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APPROVED
SEP 24 1976

*Statement issued
9/24/76*

89/24/76

THE WHITE HOUSE
WASHINGTON
September 17, 1976

ACTION

Last Day: September 24

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON *Jim Cannon*
SUBJECT: H.R. 8603 - Postal Reorganization Act
Amendments of 1976

*To Archives
9/27/76*

Attached for your consideration is H.R. 8603, sponsored by Representative Hanley and five others.

The enrolled bill would:

- establish a Commission on Postal Service and authorize it to study the full range of postal problems and report its recommended solutions by March 15, 1977;
- authorize appropriations of \$1 billion through FY 77 to reduce the accumulated indebtedness of the United States Postal Service, thus precluding further deterioration in the financial status of the Postal Service during the life of the Commission;
- prohibit rate increases or service cutbacks before the submission of the Commission's report; and
- limit the Postal Rate Commission's consideration of all future rate change proposals to ten months.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman, Doug Bennett and I recommend approval of the enrolled bill and proposed signing statement which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign H.R. 8603 at Tab B.

That you approve the statement at Tab C.

Approve *MR* Disapprove _____

8.9/24/76

THE WHITE HOUSE
WASHINGTON

September 24, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CAVANAUGH

SUBJECT: Proposed Signing Statement for
Postal Reorganization Bill

Mr. President, would you please review the proposed signing statement on the attached bill and indicate your approval or disapproval.

Thank you.

DECISION

MC Approval

_____ Disapproval



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 14 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 8603 - Postal Reorganization Act
Amendments of 1976
Sponsor - Rep. Hanley (D) New York and 5 others

Last Day for Action

September 24, 1976 - Friday

Purpose

Establishes a Commission on Postal Service and authorizes it to study the full range of postal problems and report its recommended solutions by March 15, 1977; authorizes appropriations of \$1 billion through fiscal year 1977 to reduce the accumulated indebtedness of the United States Postal Service, thus precluding further deterioration in the financial status of the Postal Service during the life of the Commission; prohibits rate increases or service cutbacks before the submission of the Commission's report; and limits the Postal Rate Commission's consideration of all future rate change proposals to 10 months.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
United States Postal Service	Approval
Civil Service Commission	Approval (Informally)
United States Postal Rate Commission	No objection

Discussion

H.R. 8603 is the result of extensive negotiations between the Administration and the Congress on providing for a study of the broad range of problems facing the United States Postal Service (USPS). In addition, the bill authorizes funds to reduce the current accumulated operating indebtedness of the USPS while the study is underway.

The enrolled bill contains four major provisions which are discussed in this memorandum. The attached views letters from the USPS and the Postal Rate Commission (PRC) discuss all the provisions of the bill in more detail.

Commission on Postal Service

H.R. 8603 would establish a Commission on Postal Service (CPS), composed of 7 members, to identify and study the problems facing the Postal Service and recommend actions to resolve those problems. The President is to appoint three of the Commission's members, including the chairman. The Speaker of the House and President pro tempore of the Senate are each to appoint 2 members; in both cases, the bill specifies that one of the two is to be "... a member of the workforce of the United States Postal Service ...". By agreement, the minority leaders in both the House and the Senate will approve one of the two members to be appointed. The Postmaster General and the Chairman of the Postal Rate Commission are designated as ex officio members. The members of the Commission are to be appointed within 15 days after enactment of this bill.

The CPS is to consider the broad range of problems that confront the Postal Service; many of these problems are specified in the bill, but others may be studied if the Commission chooses to do so. A report by the Commission is required by March 15, 1977, to both the President and the Congress, on postal problems and recommended solutions.

The Administration had sought this kind of commission, i.e., one with a charter to study a wide range of issues, throughout negotiations on the bill.

Financial Assistance

To assure that the Postal Service's financial status will not deteriorate further during the time of the CPS study, H.R. 8603 would authorize a total of \$1 billion in appropriations to the Postal Service:

- \$500 million for fiscal year 1976 and the transition quarter; and
- \$500 million for fiscal year 1977.

The bill specifies that these funds are to be "... applied against the accumulated operating indebtedness of the Postal Service ...". Thus, the funds could not be used to meet Postal Service current operating expenses.

The Administration's position throughout negotiations with the Congress on this bill was to avoid setting a precedent for emergency funding of Postal Service operating expenses. To do so would have seriously undermined a central concept of the Postal

Service Reorganization Act of 1970 -- the goal of a self-sustaining Postal Service that meets its operating expenses by appropriate charges to its customers. By earmarking the bill's funds solely for reduction of indebtedness, the future possibility of a self-sustaining Postal Service is preserved.

Assuming your approval of H.R. 8603, we will submit later this week for your consideration a request to the Congress to appropriate the full amounts authorized by this bill. The second congressional budget resolution for fiscal year 1977 assumes appropriation of the full amount for that fiscal year.

Moratorium on Rate Increases and Service Cutbacks

H.R. 8603 would prohibit the USPS from implementing any rate increases or service cutbacks prior to the March 15, 1977, deadline for transmission of the CPS report to the President and the Congress. Specifically, it would forbid: any rates or fees in excess of those in effect on the date of enactment of this legislation; any reduction in the level or types of services below those offered on July 1, 1976; the closing of post offices serving 35 or more families; the closing of small post offices serving fewer than 35 families unless consented to by at least 60 percent of the adults served; and the institution of cluster-box (i.e., a grouping of mail boxes physically separated from residences) delivery to new residential addresses other than apartment buildings.

These prohibitions will temporarily hamper the Postal Service in its efforts to balance costs with revenues, and the agency therefore objects to this provision in its attached views letter as being "unnecessarily restrictive and inflexible." We agree that the provision is restrictive. However, the moratoriums on rate increases and service reductions would have the advantage of providing a stable data base for the Commission's analyses of postal issues.

Postal Rate Commission Decisions and Future Temporary Rate Increases

Under current law, the Postal Service submits rate change requests to the Postal Rate Commission for review and approval. There is no time limit for this PRC review and decision. If no decision is transmitted to the Postal Service within 90 days, the Postal Service may institute a temporary rate change which does not exceed the requested permanent change. Although the most recent rate decision was made in less than a year, past PRC decisions have taken as long as two years, thus creating revenue and flexibility problems for the USPS.

H.R. 8603 would require the PRC to reach a decision within 10 months of its receipt of a rate change request. The USPS would be prohibited from instituting a temporary rate change during that 10-month period. If the PRC decision is not issued within 10 months, USPS would be free to implement the requested change on a temporary basis pending the PRC decision.


The Postal Rate Commission states, in its views letter on the enrolled bill, that it believes the 10-month time limit is a reasonable goal and we believe that the provision will provide for a more orderly and timely rate setting procedure.

Recommendation

The enrolled bill incorporates the two points held to be essential to the Administration throughout negotiations on the bill:

- that the study commission be authorized to consider the full range of Postal Service problems; and
- that the additional appropriations, during the life of the Commission on Postal Service, be tied to past losses to avoid establishing the undesirable precedent of operating subsidies.

The Postal Service recommends that the bill be signed into law on September 13, or as soon thereafter as possible, to allow sufficient time for enactment of the authorized appropriations before the Congress adjourns. We concur in the recommendation for approval.


James T. Lynn
Director

Enclosures



LAW DEPARTMENT
Washington, DC 20260

September 10, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This responds to your request for the views of the Postal Service with respect to the enrolled bill:

H.R. 8603, "To amend title 39, United States Code, with respect to the organization and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes."

1. Purpose of Legislation.

The principal aims of the legislation are as follows:

(1) to authorize additional appropriations of \$1 billion to the Postal Service to be applied against accumulated operating indebtedness;

(2) to establish a Commission on Postal Service to study and report, by March, 15, 1977, with respect to various problems facing the Postal Service;

(3) to forbid, prior to the Commission's reporting date, any increase in rates or fees, reduction in levels or types of services, closing of post offices except under limited circumstances, or institution of cluster-box delivery to new residential addresses other than apartments;

(4) to require the Postal Rate Commission to provide its recommended decision on each request for changes in rates and fees within 10 months following the request;

(5) to repeal authority for the establishment of temporary rates during the Commission's allotted period for consideration of a request.

2. Position of the Postal Service.

On balance, the Postal Service favors enactment of this bill. We believe that in view of the continuing lag between postal costs and postal revenues, the increasing attractiveness of technologically new substitutes for mail service, and other problems, a careful and impartial study of what can be done to maintain and improve the postal system is badly needed. In addition, we believe that the injection of an additional billion dollars from appropriated funds is needed at this time as a stopgap measure. We also believe that Postal Rate Commission recommended decisions on rates and fees should be required to be forthcoming within 10 months following a request.

While the foregoing factors lead us to favor enactment, we regard the inclusion of certain other provisions in the bill as unfortunate. In our view, the proposed freeze on changes in rates, fees, and services, the proposed limitations on post office closings and cluster-box deliveries, and the proposed restriction of temporary rate authority are unnecessarily inflexible and collectively will make the Postal Service particularly vulnerable in the event of unfavorable developments during the year ahead. Provisions extending reduced-rate benefits to additional categories of mailers and adding imprecise considerations to the ratemaking criteria are unwarranted concessions to special interest groups, even if comparatively small in budgetary terms.

A more detailed sectional analysis and evaluation of the bill's provisions is attached hereto for your information.

3. Timing.

We recommend that signing by the President be scheduled for September 13 or as soon thereafter as possible, but not before that date. The bill should not be signed before September 13, in order to permit, prior to the effectiveness of the freeze on rates and fees proposed by the bill, a change in business reply fees scheduled for September 12 under a settlement to which all parties agreed in Postal Rate Commission Docket No. MC 73-1. However, the bill should be signed on September 13 or immediately thereafter to assure time for Congressional consideration of a request for appropriations authorized thereunder prior to adjournment scheduled for October 2. If no appropriations are enacted prior to that date, the provisions of the bill preventing changes in rates, fees, and services and limiting the closing of post offices and the

institution of cluster-box delivery prior to the date scheduled for the report of the Commission on Postal Service will not take effect.

