## DOCUMENT WITHDRAWAL RECORD [NIXON PROJECT]

| DOCUMENT NUMBER | DOCUMENT TYPE | SUBJECT/TITLE OR CORRESPONDENTS | DATE | RESTRICTION |
|---|---|---|---|---|
| N-1 [89] | Memo | ~~Rose Mary Woods to John Ehrlichman~~ ~~Re: Post Office Department~~ | 6/2/69 | C (Nixon) open 6/8/2009 |

| FILE GROUP TITLE | BOX NUMBER |
|---|---|
| WHSF: Ehrlichman | 33 |

FOLDER TITLE
Numerical Subject File: 503 [Post Office Reform 2 of 2]

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G. Withdrawn and return private and personal material.
H. Withdrawn and returned non-historical material.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION NA FORM 1421 (4-85)

## Presidential Materials Review Board

## Review on Contested Documents

**Collection:** John D. Ehrlichman
**Box Number:** 33

**Folder:** 503 [Post Office Reform, 2 of 2]

| Document | Disposition |
|---|---|
| 89 | Retain ~~Close Invasion of Privacy~~ gm 6/8/2009 |

503?

September 11, 1969

MEMORANDUM FOR CHAIRMAN HAMPTON
CIVIL SERVICE COMMISSION

Bryce Harlow informs me that the first consideration of the Dolski and Administration bills on Postal Reform come up before the Post Office and Civil Service Committee on September 18. Bryce anticipates the first vote will be on the 23d or 24th.

Under these circumstances I am obliged to hold up presentation of Executive Order 10988 until the 24th. We will plan to move ahead on it at that time.

JOHN EHRLICHMAN

cc: Bryce Harlow
Ken Cole

#19

(2) books attached to this file

THE WHITE HOUSE
WASHINGTON

Dolski and Adm bill come up for consideration in the House next Thursday (Sept. 18) and following days before the Post Office and Civil Service Committees.

First vote ~~x~~ commiteee takes will be the critical one -- which bill will they be considering - Dolski or Adm. This ~~xx~~ first vote will probably be on the 23 or 24.

After the first vote, they will then decide on content of the bill and then report to vote it out.

Info from Lamar

9/10
5:40 p.m.

jlh

Jana

When is Committee To act?

Suspense 4-5 days

Kalmbach

Don - Tax -

Blount - 10988

Committee votes in 2 wks.

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

CHAIRMAN

September 10, 1969

MEMORANDUM FOR: THE HONORABLE JOHN D. EHRLICHMAN
COUNSEL TO THE PRESIDENT

SUBJECT: Report of the Interagency Committee on Labor-Management Relations in the Federal Service

The Committee's report and recommendations for changes in the Federal labor-management relations program is enclosed.

Secretary Laird, Secretary Shultz, Director Mayo and I believe that the recommendations should be placed into effect as soon as possible. The proposed Executive Order to accomplish this is now ready in your office. It was coordinated with Dr. Burns during its preparation, and has the necessary legal clearances from the Bureau of the Budget and Department of Justice.

Postmaster General Blount has declined to sign the report. He believes that issuance now of an Order making improvements in the general labor relations system for Federal employees will undercut the chances for passage of the Postal Reform bill, which has special labor relations policies for postal workers. He does not disagree, to my knowledge, with the substance of the recommendations in the report or the provisions of the proposed Order.

Defense, Labor, Budget Bureau and the Commission are convinced, after intensive evaluation of the labor relations situation throughout the Executive Branch, that the need for correction of deficiencies is urgent and cannot be delayed further without serious consequences. We must reduce the excessive costs and waste of management time caused by the present arrangements. We must dampen the employee unrest and union militancy which has been generated by perpetuation of the outmoded policies of the 1962 Kennedy Order.

If the necessary changes are not made now by Executive action we can expect legislative action that will be detrimental to our best interests. We will have no administration position to offset the strong drive for a statutory labor relations system. Our opposition to labor-management relations legislation, expressed on April 25th in testimony before the House Postal Subcommittee, has rested on the assertion that present deficiencies could be corrected better and with less disruption by Executive action and that our recommendations would be submitted to President Nixon within 60 days. Without an affirmative administration position, we can only expect that union lobbying pressures will prevail.

