Resor: request for assistance from the PODept.
16	2	3/27/70	Cole memo for Pres re comments to make at meeting with Gen. Presidents Building Trades Unions AFL-CIO
17	3	3/27/70	George Meany March 23 statement
18	3	3/27/70	Nelson memo to JDE re preliminary injunction against Branch 36 NALC in Chicago
19	1	3/27/70	Timmons memo to JDE re Postal Pay Bill HR13000 to be run through after Easter
20	many	3/27/70	information re pay hikes and legislation on pay hikes and postal reform + JDE notes
21	2	3/27/70	Colson memo to Klein re press on issue of strike
22	2	3/27/70	Resor memo to U/Sec of Army re delegation of authority in use of troops for strike
23	1	3/27/70	Chotiner memo to JDE re strike: suggestions by John Cosgrove of Nat'l Press Club
24	2	3/27/70	Colson memo to JDE re strike strategy 3/24
25	2	3/27/70	Colson memo to JDE re Rademacher/ postal strike
26	2/	3/27/70	Colson memo to the file re Rademacher

THE WHITE HOUSE  
WASHINGTON

MEMORANDUM FOR

THE PRESIDENT

SUBJECT: Private Meeting in the Oval Office for  
Photos and Very Brief Discussion of the  
Postal Reorganization Agreement  
April 16, 1970, Thursday  
10:45 a.m.

I. PARTICIPANTS:

Postmaster General Blount; Deputy Postmaster General Ted Klassen;  
Senator Hiram Fong; Senator Gale McGee; and George Meany, President,  
AFL-CIO.

II. PURPOSE:

- (1) To allow the Postmaster General and Mr. Meany to report to you that as a result of the collective bargaining sessions, an agreement on postal reorganization has been achieved. (It is hoped that the presence of Senators McGee and Fong, at this time, will have a positive effect on establishing their support).
- (2) A photo opportunity with the individuals present.

III. TALKING POINTS:

Postmaster General Blount, Ted Klassen, and George Meany should be congratulated on the excellent job they have done in reaching this agreement between the AFL-CIO and Post Office management. You should emphasize that you are now prepared to accept the agreement and strongly recommend that the legislation be passed by Congress as soon as possible.

Senators McGee and Fong should be congratulated on the excellent way in which they handled and moved through Congress the 6% pay raise which you signed yesterday.

Senator McGee is supposedly greatly concerned with how the Post Office can best serve the public. In this regard, it should be pointed out that the agreement which has been reached and which if passed by Congress will provide by far the best possible service and benefits to the general public.

NOTE: (Congressmen Dulski and Corbett will be brought in approximately two minutes before 11:00 for a brief photo opportunity for the principal purpose of giving them independent recognition and soliciting continued support).

*JR Cole Jr*  
John D. Ehrlichman

THE WHITE HOUSE

WASHINGTON

April 15, 1970

MEMORANDUM FOR THE STAFF SECRETARY

From: William E. Timmons *bt*

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 Kirkland  
Secretary-Treasurer, AFL-CIO
2. Mr. Tom Harris  
General Counsel, AFL-CIO
3. Mr. David Nelson  
General Counsel, Post Office Department

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

JOHN ETHELICHMAN

THE WHITE HOUSE  
WASHINGTON

April 15, 1970

MEMORANDUM FOR THE PRESIDENT

From: William E. Timmons *WET*  
Subject: Postal Reorganization Briefing  
Thursday, April 16, 1970  
11:00 a.m.  
The Cabinet Room

A list of participants is in Tab A.

A suggested agenda is in Tab B.

The principal features of the postal reorganization agreement are in Tab C.

It is recommended that the Postmaster General escort the four Post Office Committee leaders, Senators McGee and Fong, Representatives Dulski and Corbett, with George Meany into the President's Office at 11:00 a.m. for "special" recognition and photographs by the White House photographers.

You may then wish to lead the group into the Cabinet Room where some of the bipartisan leaders and officers of the postal unions will be assembled.

Ron Ziegler will be prepared to bring into the Cabinet Room photographers from the White House press corps.

You will probably want to congratulate the labor officials and members of the Executive Branch on achieving the postal reorganization agreement.

The Postmaster General will be available to discuss the details of the accord and emphasize that each part -- reorganization, pay and rates -- is related to the other and in the interest of the public should be so considered by the Congress.

You may also wish to call on George Meany for comments. (He will be prepared to respond favorably).

You may conclude the meeting by pointing out that the Executive Branch and labor leaders have worked diligently in these historic collective bargaining sessions to reach agreement, and the remaining job must be done by the Congress. You might urge those Congressmen present to move the legislation as expeditiously as possible.

The Postal Message and legislation will be ready for transmittal to Congress at noon Thursday.

NOTE: Gale McGee has a 12 noon flight and may leave the meeting a little early.

April 16, 1970

PARTICIPANTS

Executive

The President  
Winton Blount, The Postmaster General  
E. T. Klassen, Deputy Postmaster General

Congress

Senator Mike Mansfield  
Senator Gale McGee  
Senator Hiram Fong  
Rep. Carl Albert  
Rep. Gerald Ford  
Rep. Thaddeus Dulski  
Rep. Robert Corbett

Labor

George Meany, President, AFL-CIO  
Francis S. Filbey, President, United Federation of Postal  
Clerks  
James H. Rademacher, President, National Association of  
Letter Carriers  
Herbert F. Alfrey, President, National Rural Letter  
Carriers Association  
Lonnie Johnson, President, National Association of Post  
Office Mail Handlers, Watchmen, Messengers & Group Leaders  
Monroe Crable, President, National Association of Post  
Office and General Services Maintenance Employees  
Chester W. Parris, President, National Federation of  
Post Office Motor Vehicle Employees  
Michael J. Cullen, President, National Association of  
Special Delivery Messengers  
James J. LaPenta, Director of the Laborers' Federal  
Public Service Division  
James C. Gildea, Executive Assistant to Mr. Meany  
Andrew J. Biemiller, Legislative Director, AFL-CIO

Staff

Bryce N. Harlow  
John Ehrlichman  
Bill Timmons  
Henry Cashen  
Ron Ziegler  
Herb Klein  
Paul Carlin, Executive Assistant to the Postmaster General  
Ken BeLieu  
Lyn Nofziger

April 16, 1970

AGENDA

- 11:00 - 11:05 a.m. Greeting and photos  
The President's Office
- 11:05 - 11:10 a.m. Photo opportunity for press corps  
The Cabinet Room
- 11:10 - 11:15 a.m. President's remarks
- 11:15 - 11:30 a.m. Briefing on Agreement by  
Postmaster General Blount
- 11:30 - 11:35 a.m. Response by George Meany
- 11:35 - 11:45 a.m. Leaders' Discussion
- 11:45 a.m. Adjournment
- 
- 11:50 a.m. Press briefing by Blount and  
Meany  
The Press Room