In order to expedite Congressional consideration of the President's request for appropriations, I am enclosing a draft Presidential message to Congress requesting urgent consideration of a supplemental appropriation, with a draft supporting letter from the Director of OMB to the President, and a letter dated September 10, 1976 from Mr. Gould to Mr. Lynn, explaining in detail the need for expeditious action, with supporting documents.

4. Cost or savings.

The bill authorizes the appropriation of \$1 billion to the Postal Service in equal amounts for the period July 1, 1975-September 30, 1976 and for FY 1977. It also authorizes funding for additional reduced rates of postage, which we estimate will aggregate \$5.9 million in FY 1977. It authorizes amounts necessary for operation of the Commission on Postal Service, which the Postal Service will request after receiving an estimate from the Commission. It has the probable effect of postponing the next increase in postal rates for approximately 7 months beyond the date on which temporary increases otherwise could have been imposed, an action which we estimate could deprive the Postal Service of revenues in the range of \$1 billion that otherwise would have been earned. The cost of the prohibition against reductions in levels or types of services and of the restrictions on post office closings and institution of cluster-box delivery cannot be reasonably estimated.

5. Recommendation of Presidential action.

The Postal Service recommends approval of this bill by the President.

Sincerely,



W. Allen Sanders
Assistant General Counsel
Legislative Division

Section-by-Section Analysis

Section 2(a), (b) proposes the following new provisions of title 39, United States Code:

§2401(d), which authorizes one-time appropriations in the amount of \$1 billion to the Postal Service, in equal amounts for FY 1977 and for the combined period of FY 1976 and the transition quarter, to be expended only through application "against the accumulated operating indebtedness of the Postal Service", half as of September 30, 1976, and half as of one year later. The Postal Service has favored the substance of this provision.

§2401(e), which provides that during the period between the enactment of the \$500 million appropriation to the Postal Service for FY 1976 and the transition quarter, and March 15, 1977, a temporary freeze applies to postage rates and to levels and types of services generally and, under certain qualifications, to post office closings. The bases for the service freeze are the levels and types of services provided and the post offices in operation on July 1, 1976. The Postal Service has opposed this provision as unnecessarily restrictive and inflexible.

§2401(f), which provides that during the period between the enactment of the \$500 million appropriation to the Postal Service for FY 1976 and the transition quarter, and March 15, 1977, only door or curblin (not cluster box) delivery may be initiated to new permanent residential addresses (other than apartments). The Postal Service has opposed this provision as unnecessarily restrictive and inflexible.

§2401(g), (replacing repealed §2401(b)(3)), which establishes a more comprehensive requirement for annual reporting by the Postal Service to Congress on budget and operational matters, including required transmission of copies of the annual budget provided to OMB and required annual testimony before the legislative committees. The Postal Service has made no objection to these provisions.

§2041(h), which provides that the failure of the President to request appropriation of any amounts authorized by §2401 shall not be deemed a failure of appropriations (under 39 U.S.C. §§2401(e), (f), 3627). Although the actual effect of this provision is unclear, neither the Postal Service nor the Administration has objected to its enactment.

§2401(i), which provides that the fourth-class zone rates for parcels must be set no more than 10 percent lower, because of the reduction in the revenue requirement to be paid from postage as a result of the public service appropriation and the one-time \$1 billion appropriation authorized by §2401(b), (d), than they would be set if those appropriations were not provided. The Postal Service has opposed this provision as an inappropriate complication of ratemaking and an unfair discrimination against one category of mailers.

Section 2(c) amends 39 U.S.C. §2003 to buttress the requirement of §2401(d) that the funds authorized by that section be applied against the accumulated operating indebtedness of the Postal Service. The Postal Service has made no objection to this provision.

Section 3 & 4 amend 39 U.S.C. §§3601, 3604 to require Senate confirmation of Postal Rate Commissioners and to make certain changes in Commission administration. The Postal Service has made no objection to these provisions.

Section 5 amends 39 U.S.C. §3624 to impose a limit of 10 months, following a Postal Service request for changes in rates or fees, for the Postal Rate Commission to provide its recommended decision to the Governors of the Postal Service, unless the deadline is extended under certain limited conditions. The Postal Service has favored this provision as necessary to prevent the kind of ratemaking delay that was largely responsible for the operating loss in FY 1976.

Section 6 amends 39 U.S.C. §3641 to permit temporary rates and fees to be established by the Postal Service only if the Postal Rate Commission fails its obligation to provide a recommended decision to the Governors within the deadline established under amended §3624. The Postal Service has opposed this provision as providing insufficient room for adjustment to rapidly developing circumstances that may be unexpected, such as the Arab oil embargo and subsequent rapid inflation.

Section 7 provides for the appointment of a Commission on Postal Service to "identify and study the problems facing the United States Postal Service and recommend actions to be taken to resolve those problems". The Commission must provide its report no later than March 15, 1977. The Postal Service has supported this provision as a welcome opportunity for a careful and impartial analysis of ways to maintain and improve the postal system despite continuing obstacles.

Section 8 enacts a technical amendment to 39 U.S.C. §3623(b) to provide that recommended decisions on mail classification initiated by the Postal Rate Commission without Postal Service request shall be provided to the Governors, not the Postal Service. The Postal Service has supported this provision.

Section 9 enacts new 39 U.S.C. §404(b) to establish standards and procedures for the closing or consolidation of post offices. Among the requirements are customer notice and opportunity to comment, a written decision on the record, and review by the Postal Rate Commission. The Postal Service has opposed this provision as unnecessarily complicated and inflexible, particularly in the case of small offices.

Section 10 amends 39 U.S.C. §3622(b) to add to the list of postal ratemaking factors "the education, cultural, scientific, and informational value to the recipient of mail matter". The Postal Service has opposed this provision as unsuited to professional ratemaking on the basis of a record and subject to judicial review.

Section 11 amends 39 U.S.C. §3626 to add the following new subsections. The Postal Service has opposed all of these provisions as narrow, special-interest exemptions from the general rules of eligibility for reduced rates of postage.

§3626(b), which redefines "periodical publication", for purposes of eligibility for second-class rates, to include college catalogs and course listings (including those relating to continuing legal education) and pages issued by a looseleaf reporting service concerning developments in law or public policy;

§3626(c), which makes one State conservation publication for each State eligible for special-rate second class; and

§3626(d), which defines the harvesting of marine resources as an agricultural activity, for purposes of eligibility for special-rate second class, special-rate third class, and library-rate fourth class.

Section 12 enacts 39 U.S.C. §3683(b), which extends eligibility for library-rate fourth class to books mailed from a publisher or distributor to a school, college, university, or library. The Postal Service has opposed this proposal as an expansion of a mail category intended to benefit schools and libraries to include a hidden subsidy for commercial book publishers.

POSTAL RATE COMMISSION
Washington, D. C. 20268

C. C. VILLARREAL
COMMISSIONER

September 11, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

You have requested the views of the Postal Rate Commission on H.R. 8603, a bill making various amendments to the Postal Reorganization Act of 1970 (39 U.S.C. § 101 et seq.). We understand that this bill has passed both Houses of Congress and that the President desires the views of the affected agencies as quickly as possible.

The Commission has followed the progress of H.R. 8603 through the Congress and has expressed its views in detail before the Committees having jurisdiction. The most recent such expression of our views was before the Senate Committee on Post Office and Civil Service, during hearings held on January 28, 1976. The bill before the Committee at that time was S. 2844, a predecessor version of the legislation now before the President. In most respects, the present bill and H.R. 8603 are similar; therefore, to expedite the communication of our views to you, we have reviewed and updated our statement before the Senate Committee. This statement is attached hereto as Appendix A.

The principal novelty in the bill now awaiting signature in comparison to the legislation on which we testified on January 28, is the delegation to us of the duty of reviewing Postal Service decisions to close post offices. (See H.R. 8603, § 9, amending 39 U.S.C. § 404.) The Commission believes that some new administrative procedures may have to be developed to execute this responsibility, and that it may also require an expansion of our present staff. 1/ Subject to those understandings,

1/ It would not seem possible, at this time, to estimate the additional workload, since both the Postal Service proceeding in the first instance and the Commission's reviewing function would be newly created by H.R. 8603.

Mr. James M. Frey
Page Two


we have no objection to § 9 of the bill.

H.R. 8603 would also require us to consider, in addition to the specific ratemaking criteria now contained in 39 U.S.C. § 3622, "the educational, cultural, scientific, and informational value to the recipient of mail matter". (See H.R. 8603, § 10.) While administration of this standard may prove somewhat complicated, we do not believe it inconsistent with the general tenor of the Postal Reorganization Act, and would have no objection to its enactment.

Sections 11 and 12 of H.R. 8603 make certain detailed changes in classification. The Commission takes no position for or against these changes.

If we can supply any further assistance, please call upon us.

Sincerely yours,


Carlos C. Villarreal
Vice-Chairman

Views of the Postal Rate Commission
Regarding Those Sections of H.R. 8603
Which Expand, or Modify, its Responsibilities Under
Under Title 39 U.S.C.

Proposed 39 U.S.C. § 2401(i)--Rate Limitation for Zone-Rated

Parcels. The Commission, in the Senate hearings, suggested alternatives to this section's numerical limitation of parcel post rate reductions.^{1/} While we believe either of our suggested changes would have represented better regulatory policy, the provision in H.R. 8603 would present no insurmountable administrative obstacles.

Proposed 39 U.S.C. § 3601--Organization of the Postal Rate

Commission. Section 3(a) makes a major change and one clarification in the organization of the Postal Rate Commission. The Commission has no objection whatever to the new provision requiring confirmation by the Senate of persons nominated to the post of Commissioner. Section 3 of the bill also calls for the election of a Vice Chairman of the Commission. In fact, the Commission has already provided for this position by a rule issued on July 2, 1975; it is essentially similar to the proposed statutory provision and if this amendment were enacted we would be able simply to continue our present arrangements.

^{1/} Statement of Clyde S. DuPont Chairman of the Postal Rate Commission Before the Committee on Post Office and Civil Service United States Senate at 31-32 (January 28, 1976).