The AFL-CIO convention which begins October 1 will no doubt pass resolutions critical of administration inaction and thereby give new impetus to the unions' lobbying drive.

We do not subscribe to the belief that delaying issuance of the Order will help the chances of the Postal Reform bill. It ignores the realities of the unions' position. They want labor-management legislation that will strengthen their bargaining status vis-a-vis management in the Executive Branch, but which will not reduce employee benefits and protections already in law or jeopardize their capacity to continue to make gains through political and lobbying action. This is the number one legislative goal of all major Federal unions, including the postal unions, as mandated at their 1966 and 1968 conventions. The chief deterrent to success has been the expectation in Congress that the Executive Order would be revised. Further delay on the Order will greatly strengthen the unions' chances of getting the kind of legislation they want, and the stronger their chances in that direction the stronger will be their opposition to the labor relations provisions of the Postal Reform bill. If they had any significant desire for the private sector type of labor relations proposed in the bill, issuance of the Order would not undercut their support.

We urge that you bring the Committee's report and the proposed Order to the President's attention as soon as possible.

Robert Hampton

Robert E. Hampton
Chairman

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D.C. 20415

IN REPLY PLEASE REFER TO

YOUR REFERENCE

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Chairman

U.S. CIVIL SERVICE COMMISSION

OFFICE OF THE CHAIRMAN

WASHINGTON, D.C. 20415

September 10, 1969

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

Dear Mr. President:

The undersigned have jointly conducted an intensive review and evaluation of the Federal labor-management relations program and present herewith our report and recommendations for its improvement.

We find that the program established by Executive Order 10988 in 1962 has produced some excellent results, beneficial to employees and management alike. The basic objective of employee-management cooperation established by that Order was sound in concept and has been effective in practice.

But the great growth of union representation in the past seven years has produced conditions far different from those to which the 1962 Order was addressed. More than one and a half million employees -- over one-half of the Federal workforce -- are now represented by labor organizations. Nearly 1,200 basic labor-management agreements and a much larger number of supplemental agreements are now in effect. The tempo of organizing activity and the negotiation and administration of agreements is at a very high level.

Today, there are significant and growing difficulties in operating the program under the 1962 policies, and there is rather general dissatisfaction among union officials and agency managers because of the failure to adjust program arrangements to present-day conditions.

The changes in the program which we recommend are necessary, we believe, to maintain effective labor-management relations in the Federal service. They can be accomplished by a new executive order which retains those features of the present program that work well but updates policies and provides new arrangements where needed to improve labor-management relationships for the future. On this basis, we propose these adjustments in the program.

## A. CENTRAL AUTHORITY TO ADMINISTER THE PROGRAM -- THE FEDERAL LABOR RELATIONS COUNCIL

A Federal Labor Relations Council, consisting of the Secretary of Labor, the Chairman of the Civil Service Commission, an official of the Executive Office of the President, and such other officials of the Executive Branch as the President may, from time to time, designate should be established to oversee the entire Federal service labor relations program, to make definitive interpretations and rulings on any provision of the Order, to decide major policy issues, to entertain, at its discretion, appeals from decisions on certain disputed matters, to issue appropriate regulations, and to report to the President on the state of the program with recommendations.

## B. RECOGNITION AND UNIT DETERMINATION

(1) The term "labor organization" should be substituted for the term "employee organization" and should be redefined.

(2) Informal recognition should be abolished.

(3) Formal recognition also should be abolished. Existing formal recognitions should remain in effect until the method and timing for terminating such recognitions is established by regulation of the Federal Labor Relations Council which should be issued within one year, after study of the equities involved. No new formal recognitions should be granted after the date of the new Order.

(4) National formal recognition should be abolished and in lieu thereof national consultation rights should be established. The Federal Labor Relations Council should develop eligibility criteria for granting national consultation rights. National consultation rights should not be granted to an organization for a unit when another organization already holds exclusive recognition at the national level for that unit. A labor organization should have a right of appeal in instances where it believes national consultation rights have been improperly withheld.

