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POSTAL SERVICE CURTAILMENT

1871-9

HEARINGS

BEFORE THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

UNITED STATES SENATE

NINETIETH CONGRESS

SECOND SESSION

ON

LEGISLATION TO EXEMPT THE POSTAL SERVICE FROM
THE PROVISIONS RELATING TO A CEILING ON EMPLOY-
MENT AND MANPOWER IN THE REVENUE AND EXPENDI-
TURE CONTROL ACT OF 1968

PART 1

JULY 22, 1968

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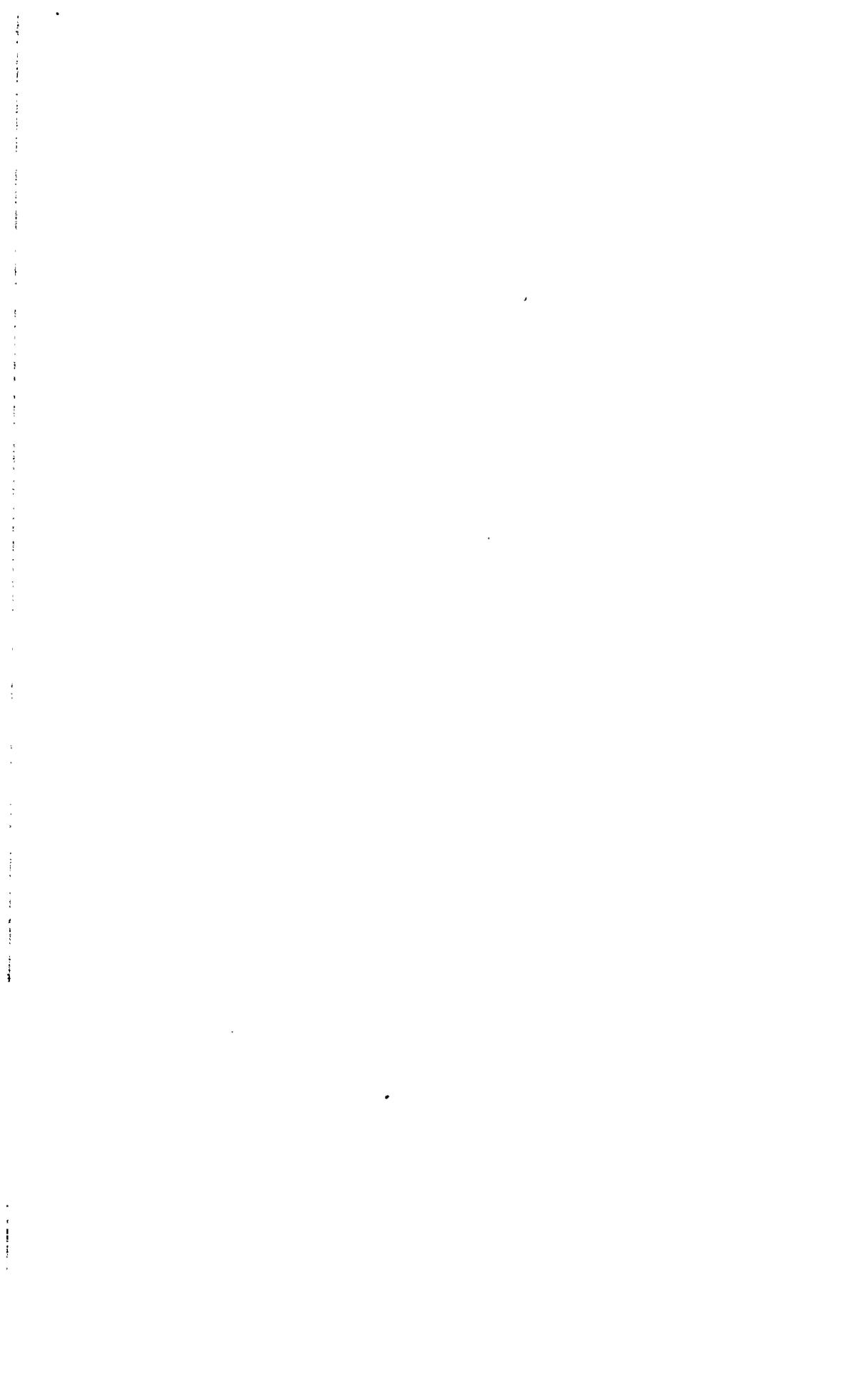
CHARLES S. CALDWELL, *Professional Staff Member*

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POSTAL SERVICE CURTAILMENT

MONDAY, JULY 22, 1968

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The committee met at 10:32 a.m., pursuant to call, in room 6202, New Senate Office Building, Senator A. S. Mike Monroney (chairman of the committee) presiding.

Present: Senators Monroney, Yarborough, Randolph, McGee, Brewster, Burdick, Carlson, and Fong.

Also present: David Minton, general counsel; Frank A. Paschal, minority clerk; and Charles S. Caldwell, professional staff member.

The CHAIRMAN. The Post Office and Civil Service Committee will be in session.

This hearing is convened to hear testimony on the effect of the employment ceiling on the postal service, in order to comply with the ceiling prescribed by Congress in the recent Revenue Act of 1968.

We are honored to have as our first witness the distinguished Postmaster General of the United States, Mr. Marvin Watson.

We welcome you here, and I apologize for being late.

STATEMENT OF HON. MARVIN W. WATSON, POSTMASTER GENERAL, POST OFFICE DEPARTMENT; ACCOMPANIED BY HON. FREDERICK C. BELEN, DEPUTY POSTMASTER GENERAL; HON. RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL; HON. WILLIAM M. McMILLAN, ASSISTANT POSTMASTER GENERAL; AND HON. TIMOTHY J. MAY, GENERAL COUNSEL

Mr. Watson. Mr. Chairman and members of this committee.

On July 10 and 11, I appeared, at their request, before the House Ways and Means Committee to testify in executive session. My testimony was directly concerned with the necessary cutbacks I must make in personnel of the Post Office Department as I comply with the law.

I specifically spelled out to the committee the acts that must be taken unless Congress repeals the personnel cutbacks for the Post Office. These acts included a phase-out of certain services.

Although this was in executive session—and therefore I have not been able to comment publicly on my specific testimony—some portions of the transcript have become public.

The end result has been an initial misunderstanding by some of the Congress of the problems we jointly face.

Many Members apparently think that the personnel problem is a matter of money.

As you well know, money is not involved in this decision. This is strictly a matter of people.

We have the money.

But, we do not have the people to handle the growing volume of mail.

Coupled with this basic misunderstanding, there have also been those in both the House and Senate who have accused me of attempting to blackmail the Congress and who have suggested that the American people can easily live with these cutbacks for a few months.

I prefer to think that each of the men who made these statements was speaking from a lack of information on postal affairs.

Therefore, I am very pleased to have the opportunity to respond to your request to appear before you today and to report to the Senate Post Office and Civil Service Committee itself the situation that confronts us at this moment and the actions that we must take in the future.

I know that each of you has an understanding of the basic problem facing us.

I hope you will know as well that I am not here to belabor the Congress, nor am I here to beg.

Rather, I am here to report on the results of the personnel cutback and to assure each Member that we are perfectly willing to live within the boundaries prescribed and to abide by the law as written, if this is the will of the Congress.

We will do this regretfully, for it will mean that a segment of the American people must suffer. But it is my sworn duty to follow the law of this land. Having done my best to explain a basic inequity—which I do not believe Congress intended—I will then accept the final decision.

But before this final decision is made, I must do everything in my power to point out all the facts to you.

Underlying all of this, is the Post Office Department's mission as a cornerstone of all communications in this great land.

Often overlooked, yes.

Often disregarded, certainly.

But nevertheless—historically and factually—it is the Post Office Department that is a hidden mainstream of American life—of a writing, banking, bill paying, communicating America; the principal artery of 200 million people, who because of the richness of our land and our education, create somewhere between one-half and two-thirds of all the mail in the world.

Thus, a very serious responsibility rests with me as the Postmaster General of the United States. For it is my responsibility to keep the lifeblood of this artery pulsing—and to keep this mail moving into the mainstream of America's social and business life. This responsibility is one I share with the Congress, for you gentlemen provide the laws by which we must abide.

But to keep the mail moving we must have the people to handle the growing volume.

I stress again that this is not a matter of money. I am in complete accord with the decision to strengthen the stability of the dollar

through a temporary tax surcharge coupled with certain reductions in Government spending.

But economic health is safeguarded not only by reductions in spending, but also by assuring the continuing vigor of those social and economic institutions that produce and foster economic activity.

Certainly, the postal service is such an institution.

The postal service is not a drain on the economy. It is instead a worker, a producer, and a channel of economic activity.

If that channel becomes clogged, then the economy will suffer, for millions of dollars move through our mails in the course of daily business exchanges.

Therefore, I would not be acting in accord with my oath of office if I did not voice objections to the personnel ceiling contained in section 201 of Public Law 90-364.

This personnel ceiling, which will do such damage to postal service, is not an intrinsic part of the law.

It was added to the tax bill in the final weeks before passage without consideration by the Senate or House Postal Committees.

It may have been designed to affect agencies which have an entirely different basis of operation than the postal service, agencies which are not primarily involved in a form of business operation, as is the Post Office.

It may have been designed to affect agencies that have some degree of control over their workload. We have no such control. Mail users determine our workload.

It may have been designed to affect agencies that do not have increasing workloads, as does the Post Office.

It may have been designed to affect agencies that do not have vacancies occurring in what would be called in business, branch offices, vacancies which, if not filled, will mean the end of such branch offices.

It certainly was not designed to deal a heavy blow to a common national concern for the economic health and identity of rural communities.

The law directs the Post Office Department to cut its employment to the 1966 level.

This means a loss to us in this fiscal year of 30,780 workers, and a total loss of 83,238 workers.

In 1966, the Department processed 75.6 billion pieces of mail.

This year, conservative estimates indicate that we will process 84 billion pieces of mail.

That is an increase of 8.4 billion pieces, as you will note by chart No. 1. I have nine charts attached to my statement.

Just the increase since 1966 is greater than the last reported total annual mail volume of France. If the Department rolls back its employment to the 1966 level, we would have to require the 1966 number of employees to handle all the work done in that year and, in addition, to assume a volume of work equivalent to the annual volume in France.

I have the highest regard for the efficiency and dedication of postal employees.

I have heard much praise for their effectiveness. And I have witnessed this in my own many inspections.

But surely here is the greatest tribute they have ever received—that by a single provision of the law they can automatically increase their productivity to the degree that with no additional assistance these employees can handle as much mail as France handles annually.

I must say that I would find great admiration for this simple method of saving money and providing essential services—if it could work. But it cannot work.

Actually, the quantitative impossibility of moving fiscal 1969's mail with fiscal 1966 personnel is but one factor.

There are others as well.