April 16, 1970

AGENDA

11:00 - 11:05 a.m. Greeting and photos  
The President's Office

11:05 - 11:10 a.m. Press opportunity for press corps  
Cabinet Room

11:10 - 11:15 a.m. President's remarks

11:15 - 11:30 a.m. Remarks by  
George Meade

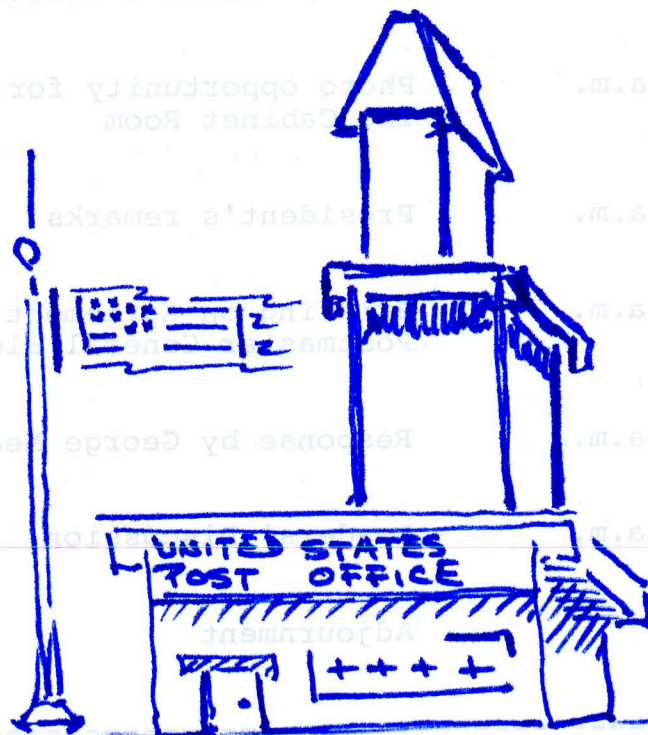
11:30 - 11:35 a.m. Response by George Meade

11:35 - 11:45 a.m. Adjournment

11:45 a.m.

11:50 a.m. Press briefing by Blount and  
Meany

The Press Room



April 16, 1970

PRINCIPAL FEATURES OF AGREEMENT

Organization Structure

Reorganized "United States Postal Service" becomes an independent establishment within the Executive Branch of the Government.

Postmaster General appointed by and serves at the pleasure of the "Commission on Postal Costs and Revenues," which has 9 public members named by the President and confirmed by the Senate.

Labor Relations

Collective bargaining on wages and working conditions to be authorized as in the private sector.

Ban on federal employee strikes continues; binding arbitration if bargaining impasse persists 180 days from start of bargaining.

National Labor Relations Board to supervise union elections and enforce unfair labor practice actions.

Finance, Rates and Rate-Making

Post Office can borrow up to \$10 billion from the Treasury or general public.

Rate changes subject to public hearing before 3-man Postal Rate Board named by President; final rate decision by Commission on Postal Costs and Revenues, but subject to veto by two-thirds vote of either the U.S. House of Representatives or the U.S. Senate.

*6 yr term  
no Senate  
conf.*

Post Office to be generally self-supporting by January 1, 1978.

*except  
Pub Service  
Costs*

Pay

8% pay increase for employees of Post Office Department effective upon enactment.

Promptly after enactment, collective bargaining will be required on wages, hours, and working conditions. Resulting agreement will compress to 8 years time for postal employees to reach top step in whatever labor grade may be established through collective bargaining.

April 16, 1970

8¢ First Class Rate with Proportionate Second  
and Third Class Rate Increases

	<u>Present Basic Rate</u>	<u>Proposed Basic Rate</u>	<u>Percentage Increase</u>	<u>Added Revenues (millions)</u>
First Class	6¢	8¢	33%	\$1,146
Second Class	2.4¢	3.6¢	50%	64
Third Class - Single	6¢	8¢	33%	26
Third Class - Bulk	3.9¢	5.2¢	33%	216
Fourth Class - P.P.	\$1.20	\$1.38	15%	125
Government Mail	6¢	8¢	33%	44
Air Mail	10¢	10¢	0%	0
TOTAL				<hr/> \$1,621

11<sup>45</sup> Press Office releases message  
(for 1pm release)

12<sup>00</sup> Blount & Meany  
brief press

10<sup>45</sup>

McGee  
Fork  
Mearns  
Blount  
Klassen

JE

10<sup>55</sup>

Dulski  
Corbett

11<sup>00</sup>

Mansfield  
Albert  
Ford

105

Scott  
Speaker  
Shultz

7 union leaders  
3 + union

- ① Photo op
- ② Colloquy - II -  
Blount  
Mearns  
II

③ Dist. Message



The Postmaster General  
Washington, D.C. 20260

April 16, 1970

URGENT AND CONFIDENTIAL

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING

E.O. 12065, Section 6-102  
By BJ NARS, Date 4-11-80

APR 16 1970

RECEIVED  
THE WHITE HOUSE

MEMORANDUM FOR JOHN D. EHRLICHMAN

From: Winton M. Blount *WMB*

It is vital that the President clearly separate the postal increase from the reorganization bill. We have made a commitment to Mr. Meany that this would be done. The unions' position is that while they will not oppose the stamp rate increase, it is not their position to support it.

## MEMORANDUM OF AGREEMENT

### ON THE

### "POSTAL REORGANIZATION AND SALARY ADJUSTMENT ACT OF 1970"

Memorandum of Agreement between United States Post Office Department hereinafter referred to as "Department" and the AFL-CIO; National Association of Letter Carriers, AFL-CIO; National Association of Post Office and General Services Maintenance Employees, AFL-CIO; National Association of Post Office Mail Handlers, Watchmen, Messengers and Group Leaders (Affiliated with Laborers' International Union), AFL-CIO; National Association of Special Delivery Messengers, AFL-CIO; National Federation of Post Office Motor Vehicle Employees, AFL-CIO; National Rural Letter Carriers Association; United Federation of Postal Clerks, AFL-CIO; hereinafter referred to as "Unions".

\* \* \*

Pursuant to the earlier agreement of April 2, 1970 between the Department and the above-named unions, the parties have jointly developed, through the collective bargaining process, proposed legislation which provides for a major reorganization of the Post Office Department and an 8% pay increase for postal employees. It shall be known as the "Postal Reorganization and Salary Adjustment Act of 1970". The parties have jointly agreed to support this legislative package without qualification and that together they will urge the Congress to enact this legislation without change. The agreed-upon legislative proposal provides, amongst other things, for the following:

#### Organizational Structure

- o Reorganized United States Postal Service becomes an independent establishment within the Executive Branch of the Government.
- o Postmaster General appointed by and serves at the pleasure of the Commission on Postal Costs and Revenues, which has 9 public members named by the President and confirmed by the Senate.

#### Labor Relations

- o Enable collective bargaining under a statutory framework establishing methods for conducting elections, providing one or more methods for resolving negotiating impasses, and requiring collective bargaining over all aspects of wages, hours, and working conditions including grievance procedures, and in general, all matters that are subject to collective bargaining in the private sector.

Labor Relations (Cont'd)

- o Ban on federal employee strikes continues; binding arbitration if bargaining impasse persists 180 days from start of bargaining.
- o National Labor Relations Board to supervise representation elections and enforce unfair labor practice provisions.

Finance, Rates, and Rate-Making

- o Post Office can borrow up to \$10 billion from the Treasury or general public.
- o Rate changes subject to public hearing before 3-man Postal Rate Board named by President; final rate decision by Commission on Postal Costs and Revenues, but subject to veto by two-thirds vote of either the U.S. House of Representatives or the U.S. Senate.
- o Post Office to be generally self-supporting by January 1, 1978.

Postal Pay Increase

- o 8% pay increase for employees of the Post Office Department effective as of the date when this enabling legislation becomes law.
- o Promptly after enactment, collective bargaining will be required on wages, hours, and working conditions, and to compress to 8 years the time for postal employees to reach the maximum step in whatever labor grade may be established through collective bargaining. When the new schedule becomes effective, an employee will immediately be advanced to the next step in the schedule if at that time he has been in his present step for the period provided in the new schedule.

It is the understanding of the parties that the Administration will recommend to Congress the necessary legislation to effectuate this Agreement.

It is the further understanding of the parties that no disciplinary action will be initiated by the Post Office Department at any level against any postal employee with respect to the events of March 1970, until discussions have taken place between the Department and such employee's union on the policy to be followed by the Department.