(5) Exclusive recognition should be made available without membership requirements and determined by use of secret ballot elections in all cases. The 60 percent representative vote rule should be abolished. Only one valid election should be held in any unit or any subdivision of that unit in a twelve-month period.

(6) In addition to the "community of interest" criterion, an appropriate unit should be one that promotes effective dealings and efficiency of agency operations. A unit should not include guards together with other employees. Criteria for establishing units for national exclusive recognition should be the same as those used for establishing the appropriateness of other units for exclusive recognition.

### C. STATUS OF SUPERVISORS

The term "supervisor" should be expressly defined and supervisors should be considered part of management. Recognition should not be granted for mixed units or for units consisting solely of supervisors. Supervisors should not participate in the management or representation of labor organizations which represent other employees. Agencies should take steps to improve the status of supervisors and associations of supervisors by insuring that they are afforded the opportunity to participate in a meaningful way in the management process and to have their problems carefully considered.

### D. RESOLUTION OF DISPUTES ON UNIT, REPRESENTATION, UNFAIR LABOR PRACTICE AND STANDARDS OF CONDUCT MATTERS

The Assistant Secretary of Labor for Labor-Management Relations should issue decisions in unit, representation, unfair labor practice and standards of conduct of labor organization cases. Either party should have a limited right of appeal on major policy issues to the Council.

### E. NEGOTIATION AND ADMINISTRATION OF AGREEMENTS

(1) The scope of negotiation should be clarified by providing for the negotiation of appropriate arrangements for employees adversely affected by the impact of realignment of work forces or technological change.

(2) Except where negotiations are conducted at the national level, agencies should increase, where practical, delegation of authority on personnel policy matters to local managers to permit a wider scope for negotiations. Procedures should be established to resolve disputes over negotiability questions.

(3) Agencies and labor organizations should be free to engage in joint negotiations on a multi-unit basis. The Council should study the question of further guidance on this matter.

(4) The requirement for agency approval of negotiated agreements is necessary and should be continued. However, approval or disapproval should be based solely upon the agreement's conformity with laws, existing published agency policies and regulations (unless the agency has granted an exception to a policy or regulations), and with the regulations of other appropriate authorities. A local agreement subject to a national or other controlling agreement at a higher level should be approved in accordance with the procedures provided in the controlling agreement or, in the absence of such procedures, in accordance with agency regulations on the subject.

(5) Administration of an agreement should be governed by laws, regulations of appropriate authorities, and the published agency policies and regulations in existence at the time the agreement was approved (unless the agency has granted an exception to a policy or regulation or it subsequently is required to be changed by law or other appropriate authority outside the agency or by the terms of a controlling agreement at a higher agency level). When an agreement is renegotiated or before it is extended it should be brought into conformance with current agency policies and regulations.

(6) Agencies should not negotiate agreements with labor organizations which would abridge the right of employees to join or not join a labor organization, or which would require employees to pay money to the organization, other than through voluntary dues withholding, pursuant to a written authorization.

(7) Employees representing a labor organization should not be on official time when negotiating an agreement with agency management.

F. PROCEDURES FOR RESOLUTION OF IMPASSES IN NEGOTIATIONS

(1) The Federal Mediation and Conciliation Service should extend its services to the Federal labor relations program.

(2) A Federal Service Impasses Panel should be established to assist the parties if they are unable to reach agreement through other available means. The Panel should be authorized to provide factfinding on the issues and make recommendations to the parties as a basis for settlement. In the event all issues are not resolved by the parties within 30 days, the Panel should have the authority to take whatever action it deems necessary to bring the dispute to settlement.

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We recognize that any effective system of labor-management relationships must be fashioned to fit the particular circumstances and that the problems of the Federal government are different from those in other sectors of public employment. It is our belief that the Federal labor-management relations program as adjusted by these proposals may contribute ideas useful to the constructive resolution of state and local problems.