The first is the qualitative difference in the service being offered. We have not remained at the 1966 level of service. New homes and new businesses have not been ignored. As you can see by chart No. 2, there has been a great increase in the number of homes receiving residential deliveries, the number of rural patrons being served by rural routes, the number of businesses benefiting from mail service.

You will note that 5 million more locations have been added since 1966—that increase alone is equivalent to the total number of addresses served throughout all of Canada.

If the Department's carrier employment is reduced to the 1966 level, as this provision of the law directs, we will have to ask our carriers to do all the work they did in 1966, plus handling as many deliveries as are accomplished by all the carriers in Canada.

And there is an additional difficulty as well. We are all aware of the great shift from city to suburb. That shift has a direct effect on our carriers. For city deliveries are intensive and suburban service is extensive. One stop in a large apartment house may see the delivery of several hundred pieces of mail. In the suburbs, it may take many stops and more than one carrier to effect the same number of mail deliveries.

This too affects our ability to meet the requirements of section 201. For the area served by city and suburban carriers will be 5.9 percent larger in 1969 than in 1966.

Perhaps someone might say, "Well just do the job more slowly." That, too, could not solve the problem for unless we move the mail out of our post offices as quickly as we can, we will be smothered in the same way. We cannot use post offices as warehouses or temporary storage depots simply because there isn't enough room.

This was dramatically demonstrated in October of 1966 when a combination of factors so jammed the Chicago Post Office with mail that there literally was not enough room to work in.

So, we must move the mail quickly, not only because people demand it, but because any other course would menace the entire system.

Thus, there are enormous quantitative and qualitative barriers preventing us from processing a rising workload with a declining work force. Chart No. 3 summarizes the percentage of increase since 1966 of some of the important factors that determine the need for personnel.

There is yet a third factor—the law itself.

Public Law 89-301, enacted in October 1965, established a 5-day workweek for postal employees; provided penalty pay for Sunday and overtime pay for holiday work, and substitute employees; eliminated the use of compensatory time off; and required that the tour on a workday be accomplished within a period of 12 consecutive hours.

It required 42,940 new positions in order to comply with the provisions of Public Law 89-301.

I think this law made the Post Office Department a more humane and enlightened employer, and certainly did much to reduce the factors that produced high and costly turnover. Thus, I would not, even if I could, return to the conditions as they were before enactment of Public Law 89-301.

The important point is that we do not now have the flexibility we once possessed.

There have been other laws passed since 1966 that also require increased personnel, such as the laws designed to improve mail service to our forces in Vietnam—Public Law 89-725 and Public Law 90-206—and the requirements of the antiobscenity provisions imposed by title III of Public Law 90-206.

How can we deliver 84 billion pieces of mail at current service levels with no additional employees?

The answer is—we can't.

Something will have to give.

That something is service.

We can reduce service in one of two ways.

We can place an embargo on certain types of mail—newspapers, books, magazines, advertising circulars, phonograph records, parcels—second-, third- and fourth-class mail.

Or we can reduce the kind of service provided to all mailers.

Mr. Chairman and distinguished members of this committee, either choice is distasteful and, if I might say so, disgraceful in a country that prides itself on an \$850 billion economy and the highest standard of living in the world.

But under the law, I have no choice but to take some action, for we face, as I have said, and as you can see by chart No. 4 a cut of 83,238 positions.

As you will well remember, the Senate and House Appropriations Committees recommended and the Congress authorized us to increase our personnel by 15,780 persons during fiscal year 1969, which began July 1. This was done in conjunction with your decision that mail volume for this fiscal year will increase to 84 billion pieces.

However, the reduction to the 1966 personnel ceiling immediately eliminated this work force and we were immediately faced with the prospect of additional mail—which Congress agrees we will have—coupled with no work force to handle it.

That was our first problem.

Next, the personnel ceiling requires us to replace only three out of every four employees over the next 4 years. The rate of attrition in the postal service is approximately 60,000 persons a year. So our loss ratio of personnel will be approximately 15,000 persons per year.

Our total overall goal in precise figures is to reduce the work force by 76,539 permanent positions and 6,699 other than permanent positions, as you will see on chart No. 4.

During this entire period of 4 years the volume of mail will continue to increase, as chart No. 5 clearly demonstrates, hitting a peak in 1973 of 93 billion pieces while the work force is reduced by 83,238 persons. This means a mail service gap of 17.4 billion pieces, since the work force will actually be reduced to the 1966 level when we handled only 75.6 billion pieces.

This clearly demonstrates that 17.4 billion pieces of mail will not be adequately handled.

Mr. Chairman and gentlemen of this committee, I am not attempting to provide scare figures in making this point.

I am instead speaking very factually of a serious problem and of the basic problem of our Department. It is in a sense a human problem—for in the final essence the mail can only be picked up, processed, and delivered by human beings—and it is obviously humanly impossible to do this without enough people.

The Congress must be as aware as I know you are of the fact that we differ from most departments.

The Post Office Department is the third largest civilian employer in the world. Only the Defense Department, and General Motors are larger. The Post Office Department is the only agency of Government that has a product—the mail—which grows along with the population. The market for our product is the people—and the people need the mail in increasing numbers.

Senator YARBOROUGH. I regret I have to ask the witness to yield, but I have to go to another committee.

I want to say to the Postmaster General I have read his whole statement through. It is a powerful statement. He didn't have to make it to me to convince me that this was a rather unwise law; not only unwise, but I think in some respects could be called asinine, with this country growing, to cut back the employment, and trying to roll back the hands of the clock.

I am wholeheartedly for what you seek here, and I might say that I just left another committee to come here where the chairman of that committee, a distinguished Member of this Senate with many years seniority, said, "Please go up there and save our fourth-class post office."

Mr. Chairman, I want to say I am leaving only because of this urgent note I received, and I express my wholehearted accord with the Postmaster General, and compliment him for the very fine and compelling statement he is making.

Thank you.

The CHAIRMAN. Thank you very much, Senator Yarborough. I know how strongly you feel on maintaining the Post Office as a service agency for the population of this country. There is no way you could serve them by decimating or taking a large slice out of the work force with the growing communities we have.

Senator YARBOROUGH. It is the only agency that serves all 200 million people. We have 25 million veterans. I support their legislation. I support the farm program, with 14 million farm families, but this is the only department in the Government that serves everybody, every private person and every business institution, every educational institution, and everything in the country.

It is the greatest service institution in all the history of this world, and I am in favor of keeping it that way.

The CHAIRMAN. Thank you very much, Senator Yarborough.

You may proceed.

Mr. WATSON. Thank you, Mr. Chairman and Senator Yarborough. Under these unique circumstances and because our Department is so huge, we must always be aware of the hardship imposed on our

people and of the necessity for careful prior planning. Thus, on the one hand, we must accomplish these cutbacks at a steady pace, while not disturbing the flow of mail or the lives and employment of our people.

It would be utterly impossible, for example, to simply lop off a given number of jobs in one fell swoop, either now, next month or at the end of the fiscal year next June.

Instead, after careful research, we felt compelled to take these steps, paying heed to chart No. 6 which clearly delineates the loss ratio as opposed to the minimum personnel required to handle the increase in mail.

Our first action came on June 19, when we froze employment so that it would not exceed the June 1968 level.

On July 12, a number of orders went to the field.

Present delivery services were frozen—that is, no extension of service will be provided to newly eligible persons. This means that the new houses built at the end of a present delivery route will not get service. It further means that any new office building will also not get service, or any new apartment building—and it further means that small towns which meet our minimum requirement of 2,500 persons will not be added to the service.

Attempting not to interfere with the human quotient—that is not to lay off or transfer anyone—we next ordered the closing of all third- and fourth-class post offices where a postmaster's vacancy currently exists. We have already issued orders to close 314 offices where vacancies exist. We will shortly issue orders to close another 186. Thus, we will close 500 offices during July and August.

An order was also issued to leave unfilled any vacancies occurring on rural routes.

Next, compliance with the law required that we order the elimination of window services at first- and second-class post offices on Saturdays, except for a 2-hour period for the delivery of mail. This becomes effective next Saturday, July 27.

Another order provides that Saturday collection service will be converted to the less frequent Sunday schedule, also effective July 27.

In keeping with our long-range planning, we further instructed field managers to develop plans for the elimination of Saturday residential services. The plans for elimination are to be completed by September 1. I will then establish a date for elimination of Saturday service after determining the last possible moment when this decision can be made. Under the current trend, I would anticipate that this will begin in some communities in October and in others in November.

Other instructions also allow for some delays in nonpreferential mail to occur as backlogs of mail develop.

Chart No. 7 summarizes the action we must take this fiscal year to fulfill our requirement of reducing personnel at a rate of 1,250 a month.

In addition to these actions, we must also plan on reducing parcel post delivery from the present 6 days to 5. Complete elimination of Saturday delivery will take place about October of this year.

Also attached to my statement is chart No. 8 that summarizes our plan of service curtailments for 1970. This shows a continuation of the

program for closing smaller post offices. Ultimately, all 7,039 fourth-class offices and 5,000 third-class offices will be closed.

The table also shows the reduction of positions resulting from elimination of Saturday residential delivery as completed by November 1969, assuming the October 1968, starting date.

Among further actions that must of necessity be taken will be—

—reduction of multiple business deliveries to one a day.

—reduction of business trips from six to five a week.

—the beginning of reductions to 4-day delivery on residential routes.

Gentlemen, I have done everything in my power—and will do everything in my power—to follow the laws of Congress.

We have not lightly taken these actions to curtail mail service. The actions are the unanimous recommendations of the management of the postal service. Under the current law, we must do this if we are to keep the mail flowing. If we do not take these steps, then the fearful day is approaching when the volume of mail and the lack of personnel can very easily result in the post offices becoming so backed up with mail that we will have numerous repeats of the situation 20 months ago when the Chicago Post Office became stuck.

The importance of mail to the Nation is such that we must at all costs avoid this. Therefore, we have to realine our planning, while at the same time being equally concerned with the welfare of our employees and the good of the Nation.

Mr. Chairman, I sincerely believe that Congress was not aware of the effect that personnel limitations would have on the Post Office Department. And I am also sincere in believing that these personnel cut-backs are not good for the country, for they can only result in a slower processing of the river of mail which is truly such a mainstream of our economic and social life.

Thus, I evidenced my deep and abiding concern and have attempted to explain this as undramatically and as factually as possible to the House Ways and Means Committee in executive session and to this committee in open session.

I stress again my willingness to follow the laws as prescribed by Congress. If you decide an exemption should not be provided, we have the plans necessary to comply with the law. If you decide that an exemption should be provided—and this is what I respectfully urge—the public will continue to receive the vital mail service they want and are paying for.