Proposed 39 U.S.C § 3604--Administration of the Postal Rate Commission. H.R. 8603 contains an amendment important to Commission administration. We endorse this principle of centralizing employment functions in the Office of the Chairman. We are also pleased that our earlier recommendation of an exception to this principle, which retains collegial decisionmaking on the employment of the heads of major administrative units within the Commission, has been incorporated.

Proposed 39 U.S.C. § 3624--A Ten-Month Limitation on Commission Rate Proceedings. While the Commission originally disfavored the amendment of section 3624 of title 39 which requires that recommended rate decisions be issued within ten months of the filing of proposed increased rates and fees by the Postal Service, our experience in the recently-concluded Docket No. R76-1 has demonstrated this to be a reasonable goal.

Proposed 39 U.S.C. § 3641--A Ten-Month Moratorium After Filing on the Imposition of Temporarily Increased Rates and Fees. This provision incorporates a basic modification of the ratesetting power of the Postal Service. In our opinion, its operation must be carefully monitored to insure that it does not impair the ability to equate revenues and public service appropriations with total estimated costs as required by existing 39 U.S.C. § 3621.

The Commission on Postal Service (Section 7 of H.R. 8603).

In the Senate hearings, we noted that the proposed Commission would apparently be assigned responsibilities which could be or are being carried out by the Postal Rate Commission.

Section 7(c)(2) of the bill would provide the proposed Commission with the authority to call upon us for assistance, which we would be pleased to furnish, as far as our resources will allow.

STATEMENT BY THE PRESIDENT

I welcome the opportunity to sign H.R. 8603, the Postal Reorganization Act Amendments of 1976, because it represents the concerted efforts of the Administration, the Congress, and the U.S. Postal Service to find a long-term solution to our postal problems.

This bill establishes a seven-member blue-ribbon Commission to study the broad range of problems confronting the United States Postal Service. The Commission will report to the Administration and the Congress by March 15 of next year with its recommended solutions to these problems. During this period, there will be a moratorium on post office closings, rate increases, and service cutbacks.

To assure the maintenance of the current financial status of the postal system, this bill also authorizes financial assistance to the U.S. Postal Service for the purpose of reducing its accumulated operating debt.

I am pleased by the responsible and effective bipartisan cooperation that was evident in the drafting and passage of this legislation. Senator McGee of Wyoming, Senator Fong of Hawaii, and Congressmen Henderson of North Carolina, Derwinski of Illinois, Hanley of New York, and Johnson of Pennsylvania were especially helpful contributors to this effort.

No one pretends that this bill itself insures the long-term solution to our postal problems. That will evolve over a period of time during and after completion of the Commission's study. But I believe this bill is a positive and constructive step toward that goal.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 15

Time: 1245pm

FOR ACTION: Lynn May
Max Friedersdorf
Ken Lazarus
Doug Bennett
Robert Hartmann

cc (for information): Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 16

Time: noon

SUBJECT:

H.R. 8603-Postal Reorganization Act Amendments of 1976

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

K. R. COLE, JR.
For the President

Rec. 9/15/76 - 1:30 pm

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 15

Time: 1245pm

FOR ACTION: Lynn May
Max Friedersdorf
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REMARKS:

please return to judy johnston, ground floor west wing

9/15 - Copy sent for researching: *noted*

9/16 - Researched copy returned *4*

Approve & Statement

OR

Revised

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED

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James M. Cannon

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Rec. 9/15/76 - 1:30 pm

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

J.C. OK

Date: September 15

Time: 1245pm

FOR ACTION: Lynn May
Max Friedersdorf
Ken Lazarus
Doug Bennett

cc (for information): Jack Marsh
Jim Connor
Ed Schmults

*to Res 3:52
9-15
GAm*

*Robert Hartman
to DIS
9-16 11:50
GAm*

FROM THE STAFF SECRETARY

DUE: Date: September 16

Time: noon

SUBJECT:

H.R. 8603-Postal Reorganization Act Amendments of 1976

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- Draft Remarks

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James M. Cannon
For the President

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H.R. 8603

*See 7 P.S. H.R. 8603
Back-up U.S. Postal Service*

H.R. 8603

*Sam Williams
O.M.B.
Don Herney*

OK

OK

OK

OK

OK

OK

OK

OK

OK

OK

SUPPLEMENTAL APPROPRIATION FOR THE
POSTAL SERVICE

Communication From

The President of the United States

Transmitting

A Proposed Supplemental Appropriation for
the Postal Service for Fiscal Year 1976
and for the period beginning July 1, 1976,
and ending September 30, 1976, in the
amount of \$500,000,000; and for Fiscal
Year 1977 in the amount of \$505,900,000.

DRAFT

Executive Office of the
President
Office of Management and
Budget
Washington, D.C.
September , 1976

The President
The White House

Sir: I have the honor to submit for your urgent consideration a proposed supplemental appropriation for the Postal Service for fiscal year 1976 and the transition quarter ending September 30, 1976 in the amount of \$500,000,000; and for fiscal year 1977 in the amount of \$505,900,000, as follows:

POSTAL SERVICE
PAYMENT TO THE POSTAL SERVICE FUND

For an additional amount for "Payment to the Postal Service Fund" for fiscal year 1976 and for the period beginning July 1, 1976, and ending September 30, 1976, \$500,000,000.

For an additional amount for "Payment to the Postal Service Fund" for fiscal year 1977, \$505,900,000.

The details of this proposed supplemental appropriation, including the reasons for urgency in enacting these supplemental appropriations, are covered in the enclosed letter from the Senior Assistant Postmaster General, Finance Group, U.S. Postal Service.

In accordance with the provisions of law providing for this submission, I recommend that this proposed supplemental appropriation be transmitted to the Congress.

Respectfully,

James T. Lynn
Director

Enclosure

DRAFT

The White House
Washington, D.C.
September , 1976

The President of the Senate*
United States Senate
Washington, D.C. 20510

Sir: I ask the Congress to consider on a priority basis a proposed supplemental appropriation for the Postal Service for fiscal year 1976 and for the period beginning July 1, 1976 and ending September 30, 1976, in the amount of \$500,000,000; and for fiscal year 1977 in the amount of \$505,900,000.

The details of this proposal, including urgent reasons for enactment of this proposal prior to adjournment of the Congress, are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

Gerald R. Ford

*Identical letter to the Speaker of the House

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 15

Time: 1245pm

FOR ACTION: Lynn May
Max Friedersdorf
Ken Lazarus
Doug Bennett

cc (for information): Jack Marsh
Jim Connor
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: September 16

Time: noon

SUBJECT:

H.R. 8603-Postal Reorganization Act Amendments of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

approve
Kelly 9/15/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon
For the President

THE WHITE HOUSE

WASHINGTON

September 16, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: HR 8603 - Postal Reorganization Act
Amendments of 1976

The Office of Legislative Affairs concurs with the agencies
that the subject bill be approved. (Signing Ceremony requested)

Attachments

STATEMENT BY THE PRESIDENT

I welcome the opportunity to sign H.R. 8603, the Postal Reorganization Act Amendments of 1976, because it represents the concerted efforts of the Administration, the Congress, and the U.S. Postal Service to find a long-term solution to our postal problems.

This bill establishes a ^{Seven} 4-member blue-ribbon Commission to study the broad range of problems confronting the United States Postal Service. The Commission ^{will} ~~is to~~ report to the Administration and the Congress by March 15 of next year with its recommended solutions to these problems. During this period, there will be a moratorium on post office closings, rate increases, and service cutbacks.

To assure the maintenance of the current financial status of the postal system, this bill also authorizes financial assistance to the U.S. Postal Service for the purpose of reducing its accumulated operating debt.

I am pleased by the responsible and effective bipartisan cooperation that was evident in the drafting and passage of this legislation. Senator McGee of Wyoming, Senator Fong of Hawaii, and Congressmen Henderson of North Carolina, Derwinski of Illinois, Hanley of New York, and Johnson of Pennsylvania were especially helpful contributors to this effort.

No one pretends that this bill itself ^{insures} ~~is~~ the long-term solution to our postal problems. That will evolve over a period of time during and after completion of the Commission's study. But I believe this bill is a positive and constructive step toward that goal.

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FOR IMMEDIATE RELEASE

SEPTEMBER 24, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

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#

POSTAL REORGANIZATION ACT AMENDMENTS OF 1975

JULY 24, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HANLEY, from the Committee on Post Office and Civil Service, submitted the following

REPORT
together with
INDIVIDUAL VIEWS

[To accompany H.R. 8603]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 8603) to amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended to pass.

AMENDMENT

The amendment strikes out all after the enacting clause and inserts in lieu thereof a substitute text which appears in italic type in the reported bill.

EXPLANATION OF AMENDMENT

The amendment proposed by the Committee strikes out all after the enacting clause and inserts in lieu thereof the substitute text, which is contained in italic type in the reported bill. The explanation of the provisions of the amendment is contained in the explanation of the bill set forth hereinafter in this report.

PURPOSES

The major purposes of H.R. 8603 are as follows—

To provide authorization for increased appropriations through Fiscal Year 1979 to reimburse the Postal Service for public service costs.

To authorize, on a one-time basis, the immediate implementation of a limited temporary postal rate increase.

To revamp Postal Rate Commission procedures in order to expedite postal rate and classification cases.

To establish a study commission to report on matters relating to the Postal Service concerning public service and costs, rate making procedures, allocations of costs among the various classes of mail, and oversight systems for controlling postal costs.

COMMITTEE ACTION

The Postal Service Subcommittee of the Committee on Post Office and Civil Service held seven days of hearings on H.R. 15511 during the 93rd Congress (Hearing No. 93-53). H.R. 15511 dealt with the major issues encompassed in H.R. 8603 relating to authorization for increased appropriations and Postal Rate Commission procedures. Based on these hearings, a new bill was drafted and introduced as H.R. 2445 in the 94th Congress. Additionally, the Subcommittee held five days of hearings on H.R. 2445 during February and March (Hearing No. 94-4).

On July 11, 1975, the Subcommittee on Postal Service adopted several amendments to H.R. 2445 and, by voice vote, ordered reported a clean bill (H.R. 8603) incorporating these amendments.

