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

May 16, 1969

BY MESSENGER

Mr. James Koegh
The White House
Washington, D. C.

Dear Mr. Koegh:

Pursuant to our conversation, I enclose a suggested draft for the President's message to the Congress on postal reform.

This draft has been reviewed and approved by the Postmaster General, and I believe that it covers fairly well the points we would like to emphasize.

Sincerely,



David A. Nelson

Enclosure

cc: Mr. Thomas Houston
✓ Mr. John Erlichman
Dr. Arthur Burns
Mr. Bryce Harlow
Mr. Kenneth Cole

May 16, 1969
10:30 a.m.

POSTAL REFORM

Total reform of the nation's postal system is imperative if the American people are to be assured of dependable, efficient, and reasonably priced mail service in the decades ahead.

No such assurance exists today. Mail volume has surged upward, while improvements in postal efficiency have lagged far behind, encumbered by inadequate equipment, obsolete buildings, outdated operating practices, and -- all too often -- low employee morale. Delays and breakdowns constantly threaten the mails. A complete breakdown in service did in fact occur in 1966 in one of our largest cities, causing severe economic damage and personal hardship. Similar breakdowns could occur at any time in many of our major post offices.

Postal employees lack many of the benefits available to their neighbors in private industry. They cannot bargain with management for better working conditions or wages. Their opportunities for advancement and training are severely limited. The physical conditions under which they work are often deplorable.

Most disheartening of all is the atmosphere of helplessness that pervades too many of our post offices. When dedicated people see about them wrongs they cannot right, dedication turns gradually into discouragement and despair.

The Post Office faces a financial crisis. In this fiscal year alone the Department will draw over a billion dollars from the

national treasury -- funds that are sorely needed elsewhere. Over the last decade the tax money consumed by the postal system has amounted to more than eight billion dollars. Almost twice that amount will be diverted from the treasury in the next ten years if the practices of the past are not stopped.

The money to meet these huge postal deficits comes directly out of the taxpayer's pocket -- regardless of how much he uses the mails. It is bad business, bad government, and bad politics to pour this kind of tax money into an inefficient postal system. Every taxpayer in the United States -- as well as every user of the mails -- has an important stake in seeing that the Federal Government institutes the kind of reform that is needed to give the nation a modern and well managed postal system. Without basic reform Congress must vote, year after year, for ever-rising postage rates or ever-rising subsidies by the taxpayers.

Neither alternative is acceptable.

Major cost savings can be realized -- but only if postal workers are given the tools they need to move the mail economically. These tools -- new equipment and modern buildings -- have not been provided under the annual appropriation procedure.

Money alone, however, cannot solve the problems of the Post Office. Under the present system, those responsible for managing the postal service do not have the authority that the managers of any enterprise must have. The prices that the Post Office charges its customers

and the wages it pays its employees, for example, are both fixed by Congress. Congress determines the location of postal facilities. Congress governs, in minute detail, the financial, personnel, transportation and procurement activities of the Department. This kind of Congressional involvement -- although proper for other agencies -- is no longer appropriate for the Post Office.

The Congress is superbly equipped to consider and debate conflicting points of view, and, with the President, to establish the broad national policies that guide the destiny of the United States. Neither the President nor the Congress, however, should have to be concerned with the day to day operation of a major service industry like the Post Office.

Politics must be removed from the Post Office. Last February we took the first step in this direction by abandoning political patronage in the selection of postmasters. I now urge Congress to complete the job by relinquishing certain of its traditional prerogatives in running the Post Office.

I am confident the American people will applaud this step.

Ironically, although the postal service has often been used as a political football, the question of what to do about the Post Office is not a partisan issue.

The first major proposal for postal reform was made two years ago by Lawrence O'Brien, when he was Postmaster General. Mr. O'Brien recommended that the Post Office be taken out of the Cabinet and set up

as a government corporation. A blue-ribbon Presidential Commission then made a searching study of our postal system. After considering all of the alternatives, the Commission likewise recommended a government corporation. Last January, President Johnson endorsed that recommendation in his State-of-the-Union message.

At my direction, Postmaster General Blount has reviewed these and other proposals, and has made his own first hand study of the problems besetting the postal service. After careful analysis the Postmaster General 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.

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

This bill will remove the Post Office from the Cabinet.

It will create a service corporation, owned entirely by the Federal Government, to meet the postal needs of our time.

The new organization, to be known as the United States Postal Service, will be headed by a nine member board of directors selected without regard to political affiliation. Seven members of the board, including the chairman, will be appointed by the President with the advice and consent of the Senate. These seven members will select a full-time postal manager and another full-time executive who will also serve on the board.