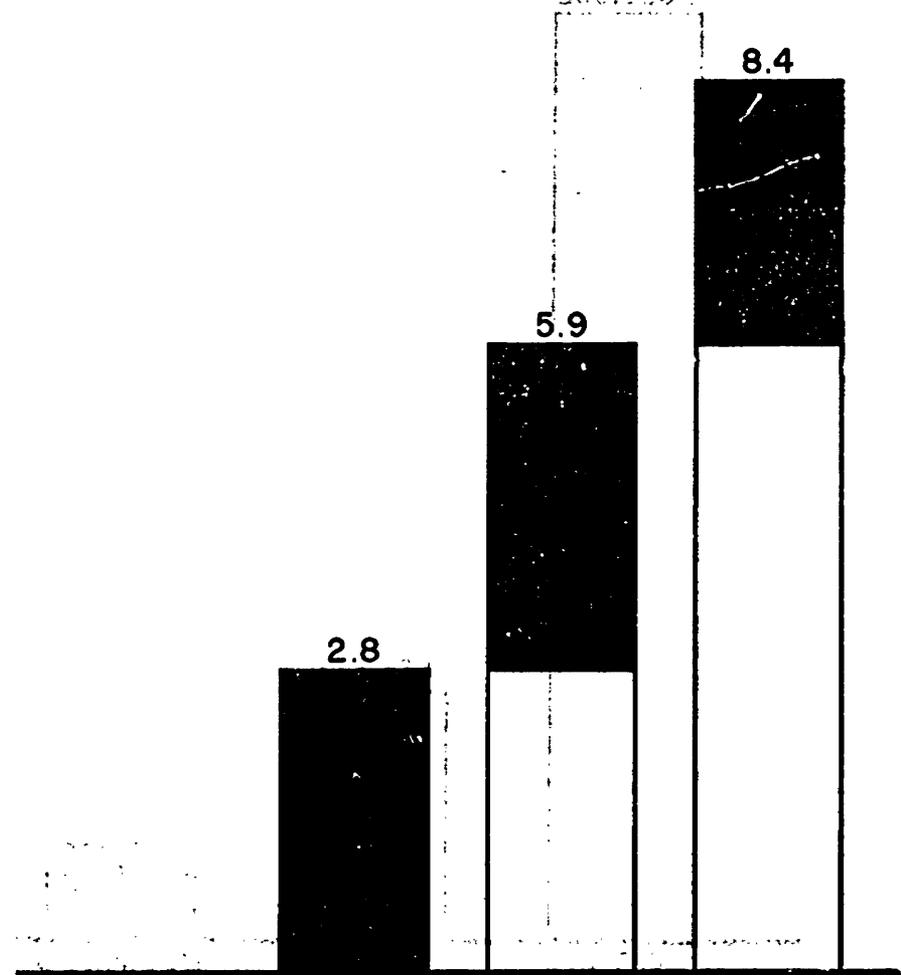
Thank you.

(Charts 1 through 9 follow :)

CHART 1

INCREASES IN MAIL VOLUME SINCE 1966

(BILLIONS OF PIECES)



FY 1966. 1967 1968 1969

VOLUME IN PCS.
(BILLIONS)