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Respectfully submitted,

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Respectfully submitted,

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Secretary of Defense

George P. Shultz
Secretary of Labor

Winton M. Blount
Postmaster General

Robert P. Mayo
Director, Bureau of the Budget

Robert E. Hampton
Chairman, Civil Service Commission

503

THE WHITE HOUSE

WASHINGTON

August 4, 1969

MEMORANDUM FOR

JOHN EHRLICHMAN

Regarding Executive Order 10988, I talked on August 4 with Postmaster General Blount reference the timing of this Executive Order and the recent testimony of George Meany that was detrimental to the Post Office Reorganization bill. Blount's position is that the Meany testimony in no way effects his previous request that the President not sign this Executive Order until after he has laid the proper ground work with the unions for his postal reorganization. Blount's timetable is as follows:

1. Testimony completed on the bill on August 12.

2. During the Congressional recess, Blount will be negotiating with the postal unions and at about the time Congress reconvenes, Blount should have a good idea of exactly where he stands.

As of this date, he is agreeable to having the Executive Order signed after the President's return from California but hopes that it will not be signed before then.

I have relayed this information to Secretary Shultz and have advised him that our thinking is not to proceed with the signing of the Executive Order until after September 7 when the President returns from California. I believe that he is now agreeable to this.

Ken

KEN COLE

#18

File

# Office of the Postmaster General
Washington, D.C. 20260

JUN 26 1969

503

June 26, 1969

P. O

MEMORANDUM

TO: Mr. John D. Ehrlichman
Counsel to the President
The White House

FROM: James M. Henderson
Special Assistant to the
Postmaster General

JMH

Attached is additional information on surveys since my memo to you of June 16.

Again, I will continue to supply you with these as they are published.

Attachment

W

17-1

June 23, 1969

# SURVEYS ON POST OFFICE DEPARTMENT

## Congressional Surveys of Constituents

### Favoring Conversion of Post Office Department into a Government-owned Corporation

| | Favor | Oppose | Undecided |
|---|---|---|---|
| Edward Hutchinson (R-Mich.) | 62% | 22% | 16% |
| William D. Ford (D-Mich.) | 54% | * | * |
| Herman T. Schneebeli (R-Pa.) | 67.4% | 26% | 7% |

### Removing Politics from the Post Office Department

| | | | |
|---|---|---|---|
| Robert McClory (R-Ill.) | 91.4% | 6.2% | 2.4% |

## Polls

| | Favoring Corporation | Opposing Corporation | Undecided |
|---|---|---|---|
| Oakland Tribune Reader's Poll, June '69 | 87% | 13% | -- |
| National Association of Postal Supervisors' Tally After Contacting 360 House Members and 79 Senators | House-16.7% (60) | 43% (155) | 40.3% (145) |
| | Senate-12.7% (10) | 39.2% (31) | 48.1% ( 38) |
| Station WBAL-TV 2, Baltimore, Md. Poll on Postal Corporation | 60% | 40% | -- |

## Resolutions

| | |
|---|---|
| National Association of Letter Carriers - June 2, 1969 | Resolution Opposing Corporation |

* Representative Ford's Questionnaire gave his constituents four alternatives: 1) Retaining present postal service, taking funds from general tax revenues to meet costs that exceed postal revenue, 16%; 2) Reorganizing the Post Office Department to provide improved service, but still requiring some support from general tax revenues, 23%; 3) Creation of a government-owned postal service corporation, to provide approved service on a self-supporting basis, 54%; 4) Making the postal service a wholly tax-supported, non-revenue service such as public highways, 7%.

17-2

JUN 17 1969

503

# Office of the Postmaster General
Washington, D.C. 20260

June 16, 1969

MEMORANDUM

TO: Mr. John D. Ehrlichman
Counsel to the President
The White House

FROM: James M. Henderson JMH
Special Assistant to the
Postmaster General

Postmaster General Blount says you are interested in the attached surveys. I will continue to supply you with these as they are published.