For the first time in history, there will be true collective bargaining in the postal service. While retaining their Civil Service pension rights, veterans' preference and other benefits enjoyed under existing law, 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.

The bill will establish a fair and impartial mechanism -- including a provision for binding arbitration - to resolve negotiating impasses and disputes arising under labor agreements.

The Postal Service will become the model employer that it should be, and postal employees will be able to secure the working conditions and the health, medical and training benefits which they have a right to expect as employees of a major national enterprise.

The new Postal Service will become entirely self-supporting, except for such subsidies as Congress may wish to provide for specific public service groups.

The Postal Service, like the Tennessee Valley Authority and similar public authorities, will be able to issue bonds as a means of raising funds needed for capital investment and other purposes.

Proposals for changes in classes of mail or postage rates will be heard by expert rate commissioners, who will be completely independent of operating management. The Board of the Postal Service will review determinations made by the Rate Commissioners on rate and classification questions, and the Presidentially appointed members of the

Board will be empowered to modify such determinations if they consider it in the public interest to do so.

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

The Postal Service will be required to submit regular reports to the Congress to facilitate Congressional oversight of the postal system. The Postal Service and the rules by which it operates can, of course, be changed by law at any time.

The reform that I have proposed represents a basic change in direction. It is not a half-way measure, for I am convinced that the ills of the postal service cannot be cured by piecemeal efforts.

A government corporation is uniquely suited to meeting the needs of the postal service. As President Truman has said, in speaking of Government corporations generally:

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

The postal service is precisely that kind of enterprise.

Legislation, by itself, will not move the mail. This must be done by the three-quarters of a million dedicated men and women who today wear the uniform of the postal service.

With the right kind of tools -- financial, managerial and technological -- I know they can do the job superbly. The legislation I am proposing today will provide those tools. I strongly recommend that it be promptly considered and promptly enacted.

~~7:30 P.M.~~
MAY 16, 1969
10:30 AM

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MAY 9 1969



The Postmaster General
Washington, D.C. 20260

May 9, 1969

Mr. John D. Ehrlichman
Counsel to the President
The White House
Washington, D. C. 20500

Dear Mr. Ehrlichman:

One of the Administration's major domestic proposals - Postal Reform -
will be sent to the Congress on May 27th. The proposed legislation and a
draft message will be available for clearance on May 12th.

Since you will be involved in the clearance process, I thought that you
might want to have an advance look at this problem.

The first six pages of the enclosed summary of the Kappel Commission
Report highlights the Commission's major recommendations. Our Depart-
ment's proposed legislation will coincide closely with these recommendations.

Kindest personal regards,

Sincerely yours,

Winton M. Blount

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 24, 1969

Honorable Winton M. Blount
Postmaster General
Washington, D.C.

Dear Mr. Blount:

I respect and concur with your initial steps to reorganize the post office. After you left the Republican caucus last week, however, I listened with interest to some rather vitriolic comments by a number of still-angry congressmen, and thought I would offer the following suggestion.

The opposition to your action seems to center with those who represent large rural areas where the small-town postmaster is a respected and influential community figure. Some members have as many as 150 or more postmasters and the respect in which the congressman himself is held in the area is understandably dependent in part upon the manner in which the other major community federal employee does his job.

I believe that these congressmen would be more easily satisfied with your new rules if you would consider adding a "local" board of review which could pass on individual promotions in the same manner as your regional boards will do. The congressman's nominee, or the congressman himself, might serve as one member of a five-man board, made up, say, of two leading businessmen, a farmer, and an outstanding nearby postmaster.

As for my own suburban district, and the neighboring cities of San Francisco, Oakland and San Jose, I believe your rules are excellent. It was a great pleasure to hear your forthright and direct remarks last week. You exemplify the competence and courage which the new Administration must have in order to restore the public's faith in government and the Republican Party.

Keep hammering.

Best regards,

Paul N. McCloskey, Jr.

PNMcC:cb

bcc: Mr. John D. Ehrlichman ✓

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

January 30, 1969

TO: JOHN EHRLICHMAN

FROM: HARRY DENT

My attention has been called to another problem arising on the subject of political appointments. The Postmaster General is telling people that the postal appointments are going to be made on the basis of merit and is giving no indication that Congressional or political party recommendations will be honored. Naturally, this is causing concern both on Capitol Hill and in the field.

A meeting today of staff and transition people who have been making calls on the Hill and in the field brought a very strong consensus that there may be some political storms brewing for us over this subject. The State Chairman from Virginia called me today to strongly protest Democrat appointments. It just so happens he had been called earlier in the day on three holdovers, all of whom turned out to be Democrats.

I do not mean to be an alarmist on the subject, but the reaction picks up more each day.

cc: Bob Haldeman
Bryce Harlow

MEMORANDUM

Ehr.