75.6

78.4

81.5

84.0

% INCREASE

3.7

4.0

3.0

CHART 2

INCREASES IN DELIVERIES FY-1966-1969

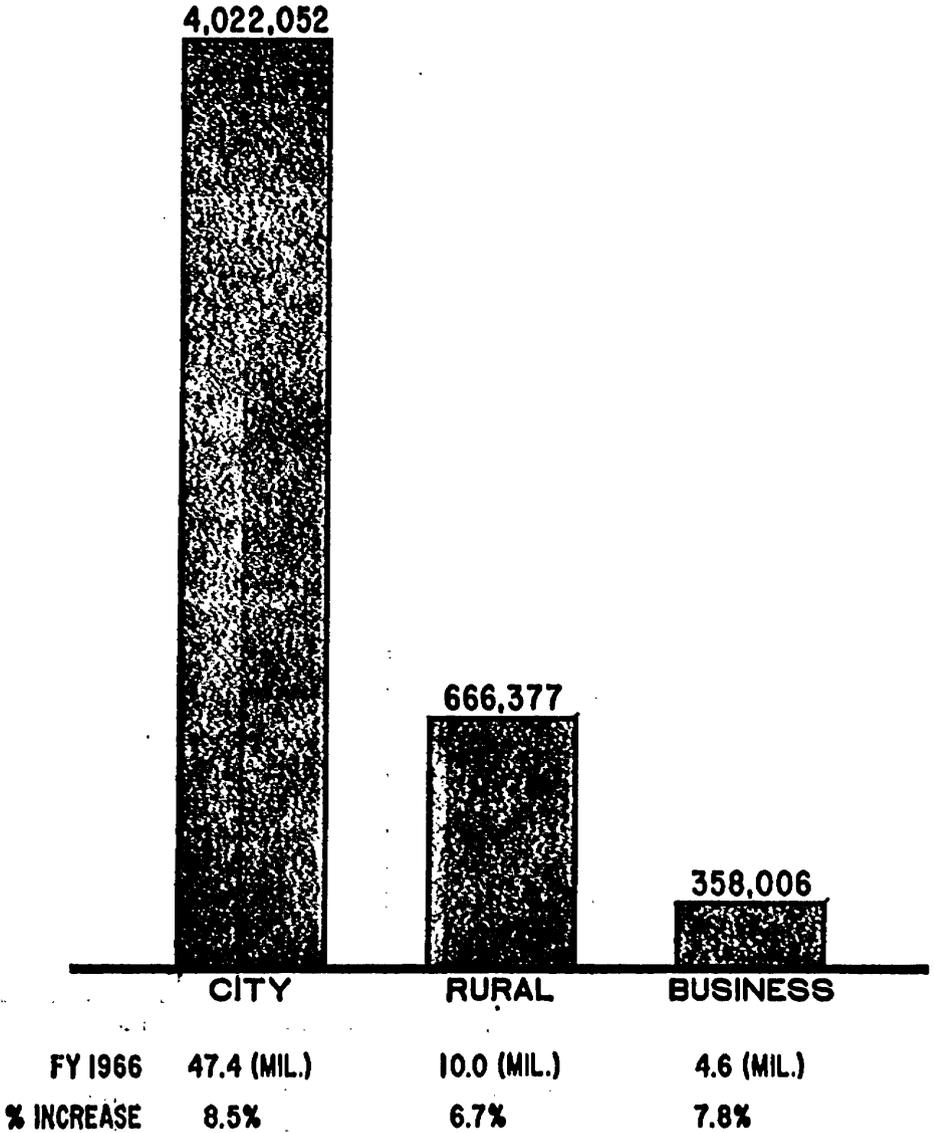


CHART 8

INCREASE IN WORKLOAD FY 1966-1969

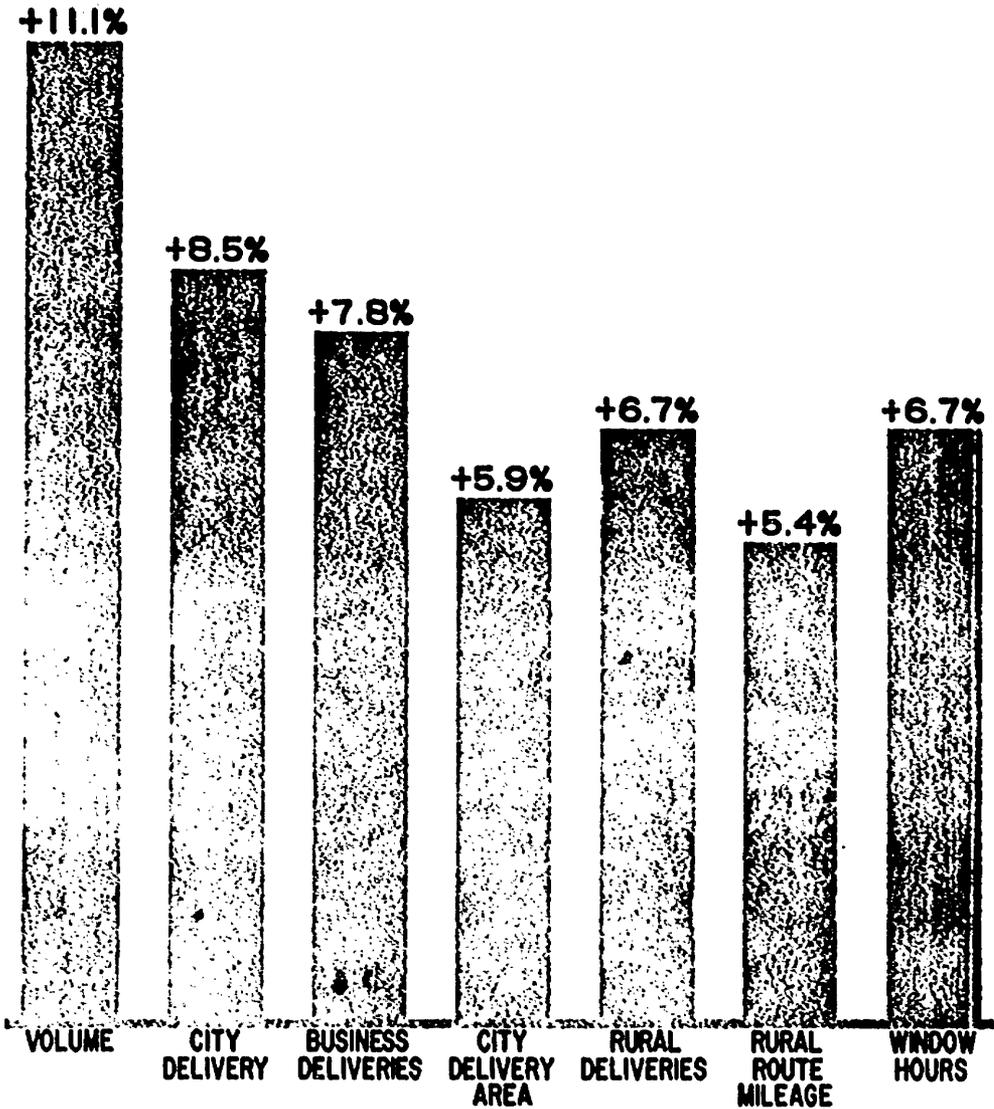


CHART 4

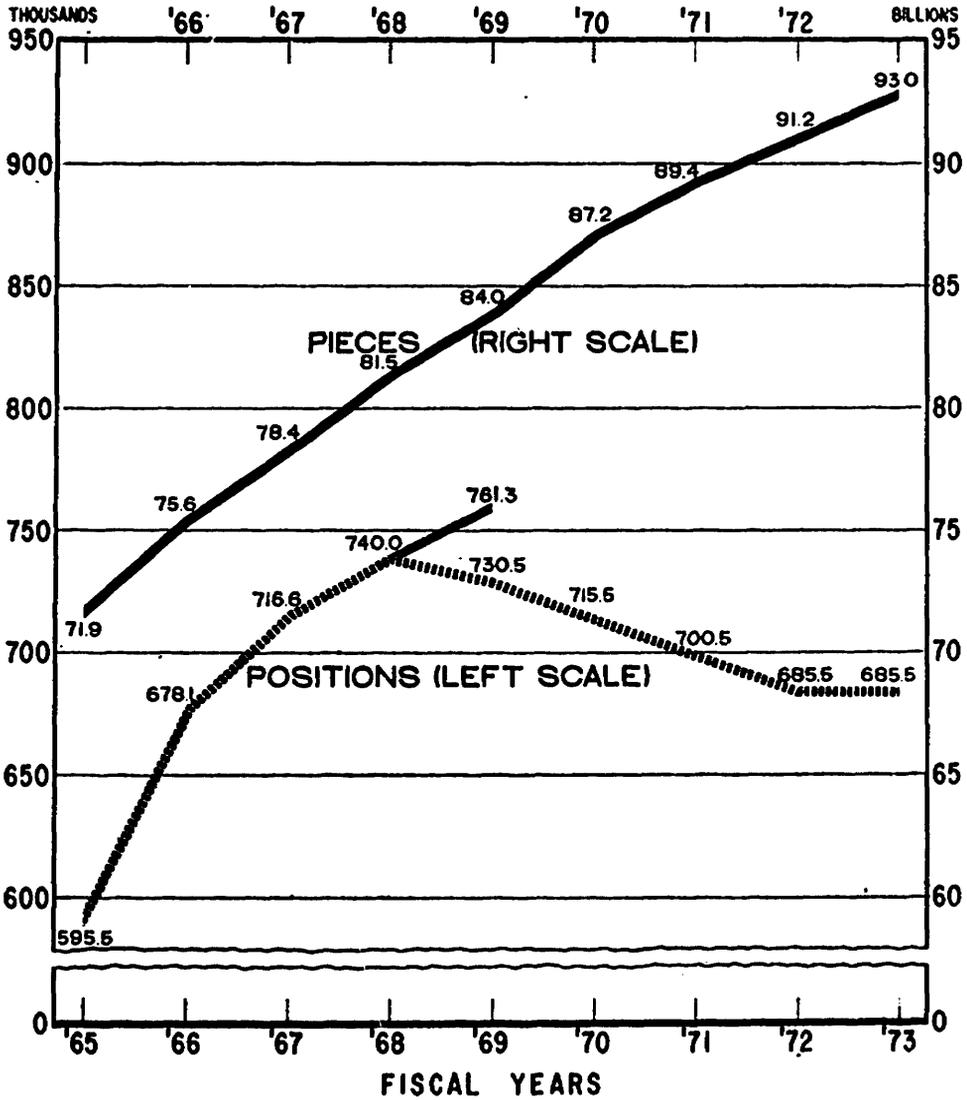
REDUCTION IN POSITIONS

	PERMANENT	OTHER*	TOTAL
1969 APPROPRIATION	566,437	194,877	761,314
PL 90-364 LIMIT	489,898	188,178	678,076
REDUCTION	76,539	6,699	83,238

*"OTHER" BASED ON MONTH OF JUNE AS EXAMPLE; ACTUAL POSITIONS ALLOWED VARY BY MONTH.

CHART 5

VOLUME AND POSITION TRENDS



NOTE: TOTAL POSITIONS AS OF JUNE 30

CHART 8

MONTHLY REDUCTION IN PERMANENT POSITIONS

(To Comply with P.L. 90-364, Section 201)

FISCAL YEAR 1969

PROPOSED ACTION	JULY 1968	AUG 1968	SEP 1968	OCT 1968	NOV 1968	DEC 1968	JAN 1969	FEB 1969	MAR 1969	APR 1969	MAY 1969	JUNE 1969	TOTAL
CLOSE FOURTH-CLASS POST OFFICES	150	150	150	150	150	150	150	150	150	150	150	150	1,800
CLOSE THIRD-CLASS POST OFFICES	100	100	100	100	100	100	100	100	100	100	100	100	1,200
REVISE COLLECTION SERVICE ON SATURDAY TO A SUNDAY SCHEDULE	190	190											380
CLOSE WINDOW SERVICE AT FIRST AND SECOND-CLASS POST OFFICES	810	810	654										2,274
REDUCE PARCEL POST DELIVERY TO 5 DAYS A WEEK (RESIDENTIAL)			346	766									1,112
REDUCE CITY DELIVERY SERVICE TO 5 DAYS A WEEK (RESIDENTIAL)				234	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,234
TOTAL POSITIONS ELIMINATED	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	18,000

CHART 9.—Postal service changes required by reduction in personnel to be accomplished over a 4-year period

Service change	Reduction in positions
1. Close all rural (4th class) post offices and 50 percent of contract stations	7,410
2. Close 5,000 3d class post offices	5,000
3. Close all window services at 1st and 2d class post offices 1 day a week	2,274
4. Eliminate all postal work on Saturday and Sunday without regard to delay in mail or extra force required for handling backlog	23,272
5. Schedule work force so as to gain additional 2 percent increase in clerical productivity without regard to delay in mail	8,558
6. City residential delivery—eliminate Saturday and 1 additional day	22,711
7. Parcel post delivery—reduce service to 5 days per week	1,112
8. City business delivery—eliminate Saturday service and reduce service on other days to one delivery a day	1,378
9. Rural delivery—reduce service to 3 days per week	1,707
10. City residential and rural delivery—no extension of service to new homes	3,070
11. Collection service—restrict Saturday service to the Sunday schedule	380
12. Eliminate new training programs, certain mechanization projects, management programs for service improvements, certain transportation and logistical support	5,076
Total	83,238

The CHAIRMAN. Thank you very much for an effective, comprehensive summary of the situation that we now face if the present cuts are required, as passed by the conference report of the revenue bill.

Now, to put this in focus, I think we have to be frank, and I think the public should know it, so far as the Senate is concerned, that the bill as it left the Senate on personnel cuts specifically exempted the postal service.

The Senate realized that this was an indispensable tie between our 50 States and between our 200 million people that could not come under an ordinary personnel cut without paralyzing this most essential artery, as you so well described, of our commerce, our communications, of our Nation's network of relativity of one State to another, one county to another, one city, one village to another.

This was the theory on which the Post Office was established, and the second or third office established by the Congress. This was the theory on which Benjamin Franklin founded the office—that we had to have a means of communication, or else the Thirteen Original Colonies would not have unity and would no longer have a purpose in national existence that the Founding Fathers had in mind.

I think, to put this in proper perspective, we have to realize this was written in by a conference committee. The Senate has noted exemptions. The FBI, effective in the detection of crime and the enforcement of our laws, was exempted from this order on the personnel ceiling.

Going further, we have exempted the air traffic controllers of this Nation, so our air commerce can move, and coming to the Post Office Department, it seems to me that this is equally of great concern to this Nation.

I think to understand the problem and to understand the impossibility of complying with the general order that would seek to reduce personnel—obviously we would all like to do it whenever and wherever it can be done. We ought to have on the record at this point the total operating costs of the Post Office Department.

Mr. WATSON. Mr. Nicholson will give you that.

Mr. NICHOLSON. For 1969, Mr. Chairman, the Congress appropriated \$7,128 million for an estimated mail volume of 84 billion pieces, which will produce revenue of \$6,287,552,000—

The CHAIRMAN. 84 billion?

Mr. NICHOLSON. 84 billion, yes, sir, which will produce revenue of \$6,287,552,000.

The CHAIRMAN. So the total revenue earned by the mail-using public, and these are figures that do not take—that do, or do not take in the public service quotient, that the Congress has long ago determined to be a factor that must be considered?

Mr. NICHOLSON. Those figures do not take that into account.

The CHAIRMAN. So you have an actual dollar loss of \$841 million overall. In other words, you earn in cash \$7,128 million. Your total operations cost \$6,287 million, which leaves a drain on the revenue of \$841 million, that you are outside the tax area on perhaps almost—you use only about 10 percent of your total operation which would be tax dollars?

Mr. NICHOLSON. Yes, sir. The figures you have used are the differences between appropriations and revenue. Converting it to a cash basis for the year, the amount of dollars that actually flows out of the Treasury, that amount of money is estimated to be \$735,427,000.

The CHAIRMAN. All right.

In other words, at the very worst, your cash flow would be \$735 million, but you are expected to take a cut, are you not, under the revenue bill, as though you were using \$7,128 million in tax dollars?

Mr. NICHOLSON. We do have a share in the reduction, a \$6-billion reduction that was enacted as part of the act, and as Mr. Watson pointed out in his statement, although our share of expenditure reduction is not insignificant, still, our problem today is not the problem of a shortage of money, but only a shortage of positions.

The CHAIRMAN. I am aware of that, but what I am trying to say is that not only are you compelled—this is a cash flow loss that you will have by the cut in your appropriated funds, but on your ceiling, the personnel ceiling, which is the major point with which you are concerned, you are treated as though you were entirely and totally dependent on Federal revenues, not of the \$735 million which you draw on the Treasury for tax dollars, but as though you were drawing \$7.12 billion.

Very few people realize that the system of bookkeeping is such that your money—the revenue that you bring in of \$6,287 million comes in as earnings for the Treasury and not for you, and thus you are compelled to take a cut for services rendered and cash paid for those services by the users, as though you were drawing \$7 billion-plus out of the tax revenue.

In the tax bill, reducing the expenditures of tax money, you are compelled to put up something in the neighborhood of \$6.5 billion in cut, when it should be applied only on the \$735 million in cuts, which I would guess, perhaps, you could stand.

This would make sense, but it doesn't make sense that the more you earn, that the greater your penalty will be. This is economy in reverse. If we cut the postage and could reduce the amount of mail, then you would take less cutback. Is that not true?

Mr. NICHOLSON. That is a very excellent point, Mr. Chairman.

The total number of employees provided by the appropriation is 762,325 for 1969, and as you point out, it is our gross obligating authority that is related to this total number, and yet it is the total number that is being reduced, even though all but a few of those, or relatively few of those people, are paid for by the revenue produced by the postal system.

The CHAIRMAN. One other point that makes this double, you might say, is that all agencies of Government outside of, perhaps, the Department of Defense, your 700,000 employees are the largest in number, are they not, and you are more heavily dependent on people than you are on machinery, or than you are on plant.

Mr. WATSON. Yes, sir; that is correct.

The CHAIRMAN. So that the ratio of attrition provided in this bill, that for every four employees who quit, then you can hire back only three, so you are bound to suffer a greater loss under this so-called attrition, because you hire more people.

Mr. WATSON. Yes, sir.

I think there is another interesting point. Under our budget for the current fiscal year, you allowed us to employ 15,780 new employees in 1969 to handle an additional 2 billion pieces of mail.

Two billion pieces of mail would bring in approximately \$149 million of revenue. The cost of hiring 15,780 additional employees is \$113 million, so you end up with the Post Office Department gaining \$36 million toward our deficit, or toward our operating costs by this formula that this committee and Congress had originally set.

I think that is interesting. We have not yet reached the point of diminishing returns in the Post Office Department.

The CHAIRMAN. It would seem to me that the clarity of your statement on this, and on the situation of this attrition, of filling only three out of four jobs, with 700,000 employees, largely doing the work by hand because it is most difficult, as our research is proving, to do a great deal to diminish the numbers of people required to handle 84 billion pieces of mail.