Attachments

E

16-1

June 13, 1969

# SURVEYS ON POST OFFICE DEPARTMENT

| Polls and Questionnaires | Favoring Corporation | Favoring Reorganization | Favoring Removing Politics |
|---|---|---|---|
| National Newspaper Association Poll January 25, 1969 - 578 publishers responding | 84% | 88% | 94% |
| U.S. Chamber of Commerce - August 1968 Informal Poll of Members | 95.6% | -- | 99.3% |
| San Francisco Chamber of Commerce January 1969 - 2050 questionnaires mailed to business firms, with 42% response | Majority | -- | -- |

## Resolutions and Endorsements

| | |
|---|---|
| National Association of Postmasters Feb. 1969 - (representing 32,000 PM's) | Endorsed proposal to remove patronage from appointments |
| AFL-CIO Government Employee's Council March 1969 - GEC comprises 34 unions, representing more than a million federal employees. | Resolution opposed Corporation proposal |
| National Association of Letter Carriers. Tally by 3500 delegates after contacting 364 House members and 68 Senators: | House<br>33 favored - 9.1<br>248 opposed - 68.1<br>83 undecided - 22.8<br><br>Senate<br>41 opposed - 60.3<br>5 favored - 7.4<br>22 undecided 32.3 |



16-2

May 1969 - A Study on Public Opinion of the Postal Service prior to Presidential announcement on postal reform. Prepared for the Advertising Council on behalf of the Post Office Department by Roper Research Associates, Incorporated. Interviews of a nationwide cross section of 2000 people 18 years of age and over; sampling areas selected by probability methods.

Purpose: To explore current public opinion of the Postal Service in general and of the ZIP Code System in particular.

FINDINGS:

1. A large segment of the population (69%) say they are "completely satisfied" with the mail service they get. (Note: This is down from 76% completely satisfied 18 months ago.)

2. 75% of the population said they had had no problems with mail in the past year--either with mail sent or received.

3. 81% saw no change in quality of mail service as compared to a year ago, and among those who did see a change, the change was considered for the better by a 2 to 1 ratio. (Note: 18 months ago, among those who saw a change the change was considered for the better by a 4 to 1 ratio.)

4. Among those who rate mail service "extremely important"--78% of the public--dissatisfaction with quality of mail service is growing.

5. Public desire for faster delivery of first class mail continues to increase. The "definitely needed" figure is now 20%, vs. 12% 18 months ago.

6. Public awareness, understanding and approval of ZIP Code continue to increase. Usage also increases: 83% now use ZIP Code in addressing mail, 86% include it in their return address. In previous study, both these figures were at 71%.

7. 35% of the American public had heard of the proposed non-profit government-owned corporation: of these, 47% favored it; 33% opposed it. Of those who had heard of it and were less than satisfied with the mail service, 55% were for the government corporation, 29% against. Overall, only 26% favored a corporate type of post office, but this is double the 13% of 18 months ago, and the Roper survey says the trend is that support will continue to grow.

8. If two classes of mail were created--priority mail at 10¢ to be handled immediately and regular mail at 7¢ to be handled at non-peak hours--48% of those sampled would send virtually none at 10¢, even for faster service; 25% would send one-fourth to one-half of their mail; 22% would send three-fourths to virtually all of their mail at 10¢. In summary, one-fourth to one-third of those sending personal mail would use priority mail for faster delivery.



16-3

## CONGRESSIONAL QUESTIONNAIRES

### Favoring Conversion of Post Office Department into a Government Owned Corporation

| | Favor | Oppose | No Opinion |
|---|---|---|---|
| J. Glenn Beall, Jr. (R-Md.) | 60% | 24% | 16% |
| Carleton J. King (R-N.Y.) | 71% | 28% | 1% |
| James H. Quillen (R-Tenn.) | 63% | 22% | 15% |
| Henry P. Smith (R-N.Y.) | 74% | 19% | 7% |
| M. G. (Gene) Snyder (R.Ky.) | 71% | 20% | 9% |
| William S. Broomfield (R.Mich.) | 77% | 17% | 6% |
| William L. Scott (R-Va.) | 57% | 33% | 10% |
| Charles W. Whalen, Jr. (R.Ohio) | 67% | 16% | 17% |
| Charles E. Chamberlain (R-Mich) | 74% | 18% | 8% |
| Lee H. Hamilton (D.Ind.) | 75% | 25%* | -- |
| **Samuel Devine (R-Ohio) | 20% | 30% | 50% |
| Edwin Eshleman (R-Pa.) | 73% | 19% | |
| Jack Edwards (R-Ala) | 63.1% | 17.8% | |
| Jack McDonald (R-Mich) | 60.5% | 39.5% | |
| Harold R. Collier (R-Ill.) | 75.5% | 19.5% | 5% |
| Charlotte T. Reid (R-Ill.) | 70% | 23% | 7% |