MAY 5 1969

FOR: Robert Haldeman

FROM: T. W. Evans

TWE

Re: Post Office Department

November 12, 1968

As a result of a telephone conversation which I had last month (on a subject unrelated to this memo) with Fred Kappel, who headed a Presidential Commission recommending complete overhaul of the Post Office Department, I received a call today from Murray Camarow, who served as Executive Director of the Kappel Commission. Mr. Camarow, now Executive Director of the FPC, would like to have the opportunity to informally brief the appropriate representative of the Nixon Administration on the Kappel recommendations.

Since the concept of the Post Office as a non-governmental public corporation, fully utilizing private enterprise incentives for cost-cutting and good service, falls within the basic Nixon philosophy, I believe an early meeting between Camarow and a Nixon representative would be time well-spent.

Kindly advise.

Camarow phone numbers:

Office: 202/386-3504

Home: 301/949-7049

JANA



MAY 7 1969

SECRET



The Postmaster General
Washington, D.C. 20260

May 7, 1969

Dear Mr. President:

This memorandum sets forth 1) our proposals for basic postal reform, 2) our legislative strategy and timetable and 3) the anticipated reactions of the principal interest groups.

Our Proposal for Reform

Total reform of the postal system is absolutely essential if the country is to have decent mail service without paying an astronomical cost for it.

As the Department is organized now, those responsible for operating the postal system are denied by law the management authority that they must have in order to run it right, while the postal workers are denied both the incentives and the physical plant and equipment that must be provided if the mail is to be moved efficiently. The Kappel Commission concluded that the only practical way of solving these and related problems would be to turn the operation of the postal system over to a government corporation. We agree.

The Department is now drafting legislation that provides for:

- creation of a Postal Authority, wholly owned by the Federal Government, to run the system on a self-supporting basis
- establishment of a Board of Directors for the Postal Authority, the majority of whom would be appointed by the President, with the advice and consent of the Senate; the Presidentially appointed directors would in turn select the Authority's chief executive officer
- non-political appointment of all officers and employees
- blanketing present workers into a new postal career service with retention of Civil Service pensions and other benefits

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Mr. President

May 7, 1969

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- setting wages by collective bargaining
- binding third-party arbitration in lieu of the right to strike
- broad borrowing authority
- postal rates and classes of service established by the Board after hearings by a Panel of examiners who would be independent of operating management
- rate changes subject to Congressional veto for 60 days
- funding by Congress of whatever subsidies it wishes continued, e.g. non-profit mailings and material for the blind.

With the freedom from detailed Congressional involvement which the corporate form provides, the ability to borrow funds for modernizing our physical plant, and the authority to negotiate productivity improvements in exchange for wage increases, we are confident that a dramatic increase in postal efficiency can be attained. This should result in elimination of the postal deficit, apart from Congressionally funded subsidies. We are equally confident that postal service can be made far more dependable than it is at present, and that working conditions of postal employees can be greatly improved.

Legislative Strategy and Timetable

The Department's legislation and a draft Presidential message will be ready for review by the White House and the Bureau of the Budget on May 12. We hope that the message will be transmitted to Congress on May 27. Our publicity campaign has been built around this schedule. I am speaking at the Press Club on the 28th, for example, and expect to devote my speech to the reform bill. I am committed to testify on the bill before the House Post Office and Civil Service Committee on June 3 and 4, and again on June 10 and 11. Fred Kappel has agreed to testify on June 5 and 6. We anticipate that the Senate Committee will hold hearings during the third or fourth week of June.

We have discussed legislative strategy with Bryce Harlow and other members of your staff, and I believe they share our view that we ought to emphasize the bi-partisan character of our proposal. The corporation idea was first suggested

SECRET

Mr. President
May 7, 1969
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by Larry O'Brien while he was serving as Postmaster General. We are planning on him and on Democratic committee members like Congressman Morris Udall for support. President Johnson endorsed the Kappel Report shortly before he left office, after much indecision. A bi-partisan citizen's committee will seek support for our proposal from all major national organizations and from the public at large.

With enough popular support, I think there may be a chance of passage by both Houses during this session. We may, however, have to trade the pending rate increase for postal reform: Congress is likely to feel that the new Postal Authority should be given the responsibility for raising rates.

The principal legislative hazard is that Congress will be tempted to pass half-way measures that have the appearance of reform but not the substance.

There is a real possibility that the House Committee will report out a bill giving the Post Office Department authority to borrow capital funds, but perpetuating the system under which wages and conditions of employment are set by Congress. Such a measure could well contain provisions making it even more difficult than it now is to maintain a rational rate structure. A bill like this would be a real disaster, and the draft message will therefore stress the importance of "total" and "fundamental" reform, as opposed to piecemeal measures.