So you not only face the fact that man is the greatest machine in the Post Office Department, but we are going to chop that off and trim it down 25 percent.

Isn't it also a fact, because of the relatively lower pay, particularly in the metropolitan areas—this committee has tried to eliminate this inequity, but we have not yet attained that—and because of the employment of substitutes and temporary risk to fill in odd hours and so forth, that in this lower scale of employees, your attrition is very great?

Mr. WATSON. Yes, sir; much greater.

The CHAIRMAN. It gives us an idea of how this turnover builds up.

Mr. NICHOLSON. Mr. Chairman, the turnover on permanent employees is quite favorable. It runs between 8 and 9 percent a year, and that results in about 60,000 vacancies a year, as was mentioned by Mr. Watson.

If we lapse one out of four, that means we lapse 15,000 permanent jobs each year.

In the case of other categories of employment, the turnover rate is higher. Among temporary employees, for example, the most recent figure that I am aware of is a 90-percent turnover among them.

The CHAIRMAN. 90 percent a month, or a year?

Mr. NICHOLSON. A year.

The CHAIRMAN. That would include your substitutes and your temporaries?

Mr. NICHOLSON. The career substitutes have a lower turnover rate, but the pure temporaries, who have no career status of any kind, have a 90-percent turnover.

The CHAIRMAN. These are not just guys standing around waiting for something to happen. They are given strong, back-breaking jobs, oftentimes. They do many of the chores that make the work of the career people in the higher grades more efficient and more productive.

Mr. NICHOLSON. Yes, sir; and under the terms of Public Law 80-301, which does give the right, and it is a good right, to the more senior people to select more favorable hours of employment, we are very largely dependent, or to a larger extent dependent on temporary employment for nighttime work.

Of course, as you know, Mr. Chairman, in our major offices, it is the nighttime tours that have the heavy burden of mail, and it is while that heavy volume is present in the post offices that we do have a large number of temporaries who are leaving us at the rate of 90 percent a year.

In other words, it takes about two different people to provide one man-year of work.

The CHAIRMAN. But this also, then, accelerates, and there are no distinctions made in the numbers, is there, as to what you have to cut

and that you are allowed only to fill three out of every four who quit, so you will have—I wish you would factor out what this means to your experienced temporary employees with a 90-percent attrition over the year.

Would it not be equivalent to reducing your work force by 90 percent in the temporary category?

Mr. NICHOLSON. The principle of lapsing one job out of four applies only to the permanent positions, Mr. Chairman.

In the case of temporaries, the number that may be used in a given month, 1969 may not exceed the number of such employees used in the same month of 1967. There is a separate type of control applied to the ceiling on temporary employees.

The CHAIRMAN. I see. Thank you.

So it would not result in too much attrition—10 percent, I believe you said—on your permanent employees, and you would have the same ceiling on your temporaries?

Mr. NICHOLSON. The same ceiling as used in 1967, but this presents some unusual problems, Mr. Chairman, because, for example, in 1969, we anticipate heavy election mail because of the national election and elections at all levels throughout the country.

So in September or October, we would be using temporary employees. This is what they are used for, to meet the bulges and the peaks in the mail volume. However, we are controlled next September and October to the same number of people we used in 1967, when there was no election.

Consequently, we have a need, and a ceiling that does not realize the need.

The CHAIRMAN. And a ceiling that will be 84 billion pieces of mail in 1969, against the 80 billion in 1967; is that approximately correct?

Mr. NICHOLSON. Yes, sir.

The CHAIRMAN. It looks like Christmas presents and Christmas cards might reach us by Easter if this thing is carried out.

Mr. NICHOLSON. Easter is another one, Mr. Chairman.

Easter in 1969 comes in April, whereas the control month of April 1967 did not have an Easter in it. Easter was in March of 1967, but we are controlled by those 1967 levels.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Chairman, I wish to state, gentlemen, I think you made a very fine statement here this morning in discussing some of the problems of the Department as a result of the action taken by the Congress.

I think it is well to keep in mind that this action was approved by Congress, or by the Senate at least, by a vote of 57 to 31, so it was not a one-sided decision in any way. We have acted on this.

I think the chairman made a correct statement when he said that the inclusion of the Post Office Department was not in the Senate bill.

Mr. WATSON. Correct, sir.

Senator CARLSON. I was a conferee on that bill, and in the conference—we don't usually discuss matters outside—one of the reasons that it is in here today is the fact that the Budget Director, Mr. Zwick, did not want to single out any one agency and separate any one agency from the provisions of this particular act. That is the reason we have this problem confronting us today.

I wanted to get into the personnel problem just a little bit.

As I gather, the 15,000 additional—let's get back just a little bit here.

In 1963 the Department had 587,167, based on the annual report of the Postmaster General in 1967. In 1964, 585,313; in 1965, 519,522; in 1966—and that is the year we are really discussing here this morning—675,423; and in 1967 there were 715,603.

What do we have for 1968, which is not listed in this?

Mr. NICHOLSON. The appropriation provided for 741,922. We do not yet have our yearend report, but we believe it will be somewhat fewer than that number.

Senator CARLSON. In other words, 741,000, roughly?

Mr. NICHOLSON. Yes, sir.

Senator CARLSON. An appropriation for fiscal year 1969 gave you 15,000 additional?

Mr. NICHOLSON. 15,000 permanent positions, plus additional temporary positions, Senator Carlson, a total increase of 20,403 the number of provisions provided by the 1969 appropriation is 762,325.

Senator CARLSON. Then I get to a question that I want to ask in regard to the securing of personnel.

I have before me the Kappel Commission report just recently issued, and I quote from page 16:

"It takes at least 13 weeks," and I am speaking now of the Post Office Department—"it takes at least 13 weeks to hire an employee," and a recent Post Office survey showed that 67 percent of the job applicants in 17 large metropolitan areas did not wait around to complete the process. Personnel directions in private industry regard prompt notification of applicants as an essential to sound recruitment."

Do you have any comment on that?

Mr. WARSON. Senator Carlson, I believe this refers to regular employment. Yes, sir, I can comment.

I agree that 13 weeks is entirely too long, and the process is built-in, going through the Post Office Department, the Civil Service Commission, and it does take 13 weeks.

I assume, I have not checked the specific time.

This is one of the things that I am working on this year, to try to more nearly reflect modern management techniques in the practices, all practices, of the Post Office Department.

We will have, and will present to Congress, some suggestion on that one subject, and others.

Senator CARLSON. Isn't here a place where we could expect some reduction in expenditures and personnel?

If it takes as many people to keep working on an individual applicant for a job 13 weeks, certainly we could get some relief from employment in that particular area, could we not?

Mr. NICHOLSON. We do, Senator Carlson, have a new process, a mechanized personnel process, in a test phase in our Seattle region with four other regions to be converted this year.

This is a process by which, when the first action takes place, a piece of tape that the computer can read is created so that all additional steps in the process all the way through the man's career, including his step increases, his promotions, his ultimate retirement or separation,

are all done in one initial pass through the machine, so that we are taking steps to reduce the number of individual employees involved in the paperwork process, and we think this will be a very useful economy, and probably will help speed the process as well.

Senator CARLSON. Our chairman went into the fiscal operation of the Department, and I shall not dwell at length on it, but I did want to get into the record, and I think it ought to be made part of the record.

In 1967, the figures I have here, the Post Office Department collected \$4.96 billion in revenue and spent over \$6.13 billion. This made a deficit, if you want to call it that, or whatever the amount that the Federal Government had to put up, of \$1.17 billion.

Now, what figures do you have for 1968?

Mr. NICHOLSON. For 1968 the total obligations were \$6,815,198,000, and the revenue, not yet finally audited, but the last estimate is \$5,642,090, which is a difference between obligations and revenue of \$1,173,108.

Senator CARLSON. In other words, in 1967 and 1968, they were pretty much alike, 1.17 in both instances.

Mr. NICHOLSON. Yes, sir, quite close. Nineteen-sixty-eight of course, included parts of the pay increases enacted by Public Law 92-306, and had rate increases enacted in the same law.

Senator CARLSON. The chairman was getting to June 30, 1969. What would that be according to your estimates?

Mr. NICHOLSON. Obligations are \$7,128 million, and revenue is \$6,287,522,000, a difference between obligations and revenue of \$840,448,000.

Senator CARLSON. How much revenue did you receive from the postal increase that went into effect in January of this year, or would be estimated, for the calendar year 1969?

Mr. NICHOLSON. For the fiscal year it will be just under \$900 million additional revenue, because of the rate increase alone, not because of the volume increase. I don't have it for the calendar year.

Senator CARLSON. In other words, we increase the revenues by \$900 million?

Mr. NICHOLSON. Yes, sir.

Senator CARLSON. And despite that, we will have a \$840,000 deficit?

Mr. NICHOLSON. Yes, sir. I should put in two other points. One is that there is a public service allowance, which in 1969 is estimated to be \$622 million, and also the figures I have been giving you are those as appropriated, but, as you know, phase 2 of the pay increase is now effective and the cost of the phase 2 of the pay increases has not been handled yet by an appropriation.

That will be a supplemental appropriation later in the year, and we estimate the cost of that is \$280 million, not included in the figures that we have been using so far.

Senator CARLSON. I believe you have pending before the Interstate Commerce Committee, an increase for the carrying of fourth-class mail and parcel post.

How much increase are you requesting in dollars?

Mr. WATSON. \$86 million.

Senator CARLSON. That has not as yet been acted on?

Mr. WATSON. No, sir, it has not.

Senator CARLSON. So there are substantial revenues and sums involved in this.

I wanted to make a record, though you have stated frankly that money was not involved, and I commend you for it, but I do think a record ought to be made on that.

I would ask you—I notice that you are requesting that the Department be removed from the operations of this act passed by the Congress. Isn't there someplace in this operation where we can somehow, some way, give you some limitations?

I appreciate the delivery of mail. How about the management? Do we have to have the management of the Department we have now?

I know that is not a good question to ask you, but we are confronted with a problem here.

Mr. WATSON. Yes, sir; and I want to share that problem, Senator Carlson. I have so stated that no one being employed from a PFS-7 and above can be employed without authorization from my office. Therefore, we are attempting to look at each job, each meaningful job, in the Department, to see if we can do without this job at this time. We will be making a daily check at that situation throughout the service.

I cannot help but believe that in my time as Postmaster General that this is one of the things to produce the savings that Senator Carlson has suggested, that one way to do it is to provide adequate management.

I do not think that the Post Office Department at all levels has insufficient management. I sometimes tell the story about my own personal experience in private industry, when we were setting up a company that was new, had never operated, and that the decision we made on management versus those that they would manage, and how, over a period of time, we found that management did contribute greatly to the productivity of that organization.

The Post Office Department as yet has not recognized that, so I would think, when you speak of management, we are speaking primarily of headquarters, and you must have management, and you must have research and development.