*Favor a plan other than the corporation system

**Representative Devine's Questionnaire listed five alternatives for constituents: favoring promotion on merit (48.6%); favoring private industry handling POD (24%); favoring non-profit public corp.(20%); retaining present system (6.1%); other (1.3%)

### Removing Politics from the Post Office Department

| | | | |
|---|---|---|---|
| John M. Zwach (R-Minn.) | 90% | 6% | 4% |
| Robert J. Corbett (R.Pa) | 95% | 5% | - |
| Dan Kuykendall (R.-Tenn) | 95% | 3% | 2% |
| Howard Baker (R-Tenn.) | 90.7% | 9.3% | - |
| William Cowger (R.Ky) | 95% | 2% | - |
| Peter Frelinghuysen, Jr. (R-N.J.) | 95% | 2% | 3% |

### Converting POD into a non-profit private organization

| | | |
|---|---|---|
| Richard L. Ottinger (D-N.Y.) | 63% | 27% |

J-16

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 2, 1969

FOR: JOHN EHRLICHMAN

FROM: ROSE MARY WOODS

Rose Mary Woods

SUBJECT: POST OFFICE DEPARTMENT

I do not want the person who wrote me this letter to become involved, but I thought you might like to have someone check into whether this is, in fact, the story that Nyle Jackson is handing out.

Excerpt from letter dated 5/25/69:

"Now comes the reason for this letter being sent to you. Mr. Jackson told me that 'all is not well between "The Boss" and Mr. Blount, and that Mr. Blount is not going to get his plan for the Post Office through Congress.'

"Mr. Jackson said that after this failure Mr. Blount would resign, and that the President would not be too unhappy about it. My concern is for the condition that will be brought about if Mr. Blount puts non-Republicans in administrative positions and then resigns, leaving a Republican administration in an unreckonable position with non-Republicans and entrenched Democrats in the working positions of the Post Office Department. Or, if Mr. Jackson is off key, someone (without any reference to this letter) should get him in tune with his leader."

E

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MAY 27, 1969

TO: PETER FLANIGAN

FROM: JOHN EHRLICHMAN

In a conversation with Postmaster General Blount the President indicated that he would like to have David Derge cause Gallup to include a question on postal reform and possibly one on satiffaction on postal service in his next poll.

He would also like similar questions in our next poll.

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HENRY CASHEN

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

MAY 2 3 1969

MEMORANDUM FOR THE PRESIDENT

The proposed bill to create a postal service corporation raises an issue with respect to finances which is of considerable significance to the institution of the Presidency, and I believe it deserves your attention.

I agree fully with your commitment to the principle that the postal service corporation should be free from the restrictive legislation relating to Government activities to the maximum extent practicable. However, the principles of an independent public corporation in this case run up against the conflicting principle that the President should have the authority to execute such Government-wide limitations as the Congress may impose with regard to our finances. Lacking such authority the President is in an almost impossible position.

Since 1957 the net expenditures and lending of the Government owned corporations have been a part of the budget totals, and the President's Commission on Budget Concepts (in which Dave Kennedy, Paul McCracken and I took part) reaffirmed in 1967 that this should be the case. Thus, the power operations of the TVA funded by borrowing and by power revenues, as well as the other activities of the TVA and the activities of the Panama Canal Company, the St. Lawrence Seaway Development Corporation, the Export-Import Bank, and all other Government corporations are included in the budget totals. Therefore, if the Congress imposes the $192.9 billion ceiling now expected with respect to budget outlays, the net outlays of our Government owned corporations will necessarily be counted within the totals. To the extent that their spending goes up unexpectedly, we will have to "eat it" somewhere else within the budget. The proposed bill would in effect exempt Post Office from any reductions forced by such a ceiling.