Walter W. Haver  
Post Office Department

James W. Kearney  
AFL-CIO

John Mademacher  
National Association of Letter Carriers  
AFL-CIO

Marion Crable  
National Association of Post Office and  
General Services Maintenance  
Employees, AFL-CIO

Sennie L. Johnson  
National Association of Post Office Mail  
Handlers, Watchmen, Messengers  
and Group Leaders, AFL-CIO

Michael J. Kullen  
National Association of Special Delivery  
Messengers, AFL-CIO

Chester W. Parrish  
National Federation of Post Office Motor  
Vehicle Employees, AFL-CIO

Herbert J. Alfrey  
National Rural Letter Carriers Association

Francis S. Sullivan  
United Federation of Postal Clerks, AFL-CIO

April 16, 1970  
Date

RATE OF INCREASE IN EARNINGS  
Percent Change

238

	Annual Averages				4 Quarters Ending-- (Seasonally Adjusted)							
	1966- 1967	1967- 1968	1968- 1969	1969- 1970	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970	June 1970	Sept. 1970	Dec. 1970
Wages and supplements, private nonfarm-----	5.6	7.3	6.8		6.9	6.9	6.9	6.3	6.6			
Adjusted for price level increase-----	(2.7)	(3.0)	(1.37)		(1.9)	(1.3)	(1.2)	(0.4)				
Average hourly earnings: private nonfarm produc- tion workers-----	4.7	6.3	6.7		6.5	6.5	6.7	6.9	6.4			
Adjusted for price level increase-----	(1.8)	(2.0)	(1.2)		(1.67)	(1.0)	(1.0)	(1.0)				
Construction-----	5.6	7.1	8.4		6.2	8.6	8.9	9.8	10.2			
Adjusted for price level increase-----	(2.7)	(2.8)	(2.8)		(1.3)	(3.0)	(3.1)	(3.7)				
Manufacturing (exclud- ing overtime)-----	5.0	5.9	5.9		5.7	5.5	6.4	6.1				
Adjusted for price level increase-----	(2.1)	(1.6)	(0.4)		(0.8)	(0.0)	(0.7)	(0.2)				
Farm labor, wage rates-	8.1	8.3	8.3		9.9	9.0	6.6	6.5				
Adjusted for price level increase-----	(5.1)	(3.9)	(2.7)		(4.8)	(3.3)	(0.9)	(0.6)				

*Stable*



RATE OF INCREASE IN EARNINGS  
Percent Change

Quarterly Earnings  
(Seasonally Adjusted)

RATE OF INCREASE IN EARNINGS - Cont'd  
Percent Change

P. 2

	Annual Averages				4 Quarters Ending-- (Seasonally Adjusted)							
	1966- 1967	1967- 1968	1968- 1969	1969- 1970	March 1969	June 1969	Sept. 1969	Dec. 1969	March 1970	June 1970	Sept. 1970	Dec. 1970
Federal employees---	3.6	7.0	8.6		7.0	7.4	10.4	9.7	<sup>1/</sup> 14.8 <sup>2/</sup>	<sup>1/</sup> 14.2	<sup>1/</sup> 9.6	6.1
Adjusted for price level increase-----	(0.7)	(2.7)	(3.0)		(2.0)	(1.8)	(4.5)	(3.6)				
Consumer Price Index Increase-----	2.8	4.2	5.4		4.9	5.5	5.7	5.8				

1/

Assumes 6 percent Federal pay raise retroactive to December 28, plus a 1 percent wage drift. No assumptions are made about unusual changes in occupational earnings, such as large number of lower wage Census workers being hired.

2/

Includes effects of retroactivity. Without retroactivity, figure would be 7.8 percent.

3rd Draft - Postal Reorganization

4/13/70

Safire/Nelson/Cashen/Harper

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 <sup>could</sup> might ultimately lead to a cure of the problems that have been festering for years in the postal system.

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; and

-- 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 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.

#### I. The United States Postal Service

The negotiators quickly agreed that the structure of the nation's postal establishment should be one that will permit the postal system to operate on an independent, self-contained basis. This means that for the first time in generations, the Post Office will be run by people whose authority will be commensurate with their responsibilities; it means that the Post Office will carry its own burden and not be a burden to the taxpayer; and it means that the Post Office will be run in the public interest of all Americans and not in the political interest of any individuals.

Fourteen months ago, I pledged that this Administration would do its best to end the system of political patronage that has been plaguing the Post Office for the better part of the past two centuries. We have kept that promise; looking to the future, only basic changes can provide permanent insurance against a rebirth of partisan politics in the Post Office.

The legislation that the postal negotiators have agreed upon, and that I now endorse, would build a firewall between postal affairs and political patronage.

I propose that the Post Office Department be reorganized as an independent establishment known as "The United States Postal Service." The new establishment would be organized in a way designed to make it at least as free from partisan political pressure as ~~such~~ presently existing independent establishments <sup>such</sup> as the Federal Reserve System, the Securities and Exchange Commission, and the National Aeronautics and Space Administration.

The Postmaster General would no longer be a member of the Cabinet, under this proposal, and the Postal Service would be insulated from direct control by the President, the Bureau of the Budget and the Congress.

Instead of being appointed directly by the President, the Postmaster General would be selected by nine public members of a bipartisan Commission on Postal Costs and Revenues. These nine Commissioners -- not more than five of whom could be from the same political party -- would serve nine-year statutory terms, under appoint by the President with the advice and consent of the Senate. The Postmaster General, who would hold office at the pleasure of the Commissioners, would be vested with full authority to manage the day-to-day operations of the Postal Service.

The legislation would provide the new Postal Service with the means of achieving:

- Continuity of top management, with the tenure of the Postmaster General based on performance and not on politics;

- Appropriate control over postal rates, with a Postal Rate Board holding full and fair hearings on rate changes proposed by the Postmaster General, and with either House of Congress being empowered to veto proposed rate changes by a two-thirds vote;

- A self-supporting postal system;

- A workable method of raising necessary funds by borrowing from the Treasury Department or from the general public; and

-- Collective bargaining over wages, hours and, in general, all working conditions that are subject to collective bargaining in the private sector.

These were essentially the goals spelled out in the proposal for postal reform that I sent to the Congress in May of last year. The independent postal establishment on which agreement has now been reached would provide an excellent means of achieving those goals.

Any proposal for massive reform of a Government organization as important as the Post Office Department is bound to generate opposition from those who have a vested interest in preserving the status quo. In this instance, however, the initial opposition to postal reform has largely melted away in the face of the urgent national requirement for a better postal system. Further delay in starting on the road towards postal excellence would be indefensible.

## II. Postal Employee-Management Relations

The negotiators have agreed that there should be a statutory framework for collective bargaining in the postal establishment resembling that of private industry.

The people of this nation cannot and will not submit to the coercion of strikes by employees of the Federal Government. Since strikes by employees of the new Postal Service must be prohibited, a workable alternative to strikes must be provided -- an absolutely

impartial means of resolving differences between postal management and postal employees without the public being subjected to interruptions in the postal service. That is what the proposed legislation agreed upon by the postal negotiators provides.

I propose that the new United States Postal Service be empowered to engage in collective bargaining with recognized employee organizations over wages, hours, and working conditions generally, with negotiating impasses being finally resolved, if necessary, by binding arbitration.

Determination of collective bargaining units, recognition of collective bargaining representatives and adjudication of unfair labor practice charges would be handled by the National Labor Relations Board under procedures similar to those that have long been followed in the private sector.

In addition to wages and hours, matters that are subject to collective bargaining would include such things as grievance procedures, final and binding arbitration of disputes, seniority rights, holidays and vacations, life insurance, medical insurance, training and promotion procedures. Employee benefits enjoyed today would be carried forward, and, in the case of rank and file postal employees, any change in such benefits would be subject to the collective bargaining process.