On July 23, 1975, the Committee on Post Office and Civil Service ordered H.R. 8603 reported, as amended, by a unanimous voice vote.

STATEMENT

BACKGROUND

Enactment of the Postal Reorganization Act of 1970 was prompted by the need for sweeping reforms in postal policies, operations and rates. The law was unquestionably the most important and far reaching postal legislation ever considered by the Congress. It was universally felt that enactment of this legislation would cure the many ills that beset the former Post Office Department so that postal services could keep pace with the other advances in the nation.

The Committee, in exercising its oversight functions, determined that the newly created United States Postal Service should have a reasonable time to implement the reforms embodied in the Postal Reorganization Act. The United States Postal Service commenced operations on July 1, 1971, and for the most part, until 1973, the Committee took the view that the Postal Service should be allowed to operate independently, without congressional interference, fully expecting the apparent deficiencies to be corrected within a reasonable period of time. In 1973, it became obvious to the Committee that the great expectations which resulted from the enactment of postal reform were in need of corrective action by legislation.

The two subcommittees with oversight functions over the Postal Service as well as our former Investigations Subcommittee undertook vigorous oversight hearings beginning during the 93d Congress in order to determine the root of the problem. It was clear to the Committee and its subcommittees that the break even concept embodied in the Postal Reorganization Act compelled the Postal Service to look upon itself as more of a business than a public service. It also became

obvious that the rate setting mechanisms established under the act were not functioning as originally intended.

Although the Postmaster General in 1973 announced that the Postal Service had turned the corner and was well on the way to self-sufficiency, the Committee perceived clear indications that the situation was worsening. Events since that time have proven that the Committee's assessment was correct.

In 1974, the Postal Service loss after having received some \$1.7 billion in appropriations, was \$448 million. During the past fiscal year, the loss almost doubled to an alarming \$850 million. The projected loss for fiscal year 1976 is estimated to be in excess of \$1.6 billion.

This dire financial condition required the Postal Service to exercise its borrowing authority under the act to cover its operating costs. It is anticipated that by September of this year, the Postal Service will have borrowed a total of \$1.5 billion to cover only operating expenses. Although the Postal Service has reflected a new attitude relating to public service and has attempted to be more responsive to the needs of the American public, the financial crisis has taken its toll in this regard.

If the postal laws are to remain unchanged, the financial crisis faced by the Postal Service may result in unpaid bills, unmet payrolls, and radical cuts in service within the next six months. The Committee concludes that the major reasons for this crisis emanates from an intolerable turn over within the top management in the Postal Service, as well as inefficiencies, failure of the Postal Rate Commission to act expeditiously on rate cases, a severe inflationary impact which appears to have effected the Postal Service more disastrously than most other segments of our economy, and the public service nature of the Postal Service which obviously prevents it from reacting as a normal business would during times of financial crisis.

H.R. 8603 addresses itself to these problems and, in the opinion of the Committee, would provide the needed impetus and resources for the Postal Service to correct many of its shortcomings, as well as deficiencies in the law, thus enabling the Postal Service to fulfill its responsibility in continuing its vast communications network, so essential to the commercial, cultural, and social life of the country.

SUMMARY OF THE BILL

APPROPRIATION FOR PUBLIC SERVICE

The bill would provide a new formula for computing a public service appropriation authorization through fiscal year 1979. The formula would result in an authorization of \$1.7 billion for fiscal year 1976. Currently, the law authorizes \$920 million annually (based on 10% of the 1971 appropriation to the former Post Office Department).

The bill does not alter the formula used in determining appropriations for revenue foregone under 39 U.S.C. 2401 (c).

The Committee is of the opinion that the current statutory formula for public service is arbitrary and bears no known relationship to the actual costs the Postal Service incurs in providing its public service in compliance with the postal policy under the Postal Reorganization Act of 1970.

We recall that the Postmaster General in 1969, vehemently opposed any appropriation for this purpose. The Congress, on the other hand, recognized the public service nature of the Postal Service and insisted that some appropriations for this purpose were necessary. The Committee has concluded the figure finally decided upon has proved to be insufficient.

It should be noted that existing law provides for additional public service appropriations beyond 1979 on a declining basis until 1984, when the level reaches \$460 million annually.

H.R. 8603 eliminates the above formula and replaces it with an authorization for appropriation equal to \$35 for each delivery address. There are approximately 74 million such delivery addresses, resulting in an annual authorization of approximately \$2.6 billion in public service funding for a net increase of about \$1.7 billion per year over current levels. The amount authorized will tend to increase slightly over the four-year period since the Postal Service estimates that approximately one million delivery addresses are added every year.

Thus, H.R. 8603 would provide for a temporary substantial increase in the allowed level of funding from the general treasury to the Postal Service. The provision authorizing this level of appropriations for only four years should not be taken to imply that Congress expects or wishes the Postal Service to be on a pay as you go basis by 1979. The Committee feels strongly that periodic authorizations of this nature, as opposed to permanent authorizations, are important tools in assisting the Congress to evaluate the effectiveness and efficiency of postal operations. Periodic authorizations will give Congress a greater role in determining the proper direction of postal policy without returning the Postal Service to the immense legislative and political restrictions placed on its predecessor prior to 1970.

In addition, the Committee in adopting this new formula, has recognized that the question of what public service is, should not be left to determination by the Postal Service, but that such determination should be and is the prerogative of the Congress. In tying the authorization to the delivery of mail, the bill demonstrates that this postal activity is an element of public service which must be adequately provided by the United States Postal Service.

Hence, this bill spells out the methods of delivery which the Postal Service must maintain. The report will address itself to this question more fully later in this report.

Although the bill ties in the authorization for appropriation to the one element of public service, the Committee wishes to make clear, that there may be other equally important elements which are expensive, but just as important to the mission of the Postal Service.

The necessity for prompt action on this legislation has prompted the Committee to refrain from an attempt to identify these other elements and thus complete its task in this regard. Hence, the authorization ceases after 1979, during which time the Committee will consider all aspect of public service, which may be an additional basis for appropriations for 1980 and beyond.

In addition, the legislation proposes to establish a Commission on the Postal Service which will report to the Congress, within two years of the enactment of this bill, on the question of identifying public

service and costs resulting therefrom, as well as three other postal related matters. Hereinafter in this report, the make-up and function of this Commission will be discussed in detail.

DELIVERY REQUIREMENTS

The Postal Service has recently established a policy that almost no new residential developments are eligible to receive door-to-door delivery. The new regulations for postal delivery services encompass the following:

- (1) The Regional Postmaster has the sole discretion to extend door-to-door delivery to new residential areas.
- (2) No local option is provided for door-to-door delivery in new areas.
- (3) In new residential housing areas, the delivery options open to the local postmaster are limited to: curblin or clusterbox, within 300 feet of the residence.
- (4) In new mobile home parks the options are curblin, clusterbox or delivery to the management for further distribution by other than postal employees.
- (5) The only circumstances under which door-to-door delivery will continue are for residences built to fill-in an area already receiving door delivery and extreme hardship cases approved by the Regional Postmaster General.
- (6) Where municipal or county ordinances prohibit curblin delivery, the only no cost options are clusterbox delivery, general delivery or no service at all.

In many new areas, curblin boxes are prohibited by local ordinance, thus under the regulations they will be served only by clusterboxes.

The Committee concludes that the alternatives provided by these regulations are not acceptable.

Therefore, H.R. 8603 establishes certain standards of delivery, provided the Congress appropriates the full amount authorized for public service appropriations, and involves local jurisdictions in some of the decisions regarding adequate mail delivery.

The bill requires the Postal Service to provide door-to-door delivery or curblin delivery to all permanent residential addresses entitled to city delivery. The Postal Service's option to provide curblin delivery in these cases would be denied in any case in which the appropriate unit of local government has adopted a zoning ordinance in the interest of the public safety prohibiting such structures on the property adjacent to the curblin.

Clusterbox delivery could be provided by the Postal Service only if the appropriate local governing body approves it.

The thrust of the language is to guarantee a high level of delivery service to the public and to give local governments a voice in Postal Service decisions which affect the quality of local service.

PARCEL POST

Under the provisions of the Postal Reorganization Act, each regular class of mail or type of mail service, including parcel post, is re-

quired to pay rates which cover those direct and indirect costs attributable to such class plus a portion of all other postal costs reasonably assignable to such class or type. The public service appropriation has been used by the Postal Service to reduce the overall revenue requirement and thereby reduce rates to some extent for all classes. Although parcel post shares in this systemwide benefit, it does not receive the benefit of any funds appropriated under 39 U.S.C. 2401(c) for revenue forgone.

H.R. 8603 amends section 2401(b) by adding a new paragraph (3) designed to leave intact the policy that parcel post shall share in the systemwide benefit resulting from public service appropriations, but at approximately the same level as parcel post presently benefits from that policy. This is intended to be accomplished by prohibiting a reduction of more than 10% in the parcel post rates which are established from those rates which would be established had the funds authorized under the new section 2401(b)(1) not been appropriated.

The purpose of this provision is to allow parcel post rates to benefit in some limited degree by the appropriation to reimburse the Postal Service for public service costs.

The Committee intends by this legislation to clearly define this limited benefit so that the rates for this zone rated mail matter cannot be reduced by more than 10% of what they would have been were it not for the public service appropriations.

The Committee is of the opinion that this limited benefit is both fair to postal patrons who utilize parcel post and to those private enterprises who compete with the Postal Service in this regard.

MISCELLANEOUS POSTAL RATE COMMISSION PROVISIONS

H.R. 8603 contains three major revisions of existing law which relate to the Postal Rate Commission.

Existing law empowers the President to appoint the five Commissioners of the Postal Rate Commission, without the advice and consent of the Senate. The bill would require Senate confirmation of the Commissioners, except that those Commissioners currently holding office would not be subject to Senate confirmation for their present terms.

Currently, section 3601 of title 39, United States Code, requires that Postal Rate Commissioners be appointed on the basis of professional qualifications. The intent was to have a Commission consisting of experts in those fields related to postal and rate matters. Unfortunately, most appointees to the Commission have not fulfilled these expectations, however excellent they may have been in their former positions. Senate confirmation would help assure appointment of the most qualified people and would also place Postal Rate Commissioners in the same status as members of other regulatory bodies, most of whom are appointed with the advice and consent of the Senate.