It seems to me if we are to achieve the various things that you have mentioned, I do not think we have started yet in that light in the postal service.

I would hope in the years ahead that Congress and the postal service would want to have enough management made available to headquarters, and through our regional concept of management and sectional concept, that we could be more successful in accomplishing the things that you have mentioned.

In the 1969 budget, our appropriation was very tight on management. You may recall that there was not one new addition of a person provided in our 1969 appropriation for a person in any regional office.

So we did not have an extension of personnel in management at the regional concept at all. Any extension we have had in management has been in headquarters itself, which I believe is essential.

Senator CARLSON. Gentlemen, I have a high regard for you. You have a great background for this, and I think you are going to be one of the great Postmaster Generals.

I get mail from people who want service improved, and others who want less personnel. I am going to quote from one man in your Department. He writes this:

If they would stop hedge-hopping mail by private planes over the same routes that they have two or three trucks running and drop some of the postal supervisors whose job it is to check on the supervisors, they could still give us our regular service.

I think maybe you commented on it, but there is some discussion along that line in the country.

A second letter I received—I think maybe we could eliminate some of the Saturday mail. One of the letters contends—he said he was a county courthouse employee. They decided to close the post office. They use the old objections to it you hear. They have been closed 6 months, and you don't hear anything about it any more.

He said, "About the only people that wanted us to keep the courthouse open on Saturday were civil service employees, because they didn't work Saturdays."

In view of a change that seems to be taking place in our Nation with people working 5-day weeks, with banks closed, courthouses closed, industry closed, we certainly ought to give some thought to a little reduction in some places.

I notice you have come out right across the board—

Mr. WATSON. Yes, sir; we can give those thoughts, and if the law stays as is, we have a plan to do that. We have—obviously, there are some people who believe they can do without mail on Saturdays. In office buildings that are closed on Saturdays, we do not make Saturday deliveries, but where the people are in their offices, we have always felt that if mail was there, it should be delivered, and this is what we have attempted to do.

I am sure there are people at home on the weekends that might say that they would not necessarily need their mail on Saturday. I must admit, from those letters that I have received since July 10 and 11 of this month, I believe that they would be in a very simple minority who believe that, because our revenue is picking up just by the complaint letters I have received, I think.

Senator CARLSON. That is all.

The CHAIRMAN. Thank you for your comments on this matter.

I would like to put in the record a letter to the editor in Oklahoma City.

(The aforementioned letter follows:)

[From the Daily Oklahoman, Thursday, July 18, 1968]

THE PEOPLE SPEAK—MAIL DELIVERY CUTBACK RIPPED

(By MARGARET H. ANDREWS, Chickasha.)

To the Editor:

I have just written a letter to Sen. Mike Monroney protesting the cutback on our mail services and hope other people in Oklahoma will do the same.

Just a few months ago, the postage rates were raised. Just recently our taxes have been raised (again). The utility companies are saying that they will have to raise their rates because of the tax surcharge—and I just wonder what will be next?

The stoppage of the Saturday mail delivery is ridiculous. Why not stop some of the unsolicited and unimportant mail that is always being sent to everyone instead?

The businesses will still get a Saturday mail delivery. Is that because their mail is more important, because they pay higher taxes than the wage-earner, or because they could, and would, protest more if theirs were stopped?

Business mail is important, but so is our mail important to us. And with the taxes we pay, and the postage rates we pay—it seems to me that the outbacks could be made somewhere else, instead of stopping the Saturday mail delivery. I hope all Oklahomans will join me in writing to their congressman or senator about this matter. Maybe if enough of us write, our voice will be heard.

The CHAIRMAN. This comes at a bad time for this committee—it would raise more revenue in one bill than any other committee of the Congress. It is almost a cold \$1 billion in increase in mail, and we promised better mail service, we promised an airlift on all first-class mail, so that a mother in a far distant part of Oklahoma could expect her mail to her son in Vietnam to be airlifted from the box she drops it in and would reach the west coast for dispatch to Vietnam the following morning.

I think this is a forward step, and I would hate to see us go backward to the Pony Express when it took weeks to get mail across the country.

I think we are obligated, since we received nearly \$600 million out of this mail, to turn back around and slow it down.

It seems to me that the revenue-raising committees, which haven't done such a good job, should take into consideration that one bill that was received without great protest, increasing junk mail rates up to a point where it will virtually pay its own way, and increasing first-class mail from 5 to 6 cents to reach a billion dollars within the next year in new revenue.

It is a poor reward to the mail users to now hand them a 5-day mail delivery service and put up with the difficulties of the delay of mail 4 and 5 days in going from the sender to the recipient if it is mailed within this period of a shutdown of what you so wisely described as the third largest business in the world.

For that reason, I think we are justly concerned about anything that would tend to move it backward rather than forward in the kind of service I know the Postmaster General and his staff are trying to obtain.

Senator Randolph?

Senator RANDOLPH. Thank you, Mr. Chairman.

I think that Postmaster General O'Brien told our committee last year in the hearings that a modernization of the Department would bring an increase in efficiency in handling of the mail.

Now, we increased the first-class mail by 20 percent, and, as the Chairman says, and also the ranking minority member of this committee says, it seems that in a few months the situation has worsened. I use that word advisedly.

General, what has been the increase in the number of pieces of mail handled because of the Vietnam conflict? Let's take the first 6 months of this year against the first 6 months of last year, or the year before.

You have mentioned the Vietnam as an indicator of increasing mail being handled.

Mr. WATSON. We do not have a breakdown on the number of pieces. We can give it to you by the pounds.

Senator RANDOLPH. What is the breakdown by pounds?

Mr. WATSON. A million and a quarter per month of mail that goes to Vietnam from this country, 1¼-million pounds per month.

Senator RANDOLPH. Speaking as a layman, is that a heavy volume of mail?

Mr. WATSON. I looked at it as a layman also, sir. Yes, sir; it is quite heavy. It takes two or three buildings to receive this mail to get it stored and be put in airplanes to be shipped. Yes, sir; it is quite an impressive amount of mail.

Senator RANDOLPH. Thank you.

I don't want to go into production as against a service organization, but I do think when we consider these matters, there was a time in West Virginia when we were producing bituminous coal with approximately 115,000 miners. Today our tonnages are just about what they were then, and we are producing it with 65,000 to 75,000 less miners.

I remember General O'Brien saying: "Give us the modernization. Let us have technology move into this department, and we will be able to do the job."

What comment have you as a former businessman and now as an administrator in the Federal Government about the modernization of the Department, and in contrast with the productivity of the matter I have mentioned, coal?

Mr. WATSON. Yes, sir, I am from a State with coal mines that made similar changes that you referred to.

I feel the Post Office Department must do this. They have embarked on that plan. They have not yet reached the ultimate success. They have made some success.

We have one machine that we refer to as an optical scanner. When business mail is prepared properly, this optical scanner will process these envelopes at the rate of 30,000 to 36,000 an hour.

This is in the planning and the developing stage.

Last Wednesday, I met with each person that has a contract—representatives of each firm that has a contract with the Post Office Department for modernization of this type, and I do not know the success I have. I felt good after the meeting. I knew that these people were going back—for instance, we have three companies in this country, the only three we know anything about that have any capability to go into an optical scanner to read mechanically the addresses or zip codes on an envelope. The representatives of the three companies were there.

I met with them and asked them to go back, get your lawyers, see if you could share that technology that you have in your machines, and let's build one machine that would have the technology of all three companies that would end up processing the mail in a more effective and faster way. They are doing that.

I think, Senator Randolph, we must.

A company last year, in 1967, according to their annual report, that had approximately the same amount of revenue as the postal service, where we spend something less than 4 percent on mechanization and research and development—I notice by reading their annual report of 1967, they spend an amount equivalent to 30 percent for the same purposes that we are spending an amount equivalent to less than

4 percent. So, private industry recognizes that they must have research and development. They recognize they must have mechanization and modernization.

Therefore, they are spending a much larger percentage of their annual revenue than is this, a public service organization. So I think it is something we must all recognize is necessary and essential to continue performing the mission of the Post Office Department that has really been the same for 200 years now, to deliver the mail in the most effective and efficient way possible. And if we all come to that conclusion, our investment will be larger, and the matter of research and development and mechanization, and our returns will be many times the investment.

This is what private industry has had to do, and I think that sometimes the Post Office Department must do more of this. We are doing some of it now with the help of this committee and Congress, but we may have to do more if we are to maintain and catch up with private industry in this sector.

Senator RANDOLPH. Thank you very much, General Watson.

Let's now strip all the discussion to its bare bodies.

How many persons do you need in the Department now to handle this volume of mail today—not 6 months from now, but today—that you do not have?

Mr. WATSON. Ours is set up by attrition. We lose 1,250 employees per month this fiscal year, which gives us a total of 15,000. So if you were asking for July, we would need 1,250. Assuming the increase that mail volume for this fiscal year would be an even pattern over 12 months, we would need approximately 1,300 this month.

We have a heavy loss, in other words, of July, the first month in this fiscal year, of approximately 2,500 or 2,600 employees, and that is the same loss we will have each month during this fiscal year. We need to increase our employment by about that amount.

Senator RANDOLPH. About 1,000 to 1,400 new employees monthly?

Mr. WATSON. Yes, sir. It is one-twelfth of 15,780 permanent employees.

Senator RANDOLPH. Are you having any trouble recruiting—let's say we have the money to do the job. Would the personnel be available for hiring?

Mr. WATSON. We think so. We have had to install some personnel policies and personnel plans that are new to the Department. However, they are not new, necessarily, to other employers, training programs, to prepare these people so that when they go on the workroom floor they are familiar with the terminology that is used at least and the purpose for which they are on the floor, and if they are assigned to one section, they know what relationship that section has to other areas of the work on the floor.

We are having to do this, and we are doing it on an experimental basis now. We expect to put this in 75 of the larger post offices.

Senator RANDOLPH. Mr. Chairman, just a final comment. I think, regardless of the individual's opinion, or even the voting record of a Member of the Senate or the House on this problem, that Congress must recognize that it brought this situation into being. Is that correct?

Mr. WATSON. Yes, sir.

Senator RANDOLPH. And there is absolutely no reason for us not to face up to the facts of the legislative action in this respect. We might say: "Well, we didn't realize that was going to take place." I understand this to be true. There are other exemptions. Air traffic controllers is one area. Our skies are overcrowded with people.

The crime crisis in the country, we recognize that. And therefore the Federal Bureau of Investigation is not included.

Now, we have to decide, I think, this matter, and I think that it is imperative that if Congress did something wrong, it should undo the action. And there is a need for having a fully adequate Post Office Department in our developing economy.

So I think, Mr. Chairman, we must come to grips with this matter, and I think there is a responsibility on the part of the members of this committee to do some leadership in this matter, as we face up in the very next few days to this situation.

I am helped very much, General, by your statement, which I read very carefully, and listened to this morning, and I am appreciative of the fact that you, Mr. Chairman, and others on the committee are going to give, as we must give, immediate attention to this problem.