Negotiations over new labor agreements would be expected to begin ninety days before the expiration of existing agreements, and there would be a statutory guarantee of final and binding third party arbitration to resolve negotiating impasses after a ninety day cooling-off period, an outside fact-finding panel would try to assist the parties in reaching agreement, and opportunities for mediation and conciliation would be provided.

All postal employees would retain their full benefits under the Civil Service retirement system and under the existing Federal workmen's compensation laws. The provisions of the Veterans Preference Act would continue to apply, as would the provisions of Title VI of the Civil Rights Act of 1964. The labor standards provisions to which Government contracts are made subject would be made applicable to contracts entered into by the new Postal Service.

Finally, the right of every postal employee to petition Congress would be expressly preserved by statute.

### III. Postal Pay

In many parts of the country -- particularly in our great urban areas -- the pay of postal employees has lagged seriously behind the pay received for comparable work by employees in private industry. The general 6% increase has alleviated that problem for most employees

of the Federal Government, but it fails to take into account two important considerations that are unique to the Postal Service:

-- The need to offset the limited opportunities for job advancement that most postal workers have traditionally faced; and

-- The need to allow postal workers to share the benefits of the increases in efficiency and productivity that should be attainable under a properly reorganized postal system.

These factors played an important part in the thinking of the postal negotiators during their discussions on the pay question.

I propose an additional pay increase of 8% for postal employees, effective immediately upon enactment of the reorganization law, with prompt collective bargaining over pay schedules under which the time required for rank and file postal employees to reach the top pay step in their respective labor grades will be compressed to not more than eight years.

#### IV. Postal Rates

As the new Postal Service will be self-contained, so should it be self-supporting; as it will be non-profit, so should it be non-loss.

If the pay increases that the postal negotiators have agreed to recommend are put into effect promptly, and if postal rates were to remain where they are today, postal expenditures would exceed postal

income in 1971 by approximately two and one-half billion dollars.

A postal deficit of this magnitude would be indefensible at any time; during a period when inflation is threatening the economic well-being of every American family, such a deficit would be totally irresponsible.

Last week I proposed a plan for raising first, second and third class postage rates to a level that would bring postal income fully into balance with anticipated postal expenditures. This plan included a proposal for increasing the price of the first class stamp to ten cents. Understandably, this met with limited enthusiasm; yet it provided a specific illustration of the true cost to the user of our mail service.

In the course of negotiations, an alternative proposal was made to cushion the immediate effect of the application of the principle of pay-as-you-go on the users of the mail. Under this plan, the general taxpayer would pay 10% of the total cost of the new postal service in the first year, with that percentage of support declining each year until the mails were completely self-supporting by the end of calendar 1977.

Though the goal would be delayed, the acceptance of the principle of pay-as-you-go -- even in stages -- is a fundamental breakthrough.

I prefer an immediate end to subsidization; but, since the principles of pay-as-you-go and postal reform are so important, I am ready to accept this gradual but steady approach to that goal.

I also prefer the method of raising most of the needed new revenues from first-class users, since three out of four letters in this classification are business mail; first class mail -- contrary to popular belief -- does not now pay its own way. Again, however, I consider the principles of pay-as-you-go and postal reform to be overriding, and I am willing to make adjustments in my original proposals so as to raise more revenues from other classes of mail as well.

In the interest of making realistic progress toward the objective of bringing postal expenditures into balance with postal revenues, I now propose to

- Increase the price of the first class stamp to eight cents;
- Keep the price of the air mail stamp at ten cents;
- Increase second class postage rates an average of 50%; and
- Increase third class bulk rates an average of one third  
(the same percentage increase as first-class), while increasing  
third class single piece rates from six cents to eight cents.

These rate increases will generate additional revenues of \$ \_\_\_\_\_, enough to put the new, independent United States Postal Service on the road to a sound, pay-as-you-go basis, with the 10% contribution by the Federal taxpayer completely phased out in 1977.

V. Toward Postal Excellence

Neither better pay nor better organization will, in and of itself, guarantee better mail service.

Laws do not move the mail, nor do dollars. What moves the mail is people -- people who have the will to excel, the will to do their work to the very best of their ability.

The United States is fortunate to have such people in its postal system today. As the Postmaster General has urged, these people must be retained; in the years ahead, more like them must be recruited. This legislation would represent an important step toward that end.

Enactment of the legislation that I now propose would give our postal employees the means to attain a goal they have never before had the means of attaining -- the goal of building, in America, the best postal system in the world.

That is a goal worth striving for. With this postal reform legislation, it is a goal that can be achieved.

-----

Mail users, postal employees and the nation as a whole have gone through a long ordeal in reaching the threshold of basic postal reform -- but we have come a long way.

The Congress is now presented with the opportunity to pass legislation that will bring a new fairness to postal employees, a new efficiency to the system itself, and long overdue equity to the taxpayer.

Taken together, this is a package of fairness, and I urge the Congress to deliver it promptly; it is eagerly awaited by those who need better mail service and those who need greater opportunity in a revitalized postal system.

## THE WHITE HOUSE

WASHINGTON

## A G E N D A

## CABINET MEETING

Monday, April 13, 1970

3:00 P.M. to 4:30 P.M.

1. THE POSTAL PACKAGE

Honorable Winton M. Blount,  
The Postmaster General

## 2. WAGES AND LABOR COSTS IN 1970

Honorable George P. Shultz,  
Secretary of Labor

## 3. THE BUDGET OUTLOOK

Honorable Robert P. Mayo,  
Director, Bureau of the Budget

4. IMPLICATIONS OF RECENT DEVELOPMENTS  
FOR THE ECONOMY

Dr. Herbert Stein, Acting Chairman,  
Council of Economic Advisors

## 5. BRIEF REMARKS BY THE PRESIDENT

CCEP

no page  
postal summary?

PRESIDENT'S COPY

THE WHITE HOUSE

WASHINGTON

A G E N D A

CABINET MEETING

Monday, April 13, 1970

3:00 P.M. to 4:30 P.M.

3:00-3:30

1. THE POSTAL PACKAGE

Honorable Winton M. Blount,  
The Postmaster General

a) Sub-topics

- Background of legislative action
- Work stoppage highlights
- Negotiations and agreement on pay,  
postal reorganization, and discipline
- Costs and revenue proposals
- Reorganization highlights
- Summary of significant achievements

(10 min)

b) Discussion

Note: You may want to express your views on this matter at this point (immediately following the PMG's briefing) rather than at the end of the meeting.

3:30-3:55

2. WAGES AND LABOR COSTS IN 1970

Honorable George P. Shultz  
Secretary of Labor

6% = 2.5B/yr  
8% = .5B/yr  
Comp = .145

(20 min)

3:55-4:20

3. THE BUDGET OUTLOOK

Honorable Robert P. Mayo,  
Director, Bureau of the Budget

a) Sub-topics

(15 min)

-- Revised outlook for 1970

-- Current appraisal of 1971

-- Preliminary thoughts on 1972

(10 min)

b) Discussion

4:20-4:30

4. IMPLICATIONS OF RECENT DEVELOPMENTS  
FOR THE ECONOMY

Dr. Herbert Stein, Acting Chairman,  
Council of Economic Advisors

(5 min)

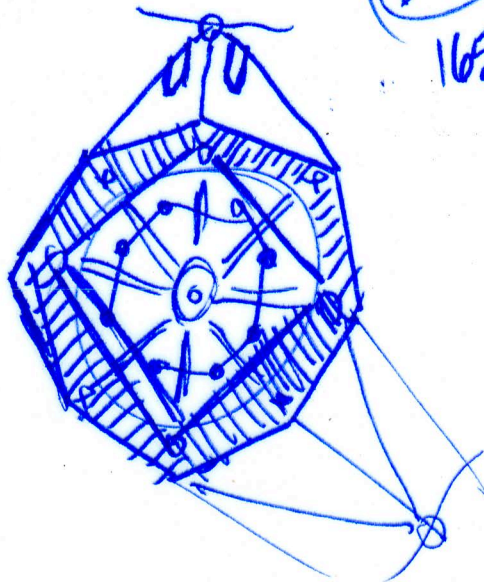
a) Brief summary

(5 min)

b) Discussion

4:30--

5. BRIEF REMARKS BY THE PRESIDENT



33  
1620

## PROPOSED POSTAL REORGANIZATION AND PAY BILL

### Organizational Structure

- Reorganized Post Office Department becomes independent establishment.
- Postmaster General appointed by, serves at pleasure of, Commission on Postal Costs and Revenues, which has 9 public members named by President and confirmed by Senate.