H.R. 8603 also contains a provision requiring the annual election of a Vice Chairman, by the Commission, who would act as Chairman in the absence of the Chairman or when there is a vacancy in that position.

In 1973, the chairmanship of the Commission was vacant for a total of five and one-half months. A Commissioner was designated Vice

Chairman on a week-to-week basis. As a result, the Commission was left without substantial leadership for much of the year.

Although the Commission has the inherent authority to elect a Vice Chairman to serve for longer periods, it has chosen not to do so until most recently. The Committee feels that the function of the Postal Rate Commission in the setting of postal rates is too important a function to be left without strong leadership on its part. This provision would help accomplish this end.

The bill also provides that if a sitting Commissioner is not reappointed, he or she may continue to sit until a successor has been appointed. Current law provides that a Commissioner who is not reappointed must step down at the end of his appointment. In one case, the seat remained vacant for several months, thus severely hampering the work of the Commission. This provision would help in keeping the Commission up to strength and encourage more rapid decisions on appointments than has been the case to date.

H.R. 8603 would increase the authority of the Chairman to administer and assign the work of the Commission to the other Commissioners and their employees. The interpretation placed on existing law denying the Chairman this authority has prompted the Committee to act in this regard.

The result of this interpretation has been that many decisions which are administrative in nature, such as the hiring of employees, the assignment of work and even simple items such as letters and announcements, are decided upon by the Commission as a whole. Such action has led to inefficiency and unnecessary delays in administrative actions. This provision would in no way affect the power of the Commissioners to vote or make decisions on pending or future cases requiring a majority vote of the Commission, such as in rate and classification cases.

The bill would also remove the budget of the Postal Rate Commission from any connection with or controls by the Postal Service. Under existing law, the Commission is required annually to present its proposed budget to the Postal Service, whose Board of Governors may, by unanimous vote, alter the proposed budget. In addition, the budget for the Commission is currently funded from the Postal Service fund.

The Postal Rate Commission was intended as an independent body which is supposed to regulate certain aspects of the Postal Service. The fact that the regulated entity is able to control the funds of the regulator is most unusual, if not highly contradictory. While the Committee has no evidence or heard complaints to the contrary, the potential for abuse is intended to be removed by this provision.

Also, the regulatory function of the Postal Rate Commission should more properly be viewed as a function of general government benefiting all citizens. There is no apparent reason why mail users should pay for such regulation through postal rates.

SIMPLIFIED POSTAL RATE COMMISSION PROCEEDINGS

H.R. 8603 would simplify Postal Rate Commission procedures by removing the requirements under existing law that hearings and proceedings held by the Postal Rate Commission be conducted as adjudicatory-type hearings under Sections 556 and 557 of title 5, United

States Code. Instead, the Commission would be required to hold simpler, legislative-type hearings.

Since the Postal Rate Commission was established, much concern has been expressed over the inability of the Commission to act expeditiously on rate and classification cases pending before it. The first rate case took 17 months to complete and the second, the current rate case, has been pending since September 25, 1973. Another concern has been the extremely high cost to mail users for effective intervention in rate cases. Estimates as to the accumulated costs for intervenors run into the millions of dollars.

A substantial reason for the length and cost of cases is the fact that adjudicatory-type hearings, designed to settle specific questions of fact, are required. Given the great complexity of postal rate cases, long and costly hearings appear to be inevitable under such procedures. While the procedures are critical in certain types of rate cases, the Committee has concluded that the hearing procedures required by Sections 556 and 557 of title 5, United States Code, are not necessary for the setting of postal rates, the establishment of classification schedules, consideration of changes in postal services or the hearing of rate and service complaints.

There is little disagreement over the inapplicability of these procedures for the latter two types of cases. Some disagreement has been expressed about the desirability or applicability of legislative-type hearings for postal rate cases and classification case.

The Administrative Conference of the United States, however, agrees with the provisions in H.R. 8603 in this regard, and outlines its position with which the Committee agrees.

In a letter to Chairman Henderson, Robert A. Anthony, Chairman of the Administrative Conference of the United States, states in part:

Trial-type procedures have customarily been required for certain kinds of ratemaking, and where the focus of the rate-making proceeding is on fixing a fair return to a regulated enterprise based on the value of its property, see, e.g., *Federal Power Comm. v. Hope Natural Gas Company*, 320 U.S. 591 (1944), such procedures are appropriate and perhaps constitutionally necessary. But from the magnitude of the Postal Service's operations and the range of considerations which the Postal Rate Commission is required by Sections 3622 and 3623 (title 39, United States Code) to take into account it is evident that the Commission must concern itself primarily with matters of general significance to the Postal Service and to its customers, the economics of the postal system as a whole and the effects of particular proposals on classes of mail users. Therefore, the proceedings before the Commission are likely to involve questions of policy and questions of legislative rather than adjudicative fact. See *Association of American Publishers v. Governors of the United States Postal Service*, 483 F. 2d 768, 773-75 (D.C. Cir. 1973). For the resolution of such question formal trial-type procedures are seldom appropriate.

Adoption of simpler procedures, therefore, would greatly reduce the length of proceedings before the Postal Rate Commission, would

allow intervenors without vast resources to have more effective representation before the Commission, and would considerably cut costs to mail users without substantially reducing anyone's right to be heard.

TEMPORARY CHANGES IN RATES OF POSTAGE AND CLASSES OF MAIL

Under existing law, the Postal Service is granted authority to establish temporary rates if the Postal Rate Commission has not rendered a recommended decision within 90 days after it receives a request for a recommended decision from the Postal Service. Increases reflected in such temporary rates may not exceed one-third of the permanent rates then in effect. The Postal Service is also empowered to place temporary mail classifications into effect if the Postal Rate Commission has not completed action within 90 days after it receives a request to do so. It should be noted that the provision regarding establishment of temporary classes of mail does not apply to the first mail classification case filed under the Postal Reorganization Act. This matter has now been pending before the Postal Rate Commission for more than three years.

One criticism of the current provisions regarding temporary rates is that it gives the Postal Service too much control over the rate process. Given the Postal Rate Commission's relative slowness in deciding rate cases, temporary rates established by the Postal Service have been in effect for longer periods of time since 1971 than permanent rates which have resulted from Postal Rate Commission actions. Be that as it may, some temporary rate mechanism is necessary to protect the Postal Service revenue which could suffer from protracted proceedings.

In view of the new procedures which would be imposed on the Postal Rate Commission, a new temporary rate and classification mechanism appears to be appropriate.

H.R. 8603 accomplishes this purpose by completely rewriting the provisions relating to the establishment of temporary rates and classes of mail by the United States Postal Service.

H.R. 8603 would require the Postal Rate Commission to render a recommended decision within 10 months after it has received a request for changes in rates or mail classification from the Postal Service. The ten-month period could be extended by one day for each day the Commission determined the Postal Service had delayed proceedings. This provision is designed to prevent the Postal Service from being intentionally dilatory in responding to Commission requests for data and the like.

If the Commission did not act within 10 months, the Postal Service could then place temporary rates into effect, not to exceed the permanent rates requested. These temporary rates could remain in effect for 150 days after the Commission submitted its recommended decision.

In classification cases, the recommended changes in classification would be placed into effect by the Postal Service on a temporary basis, after the ten-month period had elapsed.

Since its authority to establish temporary rates would occur near the completion of a rate case, rather than near its inception, the Postal Service would be less apt to control the rate structure and the Postal Rate Commission would have added incentive to complete its work in a timely fashion.

College catalogs and looseleaf services

H.R. 8603 would insure continuation of second class mailing privileges to college catalogs and bulletins and looseleaf publications.

College bulletins and catalogs and looseleaf publications have been routinely admitted to second class for many years. In a reversal of long accepted policy, however, the Postal Service has begun administrative proceedings to revoke these privileges because college bulletins and catalogs and looseleaf publications, it claims, are not "newspapers and other periodical publications within the meaning of the law."

In the case of college bulletins and catalogs, this already has resulted in initial administrative decisions revoking the second-class privileges of several publications admitted to second-class mail as long ago as 1904. In addition, more than 50 looseleaf publications, many of which have been admitted to second-class mail for 20 years or more, are also threatened with the loss of the privilege.

College bulletins and catalogs are a public service. They provide current information to faculty, students, and prospective students concerning the programs offered by colleges and universities. The revocation of these privileges would deny the speed, reliability and economy of second-class mail to institutions that must widely distribute information concerning their programs but cannot afford the higher costs of first-class distribution.

Looseleaf publications provide current news concerning developments in the law and public policy to specialists who must be currently informed on the latest developments in areas of developing regulation. Foremost in this category are educators. These services are a most important element in the circulation to the public of information about our laws and governmental policies. Colleges, universities, public libraries, and many other publicly supported institutions are among the major subscribers to these publications. As one expert in library science has put it, looseleaf publications are "a must" for any respectable law library. Another major classification of subscribers to these services are Federal, State, and local governmental organizations and agencies.

The importance of these publications in providing current news to the public concerning developments in the law and government policy was recognized by the Congress last year during its consideration of the Freedom of Information Act amendments. That act required Federal agencies to public indexes of statements of policy and opinions and orders made in the adjudication of cases. The Department of Justice in commenting on the bill, noted that some looseleaf publications provided the same service and to require the Government to do so as well, "would be an inefficient and expensive duplication of function." The Congress accepted the Department's comments, specifically recognized the role of looseleaf publications in carrying out the aims of the Freedom of Information Act, and concluded that: "Where agency indexes are now published by commercial firms . . . such publication would satisfy the requirement of this amendment . . ."

The revocation of second-class mailing privileges of looseleaf publications would have a severe impact upon the dissemination of important and vital information concerning governmental activities and

affairs. The very reason of the existence of these periodicals is the delivery of the most current information available. Frequently, the looseleaf publications are the first and often they are the only source of reliable information about changes in the law and regulations and policies by the Federal, State, and local governments. To meet this need, issues of the looseleaf services are often published on a weekly basis and special additional bulletins are not infrequent. If issues of the looseleaf publications were sent as third- or fourth-class mail—with its slower and less reliable services—the value of looseleaf publications as a service of important and current information will be impaired if not destroyed entirely.