I think it is wrong for any of us to indicate that we didn't know this and we didn't know that, and to express our cooperation. It is a situation we face. One man may call it deplorable, and another man may call it fanciful. And another might say it is something we can work our way out of at a later date. But I think we have to give attention to it now, and that is what I propose to do. I am appreciative of the opportunity to sit here today and be led, in a sense, General, by you and your advisers.

The CHAIRMAN. Thank you, Senator Randolph.

Senator Fong?

Senator FONG. Yes.

How long is this limitation on the number of employees to be in effect?

Mr. WATSON. As I understand the law, Senator Fong, it says we will reduce the employment of the postal service back to June 30, 1966, levels, and in our case that would take 4 years by attrition, by replacing on three out of four—historically this would be true.

Senator FONG. From your standpoint, you have to work with the law, and this requires at least 4 years for you to meet the requirement?

Mr. WATSON. Yes.

Senator FONG. Because you are being attrited by 15,000 employees a year.

Mr. WATSON. Yes, sir. That would be one out of four that leave the service; 60,000 leave the service on an average per year.

Senator FONG. So as far as the Post Office Department is concerned, you are working on a 4-year basis to meet the law?

Mr. WATSON. Yes, sir; plus the fact that we cannot employ the 15,000-plus employees authorized by Congress this year. So that is an immediate effect.

Senator FONG. Yes, I understand. What is the percentage of your temporary employees as distinguished from your permanent employees, temporary and part time? Roughly, what percentage would they make up?

Mr. WATSON. I am trying to get the percentage, Senator Fong.

I will ask our Chief of Operations, Mr. McMillan, to give you those figures.

Mr. McMILLAN. The percentage of temporary to career employees is about 10 percent.

Senator FONG. So you could take all your employees and place them in one category for this purpose, because employment of temporary and part-time employees is based upon the year 1967, and permanent employees are based upon the year 1966. Is that correct, under this law?

Mr. WATSON. Yes.

Senator FONG. So for all practical purposes, you can say that nearly all of them are permanent employees, so therefore you have to be guided by the figure of 1966.

Mr. NICHOLSON. Excuse me, Senator. We may be misleading you here. You asked about temporary employees, which is about 10 percent. However, the law applies to permanent employees, on the one hand and, on the other, other than permanent. And in addition to temporary in the "other than permanent" category are all the career substitute employees, so that using the difference set up by the law, the temporaries plus others who are classed in this "other than permanent" category is about 30 percent of the total.

Senator FONG. I see.

In the year 1966, you had 675,423 employees, approximately.

Mr. McMILLAN. That is correct, sir.

Senator FONG. And for fiscal year 1968, you had 741,922 employees.

Mr. McMILLAN. That is the number, Senator Fong, that are permitted by appropriations. Actually, we don't have a final count on how many we had aboard.

Senator FONG. I understand.

Mr. McMILLAN. In the operations account, we had 718,000, and normally the others are less than 10,000. So if these figures hold true, we will have had about 728,000 or 729,000 total.

Senator FONG. You made your case to the Congress that for fiscal year 1969 you would need another 15,000, plus another 4,000 or 5,000 temporary employees to give you 20,000 more new employees for fiscal year 1969 to carry on the workload.

Mr. McMILLAN. That is correct.

Senator FONG. In other words, if this limitation were not put into effect, you would have the authority, then, to hire approximately 762,000 employees?

Mr. McMILLAN. Correct.

Senator FONG. So the immediate result of this limitation is that you are precluded from hiring 20,000 employees immediately?

Mr. McMILLAN. That is correct, sir. We would not have put them all on in July, but we would have them virtually all on by the latter part of November.

Senator FONG. Yes. So this limitation precludes you from hiring the additional employees you have told Congress you need for fiscal year 1969?

Mr. McMILLAN. Yes.

Senator FONG. And over and above that, precluding you from hiring these 20,000 new employees, they are taking away 1,500 employees per month?

Mr. McMILLAN. 1,250 per month.

Senator FOXG. And for the year, 15,000, so therefore, by the end of this year, you would have lost 30,000 employees from the projected figure that you had given to the Congress and the Congress had appropriated money for?

Mr. McMILLAN. Yes, sir; that is correct.

Senator FOXG. So your problem is actually a problem of attrition, is it not, that you cannot, when a man quits, fill his vacancy. If he doesn't quit, you will be all right?

Mr. WATSON. Yes, sir; if he doesn't quit or retire or leave service for some other reason; yes, sir.

Senator FOXG. But because he quits, you have to hire a replacement, but because of this ceiling, you cannot put on new employees.

Mr. WATSON. Correct, sir.

Senator FOXG. That means that in 4 years you will have a reduction in force of approximately 11 percent from the projected figure that you would have had referring back to the 1966 figures. You would lose 11 percent of your employees.

Mr. WATSON. Approximately 11 percent, yes, sir.

Senator FOXG. From the 1966 figure of mail projected to the 1969 fiscal year, what would be your increase in mail volume? Could you give us that figure?

Congress has asked you to cut 11 percent. What is your mail volume increase from 1966 projected to 1969?

Mr. WATSON. 17.4 billion pieces of mail.

Senator FOXG. So an additional 17.4 billion pieces of mail, represents what percentage of increase from 1966?

Mr. WATSON. 11.1 percent.

Senator FOXG. So for a 11.1 increase in the volume of your business, they expect you to cut 11 percent from your total number of employees? This is what Congress has asked you to do. Is that right, in effect?

Mr. WATSON. Yes, sir.

Senator FOXG. And you say you just can't do that.

Now, going to the monetary side, you said this is not a question of money, but a question of jobs. Now, could you clarify that for us in two sentences?

(Laughter.)

Mr. WATSON. Yes, sir, and don't count that.

(Laughter.)

Mr. WATSON. Congress appropriated enough money for us to keep—to employ—the additional personnel we need for fiscal 1969.

Senator FOXG. Yes.

Mr. WATSON. Therefore, we have the money to hire the people if we are allowed to hire the people.

Senator FOXG. This is what you meant.

You are expecting a great amount of mail, and naturally a greater amount of revenues.

Mr. WATSON. Correct, sir.

Senator FOXG. In other words, the bigger your business, the worse you get, because of this limitation?

Mr. WATSON. No, sir. We are not at the point of diminishing returns in the postal service, and if we were allowed to operate under the law,

under the appropriation passed by Congress for the Post Office system, we would actually have less dollar deficit than we would if we lose no people by attrition.

Senator FONG. Saying it the other way, if you lose these employees and you lose the same percentage of business, the Government is worse off. Is that what you are saying?

Mr. WATSON. Yes, sir.

Senator FONG. Thank you.

The CHAIRMAN. Thank you, Senator Fong.

Senator FONG. I want to say before I finish that I think you made a very fine statement, Mr. Postmaster General, and I think this is something that must be changed.

I think I, for one, know that you can't run your business with this tremendous cut.

One more question. Since you want this exemption, can you put any limitations on yourself?

Mr. WATSON. We think Congress has already put this limitation on us in the regular process of appropriations.

Senator FONG. If we lift this limitation, you will do everything you can to hold down employment?

Mr. WATSON. Yes, sir. That is what I meant when I said I was personally looking at the need for every person employed from a PFS-7 to above.

Senator FONG. Thank you.

The CHAIRMAN. Thank you.

Senator YARBOROUGH?

Senator YARBOROUGH. I have a bunch of questions, but I am not going to ask them, because I have to preside in the Senate from 12 o'clock to 2 p.m.

I just want to say that I think this is a disastrous limitation, and I hope Congress will raise it speedily.

I have a question for Mr. McMillan. He has a chart before him, and I am nervous whether he has a list of third- and fourth-class post offices he is going to close.

Chairmen of other committees say, "What about the post offices you are going to close in our State?"

I say: "I didn't vote for it. You fellows voted for it."

Mr. McMILLAN. According to our plan, we were to close 154 in July and the same number each month thereafter. Obviously, we didn't get started soon enough to take the action in July.

Senator YARBOROUGH. I hope you will be inefficient enough not to close those until we can be efficient enough to pass a law in Congress.

Mr. McMILLAN. We have others set for closing on August 2, where we have vacancies. We have no closings in August scheduled where we have a permanent postmaster.

Senator YARBOROUGH. If you have to close fourth-class post offices, I hope to limit it to ones where there is a vacancy. I know of one in Myrtle Springs, and I am certain the Postmaster General is familiar with that. This is where Thomas Rusk, one of the Senators from Texas, lived. It has seven places of business and 700 or 800 people. Certainly that is large enough to survive.

THE CHAIRMAN. Isn't it a fact of life that when a post office is closed in a fourth-class office, and, even to a greater extent, in a third-class office, the town dies?

SENATOR YARBOROUGH. The town dies?

THE CHAIRMAN. This is not a guess. It happens, and you have a deserted village.

I don't think we should force people out of their lifetime homes because the town has ceased to exist because it no longer has a Post Office.

SENATOR YARBOROUGH. A town with 300 people, Mr. Chairman, and seven places of business is pretty good to survive out on a highway for decades. We have had fast highways all these decades, and they have still survived. They will, unless you kill the Post Office.

As the Chairman said, that is the heart of the town.

If you will excuse me, Mr. Chairman, I will have to go.

THE CHAIRMAN. Yes.

SENATOR MCGEE?

SENATOR MCGEE. A very quick question or two, Mr. Chairman.

First, General, what would we have to do in the Senate, or is there anything we can do in the Senate soon enough to avoid following through on your orders next Saturday of closing down some of the Saturday services and closing down some of the operations?

MR. WATSON. Senator McGee, I cannot be in a position to tell the Senate what to do. I would assume that if this committee felt so inclined to adopt language that would take the personnel ceiling limitation off of the Post Office Department, then—and would report that to the Senate, and assuming the Senate passed that, that would give us some indication by at least the percentage it passed—70 or 80 percent in the Senate—that would give us some indication of congressional intent. We would do our very best, then, to not curtail anything that wasn't absolutely essential by the law.

We would certainly reappriase and reevaluate the orders that have not gone forward to completion.

SENATOR MCGEE. Would it be correct to assume that we wouldn't have to wait until total congressional action has taken place to give you encouragement in this direction?

MR. WATSON. I believe we could delay a reasonable time if we had some indication from not only the Senate, but the House, that they would consider it at some time.

However, in reading some press reports, I note that some interest exists that the Senate and the House may both go out of session rather soon and come back some 5 weeks later.

I would question whether, in good faith, I could delay it that length of time. So I would hope anything that Congress was to do, that they would give some firm indications on it sooner than some time in September.

SENATOR MCGEE. In other words, to recap what you have said to us here in this contention, that favorable action by this committee and by the Senate could give you enough indication to take the necessary risk in delaying your closing down of some of the operations by next Saturday, but you couldn't continue that risk on into September if

the Congress should fail to act on this until it returns from the conventions?

Mr. WATSON. Yes, sir. I believe that—I would question the advisability of my delaying that length of time.