### Labor Relations

- Collective bargaining on wages and working conditions as in private sector.
- Ban on federal employee strikes continues; binding arbitration if bargaining impasse persists 180 days from start of bargaining.
- NLRB supervises union elections and enforces unfair labor practice actions.

### Finance, Rates, and Rate-Making

- Post Office can borrow up to \$10 billion from Treasury or general public.
- Rate changes subject to public hearing before 3-man Postal Rate Board named by President; final rate decision by Commission on Postal Costs and Revenues, but subject to veto by two-thirds vote of either House or Senate.
- Post Office to be generally self-supporting by January 1, 1978.

### Pay

- 8% pay increase for employees of Post Office Department effective upon enactment.
- Promptly after enactment, collective bargaining will be required on wages, hours, and working conditions. Resulting agreement will compress to 8 years the time for postal employees to reach top step in whatever labor grade may be established.

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THE WHITE HOUSE

WASHINGTON

April 13, 1970

238  
DETERMINED TO BE AN  
ADMINISTRATIVE MARKING  
E.O. 12065, Section 6-102  
F- RY MAR, Date 4-11-80  
CONFIDENTIAL

MEMORANDUM FOR JOHN EHRLICHMAN

cc: Director Robert P. Mayo  
Ken Cole  
Henry Cashen  
Bill Safire

FROM: Ed Harper *Ed*

SUBJECT: Postal Rate Schedule

Attached is the postal rate schedule about which the White House and the Postmaster General have agreed. You will note that it features an 8¢ first class rate, a 50% increase in second class rates, a 33% increase in third class bulk ("junk") rates, and no increase in first class air mail rates.

Per your request, I am sending copies of this schedule to Director Mayo and Bill Safire.

Attachment: Postal Rate Schedule.

*postal*

CASHEN FROM SAFIRE

4/13/70

Here is my rewrite of Dave Nelson's rewrite of the first draft.

~~Attached also is the Nelson draft with my changes on it so you can see what I fixed.~~

The basic point of difference in substance is the argument for why the President changed his mind about the 10 cents. Nelson said first class mail hikes are needed, and 2/3 of a loaf is better than none; I took the position that the President won his principle of pay-as-you-go and would go along with a gradual desubsidization, which meant only 8 cents needed.

The stylistic changes are (a) Nelson wanted to say "The negotiators have agreed, and I now propose" several times to dissociate the President from the proposals somewhat, but I think this would be un-Presidential. He has to be behind what he proposes. (b) The last few paragraphs of rhetoric struck Nelson as rather Madison Avenue, which I take as a compliment and have left in (with some modifications).

THE WHITE HOUSE  
WASHINGTON

April 13, 1970

DETERMINED TO BE AN  
ADMINISTRATIVE MARKING  
E.O. 12066, Section 6-102  
By RA NAR., Date 4-11-80  
**CONFIDENTIAL**

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8¢ First Class Rate with Proportionate Second

and Third Class Rate Increases

*Separate Message*

	<u>Present Basic Rate</u>	<u>Proposed Basic Rate</u>	<u>Percentage Increase</u>	<u>Added Revenues (millions)</u>
First Class	6¢	8¢	33%	\$ 1,146
Second Class	2.4¢	3.6¢	50%	64
Third Class - Single	6¢	8¢	33%	26
Third Class - Bulk	3.9¢	5.2¢	33%	216
Fourth Class - P.P.	\$1.20	\$1.38	15%	125
Government Mail	6¢	8¢	33%	44
Air Mail	10¢	10¢	0%	0
<b>TOTAL</b>				<u>\$ 1,621</u>

4-13-70

Cashier  
20. Book

EXECUTIVE OFFICE OF THE PRESIDENT

APR 14 1970

BUREAU OF THE BUDGET  
WASHINGTON, D.C. 20503

APR 13 1970

MEMORANDUM FOR Mr. John D. Ehrlichman  
Assistant to the President for  
Domestic Affairs

Subject: Postal reform and the budget

It has come to my attention that on occasions the President has mentioned an expectation that the postal reorganization would take the postal system and the postal deficit out of the Government's budget.

It is important that we have a mutual understanding of this situation. Here is our perspective on the matter.

1. The gross expenditures of the Post Office Department are not in the budget now. All the receipts of the Post Office Department are already netted against the gross expenditures, and only the difference is a part of the budget totals. For example, for 1971, the budget submitted in January contemplated postal outlays of \$8,238 million partly offset by applicable receipts of \$7,857 million, leaving budget outlays of only \$382 million. Only the \$382 million is a part of the \$200,771 million of total budget outlays.

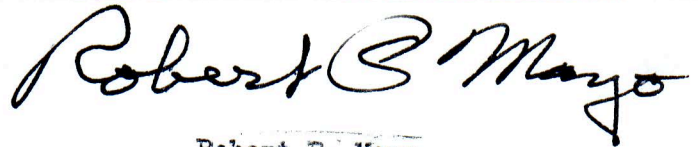
2. Even with postal reorganization, the Government's payments for "public services" and any Government contributions to make up postal deficits would necessarily be a part of our budget totals.

3. If there are no "public services" charged to the Government and if the postal system is able to operate without a deficit, the Government contribution for these purposes would of course be zero.

4. Under the present ground rules, which have been applicable to all Government-owned corporations since the Government Corporation Control Act of 1945, and which were

reaffirmed by the President's Commission on Budget Concepts in 1967, the net spending of wholly-owned Government corporations is included in the budget totals, and this spending necessarily includes the disbursement of borrowed money. The budget provides a financial plan and record for the whole Government, not just for the general fund. Tennessee Valley Authority, which finances its power construction primarily from moneys borrowed in the market, is in the totals. To remove the spending of Government corporations, out of their own borrowings, from the budget would not only make the budget an incomplete instrument, but it would also provide great encouragement toward creating many vehicles for borrowing on the market with probable disruptive effects upon Treasury's own borrowing program and borrowing costs, and on the Government's sector of the credit market. There was testimony on this rule a few years ago, for instance, which caused the bill drafters to change the legislation for the Saint Lawrence Seaway Development Corporation and eliminate the authority for it to borrow on the market contained in the early drafts.

To depart from these rules for the Post Office would probably require changing the rules for the other Government corporations and would undoubtedly prompt other attempts to get out from under the budget. Such an action would probably lead to a significant credibility gap for the Administration.



Robert P. Mayo  
Director



The Postmaster General  
Washington, D.C. 20260

April 10, 1970

MEMORANDUM FOR JOHN EHRLICHMAN

This is a broad outline of the bill under discussion with the unions. We should have all the details pinned down by tonight or tomorrow and will advise.