The language concerning college catalogs and looseleaf publications is similar to that contained in H.R. 7735 sponsored by Representative William D. Ford.

State conservation magazines

H.R. 8603 also allows magazines published by State conservation agencies to be mailed at second-class nonprofit rates. Under existing law, State conservation magazines are mailed at the same rate utilized by commercial magazines. Unlike their commercial counterparts, however, these magazines are, almost without exception, published without the benefit of advertising revenue, and the burden of postage constitutes a drain on the fish and game funds of States which represent revenues derived from hunter's and angler's license sales.

In 1951, Congress extended preferred rates for certain second-class and third-class mail when mailed by qualified nonprofit organizations including "religious, educational, scientific, philanthropic, agricultural labor, veterans, or fraternal organizations not organized for profit." From the outset the Post Office Department interpreted this provision as not extending the special rates to second-class mail sent by governmental bodies.

In 1962, Congress amended the definition of "qualified nonprofit organizations" eligible for preferred second-class rates to include "one publication published by the official highway agency of a State."

Again, in 1967 Congress amended the definition of "qualified nonprofit organization" to include a "development agency of a State."

H.R. 8603 would simply amend the definition of "qualified nonprofit organization" to include "one conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildlife resources of such State."

National and State political parties

The bill would also permit national and State political parties which qualify for tax credit eligibility under Section 41 of the Internal Revenue Code to mail under second- and third-class nonprofit rates.

The Federal Election Campaign Act of 1974 imposes new and relatively severe financial responsibilities on national and State political parties. Under the law, both the Democratic and Republican National Committee have the right and responsibility to spend approximately \$9 million on Federal candidates during an election year. Also, State parties can spend a combined total of \$6 million on respective Federal candidates. These are the only organizations, under the law, which can

spend these funds. If the funds are not available, the parties will be unable to fulfill this function. The new funds are in addition to current budgets, thus requiring current fund raising by parties.

The law also imposes strict new contribution limitations. Thus, the major parties must expand their bases with a large number of small contributors. This can be done most effectively by direct mail, but increased postal rates for third class mail make this a most costly operation.

Both the Democratic and Republican National Committees have jointly asked the Postal Rate Commission to expand the nonprofit definition to include political parties. The Postal Service has opposed this application, contending that such action is more properly a legislative function.

In 1971, H.R. 5095 was introduced to achieve that objective. The bill did not receive action largely because of the difficulty of determining eligibility. Since that time, new laws regarding tax credits for contributions to political parties have established a clear set of criteria for eligibility. This legislation would apply only to state and national parties.

Enactment of H.R. 8603 would strongly support the ability of parties to broaden their base of contributions and to encourage the average citizen to play a greater part in the political process.

LIBRARY RATE

Section 13 amends Section 3683 of title 39, United States Code, to permit books, when mailed by a publisher or distributor to a school, college, university or library, to be entitled to the library rate.

The current library rate does not apply to books mailed from publishers and distributors to libraries, schools, colleges and universities, however it does apply to books mailed between libraries. The postal charges are paid by the schools and libraries either as part of the basic price or as a surcharge for postage.

The current book rate is 19 cents for the first pound and 9 cents for each additional pound. The current library rate is 7 cents for the first pound and 3 cents for each additional pound.

Libraries and schools currently receive at least half their books by mail. As a result, every dollar paid for book postage further erodes library and school budgets. The situation is worse for small rural libraries and schools which receive an estimated 90 percent of their books by mail. Under this amendment, these libraries would benefit from the lower rate.

The potential cost of applying the library rate to this situation is considered a minor item in postal finances.

REPORTING REQUIREMENTS

The bill would amend chapter 4 of title 39 by adding a new section 413 to require certain reporting requirements to be carried out by the United States Postal Service on a regular, current basis, along with whatever further information the Postal Rate Commission deems appropriate. Under this section, the Postal Service shall furnish to the Postal Rate Commission information with respect to—

- (1) internal Postal Service management matters;

- (2) plans and policies of the Postal Service with respect to proposed changes in the nature of postal services; and

- (3) evaluations undertaken by or at the direction of the Postal Service with respect to the operation of the Postal Service.

The Postal Service is also required to provide to the Commission any information which the Commission considers necessary or appropriate for the effective evaluation of the operation of the Postal Service.

REVIEW AND HEARINGS

H.R. 8603 amends chapter 36 of title 39 by adding a new section 3605 dealing with the authority of the Postal Rate Commission to initiate reviews and hearings.

Under this section, the Postal Rate Commission is granted authority to initiate reviews and hearings with respect to the activities of the Board of Governors and the Postal Service. The Commission is granted the authority to issue subpoenas, signed by the Chairman of the Commission, to compel the production of evidence and the testimony of witnesses with respect to any hearing held by the Commission under its authority. This subpoena power is enforceable by a contempt citation in an appropriate district court.

COMMISSION ON POSTAL SERVICE

H.R. 8603 establishes the Commission on Postal Service. The Commission will consist of five full-time members, selected as follows: two appointed by the President, and one each appointed by the President pro tempore of the Senate, the Speaker of the House of Representatives, and the Postmaster General.

The principal function of the Commission will be to examine the public service aspects of the United States Postal Service. The Commission first will identify and define the elements of the Postal Service that properly can be regarded as public service responsibilities. These responsibilities are imposed by law on the Postal Service. After identifying these public service elements of the Postal Service operation, the Commission will determine the cost for providing these public services and also will develop guidelines for defining and estimating such costs in the future. In examining the public service aspects of the Postal Service, the Commission is specifically directed to identify the estimated deficit resulting from the operation of the Postal Service in accordance with the policies of the Postal Reorganization Act.

The Commission also will study the extent to which Congressional appropriations shall subsidize the public service aspects of the Postal Service and recommend a detailed plan for providing such a subsidy. In reaching that recommendation, the Commission must consider the social and economic benefits of the postal system to mail users and recipients of the mail, the capacity of the various mail users to absorb the full costs of the postal system, the extent to which the public in general should pay for an efficient nationwide postal service, the relative economic and social benefits of other uses of public and private funds, and the need of the Postal Service for adequate and dependable financing. Consideration of these five factors assures that the Commission will balance the needs of the public, the mail users, and the Postal Service in recommending an adequate subsidy plan.

Examination of the public service aspects of the postal service and their cost and evaluation of various subsidy plans is necessary to resolve the current dispute over the nature and extent of public service costs. By analyzing public service costs more thoroughly, the Commission will develop a more accurate formula for defining these costs and determining the level of the subsidy.

The Commission also will study the current procedures for setting postal rates and will recommend any changes that will make those procedures more efficient and economical. Any recommendation that the Postal Rate Commission should be abolished, however, must be accompanied by a proposal for a new ratemaking system that will assure independent review of changes in postal rates. The Commission is specifically directed to consider a ratemaking procedure that would allow the Postal Service to raise postal rates unilaterally, except that any rate increases that exceeded changes in consumer prices would have to be approved by a body independent of the Postal Service. The Commission also will study the reasonableness of the ratemaking criteria established in section 3622(b) of title 39. More specifically, the Commission will consider the usefulness of a statutory requirement that the attributable costs of particular classes of mail or mail service be based on the mail volume associated with that class or service. This requirement to study ratemaking factors and cost attribution is designed to resolve the longstanding dispute over the level of attributable costs for each class of mail that has plagued the ratemaking proceedings of the Postal Rate Commission.

In recognition of the tremendous increase in the costs of the postal service since 1970, the Act directs the Commission to study the causes of those increases and to consider various methods for reviewing and controlling postal costs on a regular basis. The Commission may discover that only Congress can provide the necessary review of the capital and operating costs of the Postal Service, it may conclude that the Postal Rate Commission is uniquely situated to assume such an oversight role, or it may recommend that a new system be established to review and exercise some control over the costs of this multi-billion dollar operation.

To assure that the Commission undertakes a thorough examination of these problems, that it completes its work efficiently, and that ultimately it achieves the objectives the law establishes, the law imposes a unique requirement that the Commission submit to the President and each House of Congress detailed interim progress reports four times annually. These quarterly reports will contain a description of the Commission's work up to that stage of its proceedings, will present initial findings and conclusions concerning the Commission's objectives, and will report any difficulties the Commission has encountered in examining various aspects of the Postal Service. By detailing the work of the Commission and its progress in achieving its goals, these interim progress reports will assure the continued participation of the President and the Congress in the proceedings of the Commission.

Congressional participation in the proceedings of the Commission also is achieved by the requirement that all meetings, hearings, conferences or other proceedings of the Commission shall be open to the chairmen of the appropriate congressional committees or their desig-

nees. This provision provides a reasonable mechanism for the Congress to make its views on various aspects of postal service known to the Commission, and to share its expertise on postal matter with the Commission. By taking into account the observations of Congress, the Commission will arrive at a more balanced and thoughtful final report.

IMMEDIATE LIMITED TEMPORARY RATES

H.R. 8603 would authorize the Postal Service to place into effect upon ten days' notice in the Federal Register, temporary changes in rates or fees. These temporary rates would reflect across-the-board increases and could not exceed 120 percent of the rates proposed as permanent rates by the Postal Service in its last request to the Postal Rate Commission, dated September 25, 1973.

Prior to the adoption of this amendment in the Committee by a vote of 19 yeas, 8 nays, provisions in the bill would have repealed the existing statutory authority granted the Postal Service to establish temporary rates, and replaced it with the alternative temporary rate setting authority previously discussed in this report.

The practical effect of this provision would have delayed the possibility of any rate increase from January 1976, which would be permissible under current law, to sometime in August of 1976, seven months later.

The Postal Service estimates that it loses some \$250 million for each month that postal rates are not increased. Thus, the additional seven months delay would result in a revenue loss of \$1.75 billion to the Postal Service during this period, or \$50 million more than they would receive under the additional public service appropriations authorized under this bill.

The ultimate result would be to compound and weaken the financial position of the Postal Service rather than alleviate it, which is the main thrust of this bill.