Senator McGEE. I would then hope that this committee and the leadership of the chairman would find some way to get rather expeditious action as far as the Senate is concerned, at least to win that holding time for another few days, in order to give our colleagues on the other side of the Hill another chance to have a look at this matter.

The last thing that I mentioned, Mr. Chairman, is simply to emphasize, because it hasn't been stressed here quite enough today, in my judgment, the implications of your statement at the bottom of page 8 and the top of page 9, in terms of the options available to you, namely, in regard to preserving what you call a more humane and enlightened employer position.

Obviously, one of the options available to you, if all of the limitations now posed here remain, is to take it out of the benefits and the working schedules of the employees in the postal service. And I think that you have shown a great deal of foresight in placing as one of your top priorities your determination not to do that, but to preserve the gains in terms of career employees, job definitions and the length of the workweek and the circumstances under which other employment facilities are utilized.

I would hope that this set of your priorities would receive more attention than it has received here this morning.

I think it is commendable, and I want to thank you, also, for the forthrightness of your statement to the committee. It has been so straightforward that it is a little different than we sometimes expect from a bureau that has a vested interest in making the strongest presentation possible.

I think yours has been in terms unvarnished enough and startling enough that those on the committee appreciate it very much. I trust we will respond to it.

Mr. WATSON. Thank you very much.

If I could inject one thing about "if the Senate takes action" and "if the House does," and so forth—if I am advised correctly, there was only one vote in the House this year which had to do with closing of postal services, and that was a vote in the House to close—to do away with the Saturday delivery, mail delivery, residential delivery, and business, and the vote was—that proposed amendment was defeated by a vote of 252 to 102, which I think reflects, to some extent at least, the House feeling toward the curtailment of postal services, although it was only on one subject and one service that we do afford.

But that, in itself, gives us some idea of how they may react if this should come to a vote before the full House of Representatives.

Senator McGEE. What you are saying to us again is that this is extremely urgent, that we don't have this session of Congress to do this, that we are running against a much closer deadline, and we have to do something in the next few days.

Mr. WATSON. Yes, sir.

The CHAIRMAN. Thank you, Senator McGee.
Senator Brewster?

Senator BREWSTER. Thank you, Mr. Chairman.

Let me commend the Postmaster General for his excellent presentation of the facts to the committee.

Now, following Senator McGee's line of questions, is it correct to say that if the Congress exempts the Post Office Department from the restrictions, that you will be able to continue service as it is and not cut it back as you describe that you must?

Mr. WATSON. That is correct. If Congress gives the exemption, then we will maintain all mail services, all services of the postal system that we are all familiar with.

Senator BREWSTER. Did I gather correctly that, as the volume of mail goes up, the additional employees required to handle additional volume do not in fact cost the Post Office Department Federal funds? New mail does not result in a direct loss?

Mr. WATSON. Given the facts in 1969, the fiscal year of the Post Office Department, and the permanent employees, that is correct. I could not project that that same thing would be true in fiscal 1970, but in 1969 that is true.

Senator BREWSTER. What is your personal opinion on the advisability of having Saturday mail service? Can your Department be run from Monday through Friday, or should we have Saturday service?

Mr. WATSON. Personally, I feel strongly that Saturday deliveries should continue. People would expect it, because this is what they are accustomed to, and I think the first time that a mailman does not deliver their mail on Saturdays, I cannot help but think that people will be aware of that curtailment that day much more so than from any statements I may make or Congress may make toward that.

I think until the mail is actually not there on Saturday morning that we have not yet heard from the people that we serve.

Senator BREWSTER. Would it be true to say that if you closed down your Saturday and Sunday operations in their entirety that you would face a massive problem of Monday morning?

Mr. WATSON. Yes, sir. It would be an impossible problem, because the buildings the post offices occupy to great extent were built in the 1930's. Therefore, though their planning was good in the 1930's, no one could have anticipated 30-some-odd years ago that the volume of mail would increase as it has increased.

Therefore, physically, the post offices are not equipped to handle the backlog of mail, and if you—I am sure that you need that in the curtailment of service. I did not curtail the pickup of mail, because we do know that the mail boxes where mail is deposited would actually run over with mail if we left them there long, in many instances.

I did not curtail the processing of the mail, because the mail must be processed. Otherwise, the buildings just load up where they could not work in them. The thing that we have had to do was to curtail or limit the delivery of this mail. And just from a physical standpoint this was the only conclusion we could come to.

Senator BREWSTER. You have indicated that it would be necessary to close both third- and fourth-class post offices. It is also true that you would cut back the number of employees in our major cities, would you not?

Mr. WATSON. Only those that would be in a major city, we will say, for the delivery of mail on Saturday, for multiple deliveries, which

now I think all business districts have at least two deliveries a day. Some have three. We would cut that back to one time a day.

And the curtailment of the frequency of deliveries on parcel post—the answer to your question is “Yes,” but it would probably be quite as visible in a city as it would be in the smaller communities.

Senator BREWSTER. Will this restriction on personnel fall equally in a sense on all classes of mail?

In other words, will all classes suffer from less effective delivery and service?

Mr. WATSON. Yes, sir; on delivery. However, your law specifically specifies that first-class mail, that is what will be processed and delivered first, and as, under the existing law, over a period of many months, we start accumulating a backlog, that backlog would really be third- and fourth-class mail.

Senator BREWSTER. General, on your first paragraph on page 13, you state that new offices buildings and new apartment buildings will not get service. Exactly what will happen when a new apartment building or a new office building is built and occupied and a letter is addressed to it? What happens?

Mr. WATSON. Those people will have to come to the post office and pick their mail up; just the regular window service.

Senator BREWSTER. And with a large downtown office building, this would present almost an intolerable problem, wouldn't it?

Mr. WATSON. It would be a difficult problem, yes, sir.

Senator BREWSTER. One last question.

This is a very large subject, and perhaps you only want to touch on it briefly. Would a government corporation, whole new system, solve the present personnel problems that would be posed by the limitations?

Mr. WATSON. Senator, I do want to speak on it very little, because I have not read the 1,800-page full report on that subject yet, as the Commission has presented it to the White House and to the Post Office Department.

I would think at this immediate time that no matter what the management might be of the postal service, or the postal system, they would enjoy or suffer the same problems that we would suffer at this time. I do not think if it was automatically transferred to a public corporation or a private corporation that the problems would be eliminated because of that transfer.

Senator BREWSTER. There is no easy way out?

Mr. WATSON. Not today, not in the short run, sir.

Senator BREWSTER. Thank you for your careful and precise answers.

The CHAIRMAN. Thank you, Senator Brewster.

In summary, I think you have made one of the finest statements I have ever seen delivered, and it is directly to the point. The question that we face in trying to achieve desirable and hoped-for manpower economies—and also in cutting our services back—I think your answers to my questions, you showed that we produce, when we provide public service for the losing types of mail, that includes magazines, the church bulletins, where we are costing the taxpayer for this great public service, only included \$135 million a year in what I would call a direct loss in the carriage of this 84 billion pieces of mail.

I am impressed with your very graphic point that you have, I think, made on page 5, where you say that just the increase since 1966 is greater than the last reported total annual mail volume of France, one of the major nations of the world.

On page 7 you say that we will note that more locations, from the expansion of cities, the growth of communities, the location in suburbs of businesses, and so forth—you will note that 4 million locations have been added since 1966, and that increase alone is equivalent to the total number of addresses served throughout Canada. This is a most graphic illustration of the problem we face.

One or two points that have been overlooked or passed by is what happens on the 2-day closing of our post offices throughout the land. How many post offices do we have?

Mr. WATSON. A total of about 35,000.

The CHAIRMAN. All communicating, and a means of communicating with 34,999, and this closing in a 2-day period, what happens to the baby chicks that are in the post office on this 2-day closing? What happens to the live scorpions that are sent through the mail and the baby alligators that people send up from their vacations in Florida, or the plants, or the cuttings that go through, or those badly desired automobile parts that go through the mail, such as exhaust pipes, tires, and antibiotics for medical purposes, that have to be promptly handled, or other medical supplies?

These are things, I think, that you can't phase the operation for an extra day on and not have repercussions.

One thing that hasn't been mentioned here—and we are going to have hearings tomorrow, and we hope to hear from those faithful representatives of those faithful 700,000 men who, through rain and snow and sleet and fog, make their daily appointed rounds, except for Saturdays from here on out. We are going to have to put a parenthesis on this great timehonored tradition.

It seems to me that we know the mail is going to continue to go up, and yet we are going to have fewer men to handle it. And it takes a man, many men, to handle one piece of mail. They have sped up, sped up to meet the challenge of ever-increasing volume with a minimum amount of additional personnel for this extra billions of pieces of mail that have to be handled.

So I think these are not the types of employees who try to get recognition for a union. They have got it. They are well managed, well handled and well advised, as we know in this committee. They are not acting like air traffic controllers with a new union trying to get membership and deliberately slowing down traffic to get recognition of some kind, but these men are dedicated to moving the mail on time to where it belongs, and the minimum amount of mixups occur. And I would be one who would get many of the complaints because of the position I am honored to hold.

We know the mail volume is going up, but if you are going to have to handle 2 days of mail in 1 day, and we are going to have to sweat our labor by saying: "We know the mail is going to be there. We expect you to handle 2 days of mail for 1 day's pay."

They have not raised that complaint. I have not heard it from the unions. But throughout the vast system—and postmasters as well in

smaller offices—they are going to be carrying the product of 2 days of mailing and distributing it in 1 day and be expected to speed up and do their job.

I know the system is apt to break down, as patient and as dedicated as these men are.

I just think we are looking at the whole thing—the whole thing is out of focus with this particular operation, particularly when we are making the money. Most of the mail that we want to move is more than paying its own way. If we could just set aside the mail that is not, this would be fine, but it would cost us more to set it aside and work it as “any time” mail than to go ahead and carry it in the normal way.

Furthermore, we have in the language of the bill—it gives you permission to hire temporaries. You can hire the unskilled, the untrained, in any numbers you want to, as I understand this, but you dare not—you cannot legally under this bill hire permanent employees who are the kind on which the faithful service of the post office has been built.

I think we are putting the accent on the wrong syllable, and I hope we will get to this and find the rationale of the Bureau of the Budget when they testify here tomorrow. And we will ask Mr. Zwick, the Director of the Bureau of the Budget, to appear.

We are inviting the National Association of Letter Carriers and Federation of Postal Clerks and the National Postal Union and other interested members of this vast post office machine, because when it is all shaken down, in spite of your big buildings, and your trucks and everything else, it takes the man—and that uniform is respected—to deliver this. It takes a man to sort it. And if you don't have that know-how that has come through the years with faithful, diligent service, you are going to have a breakdown, no matter what the Bureau of the Budget says or what even the Congress may say.

We do not wish to be a party to breaking this line of communication that started with Benjamin Franklin, and has continued to this time.

The committee will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 12:25 p.m. the committee recessed, to reconvene at 10 a.m. on Tuesday, July 23, 1968.)