Winton M. Blount

APR 10 1970  
U.S. POSTAL SERVICE  
THE WHITE HOUSE

Enclosure: Draft of The Postal Reorganization and Salary Adjustment Act of 1970.

4/10/70

THE POSTAL REORGANIZATION AND  
SALARY ADJUSTMENT ACT OF 1970

The Post Office Department and the seven postal employee organizations representing the major occupational groups in the Department have agreed upon a postal reorganization and pay bill that they will jointly propose to the Congress.

The Department and the unions have agreed that the structure of the reorganized Post Office Department should be one that will permit a "self-contained" postal operation.

This means that the structure of the postal establishment should provide an appropriate measure of insulation from direct control by

- The Bureau of the Budget
- The Treasury Department
- The General Services Administration
- The Congress, and
- The White House.

To be "self-contained," the Post Office Department must have:

- continuity of responsible management
- appropriate control over postal rates
- a workable means of borrowing in the private market

- freedom from partisan political intervention
- the means to operate on a self-sustaining basis, after public service costs have been taken into account, and
- the right to engage in collective bargaining with representatives of its rank and file employees over wages, hours, and, in general, all other matters subject to collective bargaining in the private sector.

Accordingly, the proposed legislation would restructure the Post Office Department as an independent establishment in the Executive Branch of the Government. Section 104 of title 5 of the United States Code, defines the term "independent establishment" as:

"An establishment in the executive branch which is not an executive department, military department, Government corporation, or part thereof . . . ."

Examples of such independent establishments include the National Aeronautics and Space Administration and the Atomic Energy Commission.

The new independent establishment would be called "The Post Office Department." Its operating head would be a Postmaster General, who would be appointed by a nine-member commission on postal

costs and revenues. The Postmaster General would be vested with full authority to manage the day-to-day operations of the Department.

The first section of the bill spells out the broad policy that is to govern the operation of the reorganized Department. This section provides, among other things, that the nation's postal system shall be operated as a basic and fundamental communications service provided to the people by the Government of the United States; that it will be designed "to bind the nation together" by facilitating the prompt, reliable, efficient and economical transmittal of personal, educational, literary, and business communications; that it shall provide such service to patrons in all areas and shall render public services to all communities; and that the costs of the service shall not be apportioned in such a way as to impair its overall value to the people.

The policy section goes on to provide that the compensation paid to the Department's officers and employees shall be maintained at a level of comparability to the compensation paid in major industries in the private sector of the economy. The bill also provides that in the determination of all its policies, the Post Office Department shall give the highest consideration to expeditious collection, transportation, and delivery of important letter mail.

Other provisions in the policy section are patterned closely on corresponding provisions in S. 3613 .

### PERSONNEL AND EMPLOYEE-MANAGEMENT RELATIONS

The negotiations between the Post Office Department and the postal employee organizations led to quick agreement that the jointly sponsored postal reorganization and pay bill should provide a statutory framework for collective bargaining over all aspects of wages, hours, and, in general, all matters that are subject to collective bargaining in the private sector. It was agreed that this statutory framework should establish fair procedures for conducting elections and for resolving negotiating impasses.

Accordingly, the proposed legislation would authorize collective bargaining over wages, hours, and other matters that are subject to collective bargaining in the private sector, including, but not necessarily limited to:

- grievance procedures
- final and binding arbitration of disputes
- seniority rights
- holidays and vacations
- life insurance
- medical insurance
- overtime
- training

- safety
- leave of absence
- promotions
- demotions, and
- transfers.

Negotiating impasses would be resolved by final and binding arbitration, after a 90-day cooling off period during which there would be opportunities for mediation, conciliation, fact finding, and similar procedures.

The National Labor Relations Board would, by law, be given jurisdiction over representation matters and over charges of unfair labor practices by either labor or management.

As provided by Sec. 801 of H.R. 4, as reported by the House Post Office and Civil Service Committee, rank and file postal employees would be in the postal career service, which would be part of the Civil Service.

All postal employees would retain their full benefits under the Civil Service retirement system, and the provisions of the Veterans Preference Act would continue to apply. The statutory Workman's Compensation system for Federal employees would be continued without change.

Compensation, benefits, and other terms and conditions of employment in effect immediately prior to the reorganization would be continued, for employees in collective bargaining units, until changed through the collective bargaining process.

The right of postal employees to petition Congress would be expressly preserved.

Labor standards provisions applicable to Government contracts - the Davis-Bacon Act, Walsh-Healey Act, Contract Work Hours Standards Act, and the Service Contract Act - would apply to contracts of the restructured Post Office Department.

#### FINANCE, RATES AND RATE-MAKING

The reorganized Post Office Department would have direct access to its revenues, and a broad measure of control over its own finances. The Department would be empowered to raise needed funds through borrowing from the Treasury Department, or, under appropriate circumstances, from the general public.

The postal rate structure in existence immediately prior to the reorganization would be continued, but the Department would have authority to make changes in the rate structure in accordance with a procedure designed to give full protection to the rights of all interested parties. The bill would provide for public hearings on rate changes

proposed by the Postmaster General, and such postage rates as are now set directly by Congress could be changed by the Department only after a 60-day waiting period during which the proposed change could be vetoed by a 2/3 vote of either House of Congress.

#### TRANSPORTATION AND MISCELLANEOUS PROVISIONS

The general outlines of the existing statutory law governing procurement of transportation services by the Post Office Department would be preserved, but the authority of the Department to contract for the procurement of such services would be broadened.

In addition, much of the existing law governing the mailability of various classes of material, the designation of classes of mail included in the Post Office Department's monopoly, and various other matters, would be continued substantially without change.

#### PAY

In addition to the general 6 per cent pay increase retroactive to December 27, 1969, the proposed legislation would enact a further 8 per cent increase for employees of the Post Office Department, effective immediately upon enactment of the statute.

Promptly after the bill became law, the Postmaster General and employee organizations having national exclusive recognition would be required to begin negotiations over all aspects of wages, hours, and working conditions in the Post Office Department. The agreement

resulting from these negotiations would compress to 8 years the time required for postal employees to reach the top step in whatever labor grade might be established for them. When the new pay schedule becomes effective, an employee will immediately be advanced to the next step in the schedule if at that time he has been in his present step for the period provided in the new schedule.

#### CONCLUSION

The proposed legislation adopts, we believe, many of the best features of a number of proposals that have been advanced over the past year. Since the measure was hammered out in the collective bargaining process, it entails concessions by all parties. The end product, however, is, we believe, one that will adequately equip the Post Office Department to perform the tremendous tasks awaiting it. The Department, the AFL-CIO, and all the postal unions having national exclusive recognition wholeheartedly support the bill.

April 9, 1970

ACTION

MEMORANDUM FOR JOHN EHRLICHMAN

FROM: Ed Harper

SUBJECT: Postal Revenues, Expenses and Rates

REFERENCE: The Attached Memorandum

The attached memorandum is a reasonably brief comprehensive statement of some options to our present 10¢ stamp position. If this position is ever to be changed, it should probably be changed simultaneously with the announcement of the postal agreement.

May I call your particular attention to the explanation of the "Anticipated Annual Costs" table on Page Two and Question # 2 in Attachment D.

RECOMMENDATION

That you consider at your earliest possible convenience the attached memorandum.

Attachment: Postal Revenues, Expenses and Rates Memorandum

JDE  
Skragone called in a few late changes which do not however affect the substance of the memo. See page 2, Attachment A, and Attachment E.  
Ed.