The Committee is of the opinion that this initial temporary rate authority is absolutely essential if the Postal Service is to be expected to carry out the congressional mandate under the Postal Reorganization Act of 1970.

The Committee wishes to stress two points:

First, enactment of this provision does not constitute rate setting by the Congress or, in other terms, a vote for a postal rate increase.

It merely shortens the time period by some 80 days, within which the Postal Service can establish temporary rates. As stated, if existing law were to remain unchanged, the Postal Service would probably establish temporary rates in January 1976. If this bill were enacted by October 1 of this year, the Postal Service would then be able to establish the temporary rates by October 10, or 80 days sooner.

Second, enactment of this provision would limit the amount of temporary rate increases the Postal Service could put into effect.

If existing law were to remain unchanged, the Postal Service would, as it has stated, probably increase the cost of first-class mail from 10 to 13 cents an ounce in January 1976.

Enactment of this provision would limit such an increase to 20 percent of the 1973 request from the Postal Service to the Postal Rate Commission, thus resulting in first-class postage of 12 cents an ounce.

SECTIONAL ANALYSIS

Section 1 provides a short title for the bill, "The Postal Reorganization Act Amendments of 1975.

Section 2 revises section 2401(b) of title 39, United States Code, to authorize an increase in the amount of appropriated funds available to the Postal Service for defraying the costs of "public services." Under existing law, enacted in the Postal Reorganization Act in 1970, the maximum amount of public service appropriations available is \$920 million. The new provisions would authorize an appropriation of \$35 for each delivery address served by the Postal Service.

The Committee believes that the recent Postal Service estimate of approximately 74 million delivery addresses for fiscal year 1974 was based on an appropriate method of determining the total number of delivery addresses served at that time, and would produce an authorization of funds to carry out the Committee's intent to increase public service appropriations from \$920 million to about \$2.6 billion. The Committee recommends that the Postal Service utilize its authority under 39 U.S.C. 401(2) to issue regulations to define "delivery addresses" in accordance with the administrative determinations used to arrive at the 74 million estimate.

As the number of delivery addresses increases, the amounts authorized to be appropriated will also increase.

Section 2, as hereinbefore described, also establishes service requirements for door delivery and curbside and cluster-box delivery by the Postal Service in urban or predominately urban areas.

Section 2401(b)(3), as amended by section 2, imposes a limitation upon use of appropriated funds under 2401(b)(1) to reduce the rates applicable to parcel post. The new section 2401(b)(3) would prevent the rates for parcel post being reduced by more than 10 percent from the rates which would be applicable if public service appropriations were not appropriated.

Section 3, revises the organizational administrative provisions of chapter 36 of title 39 applicable to the Postal Rate Commission.

Section 3601(a) changes the nature of appointment of a Commissioner from a Presidential appointment to a Presidential nomination subject to the advice and consent of the Senate.

Section 3601(b) corrects an inadvertent omission in the original language of the Postal Reorganizational Act to permit a Commissioner to continue in office until his successor has qualified to take office.

Section 3601(c) is existing law.

Section 3601(d) requires the election, by the Commission, of a Vice Chairman, to serve in the absence of, or a vacancy in the position of the Chairman.

Section 3(b) provides that the requirement for nomination and confirmation by the Senate shall not apply to a current Postal Rate Commissioner unless such a Commissioner is reappointed by the President.

Section 4 revises section 3604 of title 39 to clarify the executive authority of the Chairman of the Commission to carry out the duties and powers of his office. Such routine matters as the appointment of general personnel in the Commission, the purchase of materials and supplies, and other ordinary administrative matters shall be carried out by, or by the direction of, the Chairman.

Section 3604(d)(2) revises present law to place the Commission under the ordinary budget and appropriation process applicable to most Federal agencies. Hereafter, the Commission will come to Congress for its operating funds and review of its programs, rather than submitting its budget to the Governors of the Postal Service.

Section 5 clarifies that a majority of the Commissioners in office shall be required to make any final decision of the Commission, such as a recommended decision on rates or classification matters, an advisory opinion on postal services, or a public report on service complaints. Thus, if five Commissioners are currently in office, at least three must vote on any such matter to authorize action, although the vote may in fact be two ayes and one nay. Under 39 U.S.C. 205(c), a favorable vote of a majority of the Governors of the Postal Service is necessary to appoint or remove the Postmaster General. Thus, at least five Governors must vote in favor of such an action. This requirement upon the Governors is different from and greater than the requirement of the new section 3624(d) relating to final actions of the Postal Rate Commission.

Section 6 removes the proceedings of the Postal Rate Commission from the requirement that such proceedings be conducted under the administrative procedure provisions of 5 U.S.C. 556-557. The Commission may use such procedures, but the requirement of the law is removed. The Committee nevertheless expects the Commission to insure fairness in all of its proceedings, and insure that intervenors have an opportunity to present evidence and conduct cross-examination of evidence and witnesses.

Section 6 limits the standards of review for the consideration of appeals to the courts to a judicial determination of whether the administrative action (by the Commission or the Governors) is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law". Because the Commission is not required to conduct proceedings under 5 U.S.C. 556-557, the "substantial evidence" standard of 5 U.S.C. 706(2)(E) is applicable.

Section 6(d) insures that the changes effected by section 6(a), (b), and (c) will not apply to current proceedings before the Commission.

Section 7 revises section 3624 of title 39 to establish time limits for the consideration of rate and mail classification cases before the Postal Rate Commission. Hereafter, the Commission shall be expected to submit its recommended decision 10 months after the submission by the Postal Service of a request for a recommended decision. Under the simplified administrative hearing authorized by the bill, the time limit appears reasonable. If the Commission determines that the Postal Service has caused unreasonable delay in responding to interrogatories and supplying data, the Commission may extend the time period by an amount of time equal to the delay. The time so added would extend the period necessary before the Postal Service could impose temporary rates.

The new time limits do not apply to pending cases before the Postal Rate Commission.

Section 8 revises the law relating to temporary rates and mail classifications.

The new section 3641(a) authorizes the Postal Service to establish temporary rates and classifications upon 10 days' notice in the Federal Register after the 10-month period of Commission consideration of a

rate request has expired (so such period as may have actually occurred in the event of unreasonable delay by the Postal Service in proceedings before the Commission).

The temporary rates may not exceed the Postal Service's permanent rate proposals submitted in the request to the Commission, and shall not exceed the amounts necessary, when combined with appropriated funds, to equal the total estimated costs (as that term is defined in 39 U.S.C. 3621) of the Postal Service in its request to the Commission for a recommended decision.

The temporary rates may continue in effect for 150 days following the submission of the Commission's recommended decision, thus permitting an adequate period for review of the recommendation and avoidance of changes in rates resulting solely from a Governor's decision to return a recommended decision for further consideration, or judicial review of a recommended decision or the action of the Governors.

Section 9 adds a new factor to the ratemaking criteria required to be taken in account by the Postal Rate Commission. Under current law, the Commission must consider the policies of title 39 and the specific criteria set out in section 3622 of title 39. This section includes cost and impact factors, but does not include the subjective value of the *mail matter* for which the rates are being recommended. The commission is, however, required to take into account the "relative value to the people of the kinds of mail matter" in establishing the various classes of mail under 39 U.S.C. 3623. Section 9 amends section 3622(b) of title 39 to include as a factor in recommending rates "the educational, cultural, scientific, and informational value to the recipient of mail matter".

Section 10 is designed to reverse the current administrative effort of the Postal Service to revoke second-class entry permits for certain publications. The Postal Service recently determined that certain college catalogs and certain loose-leaf publications were originally incorrectly admitted as second-class materials because, the Postal Service claims, they are not "periodicals" within the meaning of that term as defined by the Supreme Court in the landmark case of *Houghton v. Payne*, 194 U.S. 88 (1904).

Section 10 deems that such catalogs and looseleaf publications are "periodicals" for the purposes of admission in the postal system as second-class mail. Section 10 does not authorize such second-class entry unless such publications fulfill the other requirements for such entry included in former sections 4352-4357 of title 39, as those provisions were carried forward into postal regulations by section 3 of the Postal Reorganization Act.

Section 10 also extends to National and State political parties who qualify for tax credit contributions under the Internal Revenue Code eligibility to mail second-class publications and third-class mail matter at the nonprofit rate rather than the regular rate, and accords nonprofit status for one conservation publication of an agency of a State responsible for the management and conservation of fish or wildlife resources of the State.

Section 11 adds a new section 413 to title 39 and vests new authority in the Postal Rate Commission to insure that the Commission has adequate access to Postal Service data. The Commission is authorized to

request such information as it deems necessary or appropriate for effective evaluation of the Postal Service, and the Postal Service is required to furnish such information.

Section 12 adds a new section 3605 to title 39, and authorizes the Postal Rate Commission to review the activities of the Board of Governors of the Postal Service, and the Postal Service, with respect to matters arising under chapter 36 of title 39. The Commission is authorized to issue subpoenas and compel the production of evidence and the testimony of witnesses with respect to matters within the purview of chapter 36 of title 39.

Section 13 authorizes book publishers or book distributors to mail books to any school, college, university, or library at the preferred rates of postage heretofore applicable only to books mailed *between* such institutions. The effect of the amendment should be to reduce the cost of postage paid by such schools or libraries, thus making more funds available for the purchase of books and other library materials.

Section 14 authorizes the Postal Service, notwithstanding other provisions of law, to institute one rate increase upon 10 days' notice following the submission of a request for a recommended decision by the Postal Rate Commission under 39 U.S.C. 3622. Such a request cannot be made until the Commission's recommendation in the pending rate case, R74-1, has been acted upon by the Governors. Thereafter, the Postal Service may adjust rates upon a temporary basis without regard to the time limitations presently in effect (90 days) or as proposed to be made effective (10 months). The temporary rates so established may not exceed 20 percent of the permanent rates proposed to be established by the Postal Service in the pending rate case, R74-1.

Section 15 creates the Commission on Postal Services, described elsewhere in this report.

COST

The major element of cost involved in this legislation results from the provisions which authorize additional appropriations under the formula provided in section 2. Under this formula, it is anticipated that the authorization for appropriations for the fiscal year 1976 will be \$2.6 billion.