Interest Group Reaction

Public and editorial response is likely to be enthusiastic, as it was when the proposal was initially announced, when the Kappel Report was submitted, and when you announced the removal of politics from the appointment of Postmasters and rural carriers.

The mailing industry supports reform because uncontrolled postal costs mean higher rates for them. They are nervous, however, about the possibility of precipitous rate increases by a postal corporation, and they are anxious not to offend the Congressional Committees who now determine their rates. The spokesmen for the mailing industry have avoided public comment on the Kappel Report, but we have received private assurances of support from many of them. (They will be enlisted by the citizen's group now being organized.)

SECRET

Mr. President
May 7, 1969
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The postal unions constitute the major opposition to our bill. Over the years the union leadership has learned how to lobby effectively with Congress for wage increases, and they have no enthusiasm for learning from scratch the skills of industrial collective bargaining. (Their principal effort at the moment, of course, is a campaign for a wage increase higher than the 4.1% scheduled to take effect July 1.) Reform should have appeal, on the other hand, to the big-city locals who oppose the concept of having uniform national wages scales, which is what we have today.

The 26-man House Post Office and Civil Service Committee, chaired by Congressman Dulski of Buffalo, is actually a major interest group on this issue. The Committee stands to lose its principal reason for being if a public corporation is set up to run the postal system. Moreover, the senior Republican members (Corbett and Gross) may well have resentment because of the loss of patronage and for other reasons.

We obviously cannot win this game without very strong public support. What we are proposing is fundamentally sound. If the "good government" forces can be properly mobilized to get behind the proposal, it ought to be possible to convince the Congress that opposition to major reform would be impolitic and to convince the unions that such reform is inevitable. If the unions can be brought to that realization, we may well see them begin to jostle for a favorable position vis a vis management under the new set-up.

Respectfully,



Winton M. Blount

The President
The White House

cc: Arthur Burns
Bryce Harlow
John Ehrlichman
James Keogh
Ken Cole

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PROJECTED SCHEDULE

Postal Reorganization Legislation

- April 9 General outline of bill established and preliminary drafts of selected portions completed.
- April 16 Drafts of selected provisions submitted to Bureaus of primary interest.
- April 23 Selected provisions cleared by Bureaus of primary interest.
- April 30 Comprehensive draft submitted to interested segments of Dept.
- May 12 Within Department clearances completed for submission to Bureau of the Budget, Department of Justice and other executive departments and administrative agencies for preliminary review. Preliminary discussions with key personnel of House and Senate Committees.
- May 16 Preliminary review by executive departments and administrative agencies completed and draft submitted to the Bureau of the Budget. Further discussions with key personnel of House and Senate Committees.
- May 21 Statement of justification completed and submitted to the Bureau of the Budget and White House for clearance.
- May 27 Budget and White House clearances received. President submits Message on Postal Reorganization.
- May 28 Press Club speech*
- June 3 Postmaster General testifies before House Post Office and Civil Service Committee.
- 2nd or 3rd Week in June Postmaster General testifies before Senate Post Office and Civil Service Committee.

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THE WHITE HOUSE

WASHINGTON

April 29, 1969

MEMORANDUM FOR JOHN EHRLICHMAN

FROM BUD KROGH R

SUBJECT SHORT SUMMARY--POSTAL REORGANIZATION
MEETING

Post Office representatives explained the Government corporation concept for the reorganization. I am sure you are aware of the nine-man board of directors structure. The rest of the Post Office Department's presentation covered rate-making, dispute-settling, and subsidy-funding procedures.

Bryce said things looked bad.

- 1) Because of fierce commitment to the present Post Office system by both GOP and Democratic members of the House committee, there will be terrible problems in getting this reorganization (and the rate increase) through Congress. Certain representatives, notably Bob Corbett, will do all that is possible to prevent this reorganization.
- 2) Post Office reps should begin briefing Jerry Ford and Les Ehrens immediately. They should be frank with their problems. They should emphasize that they are trying to make a pure, efficient Post Office system for the American people, but to point out the problems they have politically with various members of the House.
- 3) Mr. Blount should also brief the leadership as soon as he returns from Bolivia.
- 4) An education program should be begun soon to inform the American people of the need for a reorganization without outlining precisely the plans of the reorganization.

- 5) The projected schedule attached to this memo indicates the deadlines the Department is trying to meet.

Conclusion: Bryce sees serious problems at this point which will take some time to resolve--if they can be resolved. Bitter, furious personalities who feel personally aggrieved for one reason or another pose the major obstacles to Post Office re-organization reform. As Bryce mentioned, we are very much in a political atmosphere on the Hill on this issue, and things do not look hopeful at this point.