THE WHITE HOUSE  
WASHINGTON

*Sp Draft*  
9am Draft  
4/10/70

April 9, 1970

MEMORANDUM FOR JOHN EHRLICHMAN

FROM: Ed Harper

SUBJECT: Postal Rates, Revenues and Expenditures; Re Postal Settlement Message

The purpose of this memorandum is to describe where we are in the matter of postal rates, revenues and expenditures; the reaction to the President's Message on the postal settlement; and some options which could alter the present reaction to the Message.

I. The Present Situation. In his April 3rd Message to the Congress on the postal settlement the President proposed to raise \$2.6 billion in postal revenues. The Message showed the following breakdown:

<u>Anticipated Annual Revenues</u>	<u>Totals</u>
• Increase first-class rates to 10¢ .....	\$2,300 million
• Increase second and third-class postal revenues	120
• Increase parcel post rates.....	125
• Government mail reimbursements.....	89
	<hr/>
Total.....	\$2,634 million

The Message asserted that "these (\$2.6 million) revenues are essential to meet the salary needs of postal workers, to wipe out the postal deficit, and to contribute to the efficiency of the postal system." The breakdown of the \$2.6 billion among the three categories is as follows:

Anticipated Annual Costs<sup>a</sup>• Postal Pay Increase<sup>b</sup>

- 6%	.....	\$374.7 million
- 3%	.....	548.2
- Compression	.....	181.7

Sub Total                      1,104.6

• Postal deficit..... 609.0

• Increased postal efficiency ..... 900.0  
\$2,613.6

"The Postal Pay Increase," at \$1,104.6 million is detailed per the settlement with the unions. The "Postal Deficit," at \$609.0 million is the expected difference presently carried between revenues and all expenses excluding the "public service cost" element. As the postal rate structure is improved the postal deficit item is to be reallocated to the improvement of the postal system's efficiency. (The postal rate deficit can be calculated in the three ways described in Attachment A.) The \$900 million item, "Increased Postal Efficiency" equals approximately the total postal deficit for the last two years and is designed in the short term as a contingency reserve to set the new postal entity on a solid financial basis consistent with good management practices.

a) The estimated costs of fringe benefits are not included.

b) The estimated cost to the Post Office Department, the wage settlement is based on figures supplied by Assistant Postmaster General Hargrove.

## II. Reaction to the President's Message

The media made a great deal of the fact that while the first class mail rates for the "little man" were increased 67%, the rates for the second and third class ("junk") mails were not comparably increased for businesses. The President had apparently asked "the little man" to pay for the postal workers pay increase.

Since the Congress seems determined to increase the first class rates to 8¢ at a maximum, it might be tactically wise to reconsider the 10¢ first class rate proposal. Such a reconsideration might result in a plan which would cut the first class rate proposal back to 8¢, but would increase the rates for second and third class mailers.

## III. The Options

Postal rates among the various classes of mail are not completely independent. For example, the first class rate also sets the third class single-piece rate and the government mail rate. The Interstate Commerce Commission in the fourth class parcel post rates <sup>must</sup> had to fix charges at levels which produce no more than 104% of total allocated costs. The only rates not hooked to the first class rate are the second class rate, the third class bulk rate and the air mail rate.

A. THE 8¢ OPTION

Setting the first-class stamp at 8¢ would by itself produce \$1,341 million in revenues. The following table details this increase.

Interdependent Rates

	<u>Present Basic Rate</u>	<u>Proposed Basic Rate</u>	<u>Percentage Increase</u>	<u>New Revenue</u>
First Class	6¢	8¢	33%	\$1,146
Third Class - Single	6¢	8¢	33%	26
Fourth Class - P. P.	\$1.20	\$1.38	15%	125
Government Mail	6¢	8¢	33%	44
				<u>\$1,341</u>

Given an 8¢ first-class rate and only three rates as being variable it is impossible to raise in a defensible manner \$2.6 billion (see attachment

B.) To achieve the \$2.6 billion in revenues would require a 233 per cent increase in the second-class mail rate and a 105 percent increase in the third class-bulk rate which is both price sensitive and already almost paying its own way on a fully allocated cost basis. (The percentage of cost paid by each class of mail is detailed in Attachment C)

If the first-class stamp is set at 8¢ and proportional increases are made in other classes of mail approximately 1.6 billion dollars might be raised as is shown in the following table:

8¢ First Class Rate with Proportionate Second and  
Third Class Rate Increases

	<u>Present Basic Rate</u>	<u>Proposed Basic Rate</u>	<u>Percentage Increase</u>	<u>Added Revenues</u>
First Class	6¢	8¢	33%	\$ 1,146
Second Class	2.4¢	3.6¢	50%	64
Third Class - Single	6¢	8¢	33%	26
Third Class - Bulk	3.9¢	5.2¢	33%	216
Fourth Class - P. P.	\$1.20	\$1.38	15%	125
Government Mail	6¢	8¢	33%	44
Air Mail	10¢	11¢	10%	15
Total				\$1,636

4-8-70  
JWH

The problem with shifting down from a 10¢ to an 8¢ stamp is explaining politically why this week one billion dollars less revenue is needed than was needed last week.

One strategy is to explain that the decision was made to launch the new postal authority on a less financially sound basis than originally proposed and ask the Congress to appropriate money for unexpected contingencies as needed from the general fund. (For some probable reporter's questions and some answers, see Attachment D.)

B. THE SPLIT FIRST CLASS OPTION

One option is to split the present first class rate into two rates - a personal rate and a business rate. Approximately 80% of the first class mail is sent by businesses; only 20% is sent by private individuals. The first class personal rate could be held at the present 6¢ level; the first class business rate could be adjusted at a value of \$460 million per 1¢ of increase. The business rate would be paid by all businesses, corporations or partnerships sending letters. Private individuals sending letters for their business purposes - i. e., paying bills, applying for jobs, writing their lawyers, etc. - would pay only the personal rate. Penalties would be assessed for companies "cheating" by using the personal rate.

The major difficulty with this option, as seen by Assistant Postmaster General Hargrove, is that it would be too difficult to enforce - not for big businesses or medium size businesses - so much as for relatively smaller businesses which could do without putting a return address on their envelope and without using a postage meter to send their mail.

C. THE 10¢ FIRST CLASS OPTION

One option is to stick with the President's message calling for the 10¢ first class stamp. There are two principal advantages to this option: (1) it raises sufficient revenues to cover postal operations in the immediate and foreseeable future, and (2) it has kept the second and third class junk mailers from lobbying against the reorganization plan and rate increases. The major disadvantages of this plan are: (1) it seems to unfairly discriminate against the private individual using first class mails, (2) it may be raising more revenue than can be used in the next couple of years, and (3) it discriminates in favor of the junk mailer. (See Attachment E - Facts About the Second Class and Third Class Junk Mailer.)

"IT DOESN'T MAKE ANY DIFFERENCE"

One could argue that at this point in time, the revenue consequence of rate proposals should take secondary position to political and tactical considerations, because one of the key points of our reorganization proposal is that the Postal Authority and NOT the Congress controls the postal rate structure. Once the reorganization plan is put in effect, the Postal Authority could raise or lower rates for different classes and create new rate classes if that appears appropriate.

DP  
DP-1

ATTACHMENT A

ALTERNATIVE METHODS OF CALCULATING  
POSTAL RATE DEFICITS

The amounts of money necessary to cover the postal rate deficit vary considerably with the proposals under consideration.

Under existing law, the postal pay and postal deficit factors would result in a rate deficit of \$1.6 billion. A key element in determining the rate deficit is an item known as "public service costs," which is defined by the Congress as cost to the postal system for things such as rural free delivery, the mailing of non-profit organizations publications, losses on various special postal services, etc. Under present law the "public service cost" item is reimbursed to the Post Office Department by the Congress from the general fund on a fully allocated basis - i. e., <sup>operating including depreciation</sup> capital costs/are fully allocated, perhaps arbitrarily, to all of the activities of the Post Office Department.