Since 1950 the Congress has required that the funds of Government corporations as well as of regular agencies be subject to the apportionment and reserve authority of the Director of the Bureau of the Budget which permits us to monitor and control

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budget spending once it is authorized. In exercising that authority, the Bureau has often been somewhat relaxed with respect to the corporations. However, in times when overall constraints are needed -- either due to legislative ceilings or other restrictions or in order to fight inflation or recognize war emergencies -- the Bureau has made appropriate use of its apportionment authority. The Director of the Bureau of the Budget is authorized to exempt receipts from industrial and power operations, and we have exempted TVA power accordingly. The President is authorized annually to exempt appropriations of the Department of Defense.

Red Blount has proposed a mandatory statutory exemption from apportionments. This would help him to spend as he deems fit, not only for operations, but also for the construction of facilities and the purchase of needed equipment.

I have reluctantly agreed to let him propose this, because I'm trying to help you and him "get the show on the road." Yet, I doubt that such a statutory exemption is in the Presidential interest. I believe that Presidents and Directors of the Bureau of the Budget need to have the legal tools with which to observe overall expenditure limitations when they are imposed, and to exercise anti-inflationary influences when necessary. Your preference may well be to eliminate Red's exemption language, therefore, and make the new corporation subject to the apportionment statute in the same manner as the wholly owned Government corporations.

There is a mid-way position which you might also consider -- to leave the apportionment statute with regard to the postal service corporation, so far as the law is concerned, but to include a provision permitting the President to grant an exemption when he deems it to be in the national interest. Under these circumstances we could exempt the corporation in those years when it is feasible, but still utilize the apportionment tool in those years when it is necessary.

What we do on this bill will provide a precedent, whether we like it or not, for future legislation pertaining to public service corporations. It may also provide a precedent for those in Congress who want to remove the trust funds from the budget (Johnny Byrnes, John Williams, and a large group of others). This would be a step inconsistent with the views of almost every serious student of the budget process. Obviously, any proliferation of exemptions would add significantly to the long run problems that you and I have with regard to the budget as a whole.

Robert P. Mayo

Robert P. Mayo
Director

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Ric

MAY 23 1969

May 23, 1969

MEMORANDUM FOR MR. KENNETH R. COLE, JR.
SPECIAL ASSISTANT TO THE PRESIDENT
THE WHITE HOUSE

Dear Ken:

The Postmaster General has reviewed Chairman Hampton's suggestions on the postal reform message, and believes that the following changes would be appropriate in the light of Mr. Hampton's comments.

The phrase "and they work for pay that may be barely adequate" should be deleted from the final paragraph on page 1.

The phrase "and in other Federal agencies" should be inserted at the point suggested by Mr. Hampton.

The final paragraph on page 5 should be deleted, and the following paragraphs substituted therefor:

> "Employees will retain their Civil Service annuity rights, veterans preference, and other benefits.
>
> "The Postal Service is unique in character. Therefore there will be, for the first time in history, true collective bargaining in the postal system. Postal employees in every part of the United States will be given a statutory right to negotiate directly with management over wages and working conditions."

Mr. Harlow suggested that the paragraph dealing with Postmaster General O'Brien be changed. A redraft of that paragraph, and the following two paragraphs on page 4 of the message, is attached. Logically, this seems to us to belong on page 4, but it could be used at the end of the fourth paragraph on page 1, immediately before the "Career Opportunities" heading, if you consider such a change desirable.

Post Office Dept.

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In the second paragraph on page 2, the phrase "postal expenditures have exceeded postal revenues" might well be improved by saying "the postal system has cost more than it has earned."

The Postmaster General would like to make the following changes in the highlights on page 5: substitute "creation of a separate Postal Service wholly owned by the Federal Government" for the second item.

Substitute for the third item "new and extensive collective bargaining rights for postal employees."

Sincerely,

David A. Nelson

Enclosure

cc: Mr. Ehrlichman
Mr. Huston

Insert Page (1)

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

One of my first actions as President was to direct Postmaster General Winton M. Blount to review those and other proposals. He has made his own first-hand study of the problems besetting the postal service, and after a careful analysis has reported to me that only a complete reorganization of the postal system can avert the steady deterioration of this vital public service.

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

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