The Administration's original proposal for postal reorganization - H. R. 11750 - would treat the public service item on a "revenue foregone" basis, rather than a fully allocated basis. The revenue foregone basis calculates "public service costs" as if a non-profit organization's publications had paid regular commercial publications rates for mailing.

H.R. 4 which was reported out the House Committee adopted the revenue foregone procedure of H.R. 11750 but added the provision that in its initial stages the new postal authority would be supported with a subsidy equal to 10% of its total annual operating revenues.

Thus, the postal rate deficit as calculated under present law with the pay raises is about \$1.6 billion; under H.R. 11750, \$2.1 billion; and under H.R. 4, \$1.2 billion.

1-10-71

THE DIFFICULTY OF RAISING \$2.6 BILLION

WITH AN 8¢ FIRST CLASS RATE

	<u>Present Basic Rate</u>	<u>Proposed Basic Rate</u>	<u>Percentage Increase</u>	<u>New Revenues</u>
First Class	6¢	8¢	33%	\$ 1,146
Second Class	2.4¢	8¢	233%	297
Third Class - Single	6¢	8¢	33%	26
Third Class - Bulk	3.9¢	8¢	105%	681
Fourth Class - P. P.	\$1.20	\$1.38	15%	125
Government Mail	6¢	8¢	33%	44
Air Mail	10¢	11¢	10%	15
Total				\$ 2,334
Target				<u>2,614</u>
Deficiency				\$ 280

4/8/70  
JWH

1-100-2

SUMMARY OF REVENUES AND COSTS

FOR MAJOR SERVICE CATEGORIES - FY 1969

(in millions)

<u>Service category</u>	<u>Revenues and reimbursements</u> <sup>1/</sup>	<u>Demonstrably related costs</u>	<u>Revenue contribution to institutional costs</u>	<u>Revenues as a percent of demonstrably related costs</u>
First-class mail.....	\$3 135.4	\$1 691.5	\$1 443.9	185.4%
Airmail.....	215.7	165.3	50.4	130.5
Priority mail.....	269.8	88.8	181.0	303.8
Second-class mail:				
Within the county.....	7.4	33.7	(26.3)	22.0
Outside the county:				
Nonprofit publications.....	8.9	66.5	(57.6)	13.4
Classroom publications.....	1.7	6.7	(5.0)	25.4
Regular-rate publications.....	122.0	238.8	(116.8)	51.1
Fees.....	3.4	-	3.4	-
Total publishers' mail.....	143.4	345.7	(202.3)	41.5
Transient mail.....	4.0	4.1	(.1)	97.6
Total second-class mail.....	147.4	349.8 <sup>4/</sup>	(202.4)	42.1
Controlled circulation publications.....	32.3	15.0 <sup>4/</sup>	17.3	215.3
Third-class mail:				
Single piece rate.....	122.0	98.1	23.9	124.4
Bulk rate - regular.....	594.9	299.4	295.5	198.7
Bulk rate - nonprofit.....	55.4	62.6	(7.2)	88.5
Fees.....	9.2	-	9.2	-
Total third-class mail.....	781.5	460.1	321.4	169.9
Fourth-class mail:				
Parcels (zone rate).....	704.2 <sup>2/</sup>	422.7	281.5	166.6
Catalogs.....	33.3	12.8	20.5	260.2
Fees.....	.7	-	.7	-
Total zone-rate mail.....	738.2	435.5	302.7	169.5
Special fourth-class rate.....	89.3	99.4	(10.1)	89.8
Library rate.....	3.5	6.6	(3.1)	53.0
Fees.....	.2	-	.2	-
Total fourth-class mail.....	831.2	541.5	289.7	153.5
Government mail.....	181.9	66.4	115.5	273.9
Free mail for the blind and handicapped.....	-	2.1	(2.1)	-
International mail.....	255.2	130.7	124.5	195.3
Special services.....	283.8	144.8	139.0	196.0
Nonpostal services for other agencies.....	109.9	- <sup>3/</sup>	109.9	-
Unassignable revenues and costs.....	11.8	- <sup>3/</sup>	11.8	-
Total all mail and services.....	\$6 255.9	\$3 656.0	\$2 599.9	171.1%
Institutional costs.....	-	-	3 622.8	-
Revenue deficiency before public service costs.....	-	-	\$1 022.9	-
Public service costs.....	-	-	699.4	-
Revenue deficiency.....	-	-	\$ 323.5	-

See footnotes on page #6.

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A

ATTACHMENT D

PROBABLE REPORTER'S QUESTIONS AND SOME  
ANSWERS ABOUT THE 8¢ OPTION

1. Is relinquishing the contingencies fund consist with the President's basic proposal for a postal entity? No it is not, because the President wished to establish the postal entity on a financially independent and healthy basis.
  
2. Why is the President backing down from his request for the 10¢ stamp? The President's original request had to be made before the form of the postal reorganization was agreed upon with the postal unions. The President had to provide for the contingency that a rate policy which could have required as much as \$2.6 billion would have been included in the reorganization proposal. The finally agreed upon rate policy develops a revenue requirement substantially less than the \$2.6 billion which has enabled the President to reduce his proposal.

3. What does this do to the FY 71 budget? The new postal revenues which the President is now proposing are still greater than the cost of the pay settlement and of eliminating the \$609 million postal deficit. Thus this settlement has no effect on the FY 71 surplus.

4. Doesn't this new revised schedule reflect the negative reception which the President initial 10¢ proposal received? There are two facts that should be kept in mind: (1) Our estimate for revenue need has been revised by about \$1 billion and (2) the fiscal facts of postal rates are that more than one half of the nation's postal revenues come from first-class mail; thus, if one is to secure a significant increase in revenues he must significantly increase first-class mail rates. The new estimates of revenue need have allowed the President to adjust downward his request for a first-class rate increase and at the same time he has made compensating increases in second and third class mail rates.

5. Won't the increases in second and third class mail rates bring the junk mail lobbyists out of their hiding places and thereby endanger the chances of passing the postal reform proposal?

Many corporations making extensive use of the mails have a clear interest in postal rates and will undoubtedly send their representatives to tell their side of the rate story to Congress. The postal unions, the Congress, and the American people have all realized that the time for postal reform has come. The mail users' lobbyists should not block postal reform because

(1) it will not directly or immediately effect " their rates and (2)  
it should result in an improved mail service for them.

1-22-73

## ATTACHMENT E

### FACTS ABOUT SECOND CLASS AND THIRD CLASS

#### JUNK MAILERS

The third class bulk rate regular mailers pay more than *199% of the out of pocket* ~~799%~~ of the fully allocated costs to the Post Office for handling the mail. The second class regular rate publications cover only about *51% of their out of pocket* ~~one-quarter (1/4)~~ of their fully allocated costs to the Post Office.

Note, that both the third class and the second class mailers are required by the Post Office to pre-sort their mail; this sorting, which the Post Office has to do for the first class mail, makes the postal costs of handling second and third mail per unit substantially less than the per unit costs of handling first class mail.

The second class postal users are non-profit organization publishers, publications for classroom use and regular publications such as Time, the New York Times, Newsweek, The Readers Digest etc. Some newspapers and magazines are in a financially weak position and object to paying greatly increased postal rates.

The third class mailers are referred to by the second class mailers as the "junk mailers." The third class mailers have traditionally had a very effective lobby which is willing and able to spend the money necessary to defeat legislative rate increases.

Another key factor about third class mail is that it is rate-sensitive. In some areas, there are private sector delivery and distribution firms which can easily compete with third class bulk rates. For the delivery of messages, third class bulk rate mailers can consider alternative media such as newspapers and radio and television.