It is estimated that one million additional delivery addresses are added to the postal delivery service each year. On the basis of the one million additional delivery addresses each year, the additional authorization for appropriations under the formula would increase by \$35 million for each of the fiscal years 1977, 1978, and 1979.

The Committee has no facts upon which to base an estimate of the additional costs that will arise under the provisions of the bill increasing the application of the preferred postal rates.

COMPLIANCE WITH CLAUSE 2(1)(3) OF RULE XI

With respect to the requirement of clause 2(1)(3) of Rule XI of the Rules of the House of Representatives—

(A) The Subcommittee on Postal Service is vested under Committee Rules with legislative and oversight jurisdiction and responsibility over the subject matter of H.R. 8603 and made no specific findings and recommendations in connection with its oversight responsibilities during the hearings on the subject matter in H.R. 8603;

(B) The measure does not provide new budget authority or new or increased tax expenditures and thus a statement required by section 308(a) of the Congressional Budget Act of 1974 is not necessary;

(C) No estimate and comparison of costs has been received by the Committee from the Director of the Congressional Budget Office, pursuant to Section 403 of the Congressional Budget Act of 1974; and

(D) The Committee has received no report from the Committee on Government Operations of oversight findings and recommendations arrived at pursuant to clause 2(b)(2) of Rule X.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee has concluded that the enactment of H.R. 8603 will have only a minimal inflationary impact. The approximately \$1.7 billion a year for 4 years authorized additionally for public service appropriations will be used to replace funds which would otherwise have to be raised through increased postal rates or increased borrowing authority.

ADMINISTRATION VIEWS

There are set forth below the reports on this legislation from the Office of Management and Budget, the Postal Rate Commission, and the U.S. Postal Service.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 16, 1975.

HON. DAVID N. HENDERSON,
Chairman, Post Office and Civil Service Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of the Office of Management and Budget on H.R. 8603, a bill, "with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes."

This legislation would codify a new formula for the public service subsidy provided to the Postal Service under Section 2401(b) of Title 39. Under current law, the subsidy is an amount equal to 10% of the sum appropriated to the former Post Office Department in fiscal year 1971. Annual Federal payments to the Postal Service under this provision have been \$920 million. The formula embodied in H.R. 8603 would provide an annual subsidy of \$35.00 for each delivery address served by the Postal Service. It has been estimated that the Federal public service payment under H.R. 8603 would jump to \$2.6 billion in fiscal year 1976.

OMB strongly opposes enactment of H.R. 8603. While we recognize that substantial additional revenues are probably needed to head off an intolerable Postal Service operating deficit in 1976, we believe that H.R. 8603 provides an unacceptable solution.

First, the proposed formula is unreasonable and no factual basis has been advanced in its support. Second, H.R. 8603 erodes the basic principle embodied in the Postal Reorganization Act of eventual self-

sufficiency pursuant to which mail users rather than taxpayers support the revenue needs of the Postal Service.

At this time, we would also oppose the various permanent changes affecting the rate setting process proposed in H.R. 8603. We believe that Congress and the Administration should address promptly the need for changes in the rate setting mechanism so that it can respond surely and timely to changing revenue needs. We are concerned that the changes proposed in this bill may not adequately accomplish their objective, and believe that these changes should be studied further in the next few months.

For the reasons stated above we would recommend that the President not sign H.R. 8603, if enacted.

Because the existing mechanism for establishing postal rates has failed to produce adequate revenues, we recognize that some legislative solution is needed. We will be happy to discuss possible solutions with the Committee.

Sincerely yours,

JAMES T. LYNN,
Director.

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 22, 1975.

HON. EDWARD J. DERWINSKI,
*House of Representatives,
Washington, D.C.*

DEAR CONGRESSMAN DERWINSKI: This is in response to your request for OMB's estimate of the impact on revenues for the U.S. Postal Service of alternative effective dates for a new postal rate increase.

We estimate that a 30 percent across the board increase in current postal rates would produce approximately \$230 million per month in additional revenues for the Postal Service.

Under existing law, the Postal Service would be required to wait 100 days after the Postal Rate Commission transmits its recommended decision to the Postal Governors before it could implement increased rates on a temporary basis. Under H.R. 7718, the Postal Service would be authorized to increase rates on a temporary basis following 10 days' notice in the Federal Register. The effect of this 90-day reduction in the waiting period would be to increase fiscal year 1976 revenues—and reduce the anticipated operating deficit—by approximately \$700 million.

In light of the consequences of these alternatives, and in consideration of a substantial anticipated operating deficit for the Postal Service in fiscal year 1976, the Administration would support simple legislation to reduce from 90 to 10 days the current waiting period for the next Postal Service rate increase. We believe that this simple and temporary change in existing law would reduce the financial problems faced by the Postal Service in fiscal year 1976, and would not compromise the basic reforms embodied in the Postal Reorganization Act of 1970.

Sincerely yours,

JAMES T. LYNN,
Director.

POSTAL RATE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, D.C.

HON. DAVID N. HENDERSON,
Chairman, Committee on Post Office and Civil Service,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter responds to your request of June 13, 1975, for an expedited report on H.R. 7718, a bill amending in various respects the Postal Reorganization Act of 1970 (hereinafter, "the Act").

H.R. 7718 contains a number of provisions which are also found in H.R. 2445 or were proposed by the U.S. Postal Service before Mr. Hanley's Subcommittee earlier this year.

We testified before the Hanley Subcommittee on March 11, 1975, on H.R. 2445 and transmitted our letter dated April 4, 1975,¹ to Chairman Hanley regarding the U.S. Postal Service's proposals. Therefore, we will not comment on those provisions on which the Commission has already given its position but, rather, refer the Committee to those previous communications.

In this letter, we will limit our comments to those provisions on which we have not previously commented.

Section 2.—The new § 3601(d) of Title 39, U.S.C., provides for the election by the Commission of a Vice-Chairman, and directs that he shall "act as Chairman of the Commission in the absence of the Chairman".² This language does not specifically provide for the Vice-Chairman's so acting if the office of Chairman is vacant. In view of the extended administrative powers given the Chairman by § 3 of H.R. 7718, it might be desirable to make clear that a Vice-Chairman could exercise these functions "in the absence of the Chairman or when the office of Chairman becomes vacant".

Section 3.—Subsections (2), (b), and (c) of the new § 3604 contained in this section would transfer certain administrative functions, now carried out collegially, to the Chairman. Our comments are concerned with the "appointment of personnel" function covered by proposed § 3604(a)(1).

We have considered the potential advantages of this form of organization, as balanced against those of our present system. The Commission, with about 70 employees (exclusive of Commissioners' personal staffs), is relatively a very small agency. The advantages of centralizing hiring under the Chairman are therefore less than in a more typical regulatory body, such as the Federal Power Commission (1320 employees) or the Civil Aeronautics Board (718 employees), since the demands of personnel matters on Commissioners' time are relatively minor and infrequent. Nevertheless, we recognize that the extra benefit of pre-employment review by each Commissioner is not necessary at all staff levels. (Our past practice has in fact conformed to this realization.) We do believe that, so far as personnel who directly assist the Commission are concerned, this benefit is a real one and should be retained.

We therefore propose that the new § 3604(a)(1) and (2) contained in § 3 of the bill be revised to read:

* * * (1) the appointment of personnel employed under the Commission (except Office heads, who shall be appointed by the Com-

¹ 94th Cong., 1st Sess., Hearings before the Subcommittee on Postal Service, House of Representatives, on H.R. 2445 (Serial No. 94-4), pp. 157 ff. (March 11 testimony) and 348 ff. (April 4 letter).

² We believe that present § 3603 of the Act gives the Commission power to elect a Vice-Chairman and, on July 2, we adopted a "rule" establishing an Office of Vice-Chairman. This rule provides for an annual election of the Vice-Chairman. (See PRC Order No. 78, attached.) Concurrently with the adoption of the rule, Commissioner Carlos C. Villarreal was unanimously elected to that office by the members of the Commission.

mission), (2) the supervision of such personnel and distribution of business among them and among the Commissioners, * * *.

We believe that the standard suggested for subsection 3604(a)(1) would preserve the benefits of both a useful degree of centralization and a pre-employment review by all Commissioners of those employees who will work most closely with them.

Proposed subsection 3604(d)(2) would eliminate the present review by the Governors of the Postal Service of the Commission's budget. We would not object to this amendment. It is formally more consistent with our role as an independent reviewing body, although the present budgetary system has for the most part worked well.

Section 4.—This section of H.R. 7718 would require recommended decisions in rate and classification matters to be made by "an absolute majority of the Commissioners in office". We believe this revision would effect a useful clarification. As we understand it, it would require that where there are five or four Commissioners in office, a decision would have to command the assent of three, and where three are in office, two affirmative votes would be needed.

We would raise three technical questions, however. First, it is not clear what the term "absolute" adds to the numerical concept of "a majority of the Commissioners in office". Even without the word "absolute", an arithmetical majority of the Commissioners in office would be required.

Secondly, the language of the bill suggests that the actual decision rendered must be agreed to by a majority. This could prove troublesome where, for example, two Commissioners sign an opinion prescribing certain rates, one concurs entirely in those rates but wishes to explain the different reasoning by which he arrived at that result, and the remaining two dissent. Under these circumstances there might be a question whether the Commissioner who concurs in the result but writes a separate opinion could be counted as part of the required majority (in this case, three). We would suggest substituting for the phrase "made by a vote of an absolute majority" in § 4 the phrase "concurred in by an absolute majority". This would preserve the majority principle desired, while leaving concurring Commissioners free to express individual views.

Thirdly, § 3 of the bill, in rewriting § 3604 of the Act, eliminates the general majority requirement for Commission action. By writing the new standard only into §§ 3622 and 3623, § 4 of H.R. 7718 leaves no provision governing other Commission actions, such as those performed under § 3661 (opinions on changes in the nature of service) and § 3662 (complaint cases). We would suggest adding the rule proposed for §§ 3622 and 3623 at the end of §§ 3661(c) and 3662 as well, making appropriate changes to reflect the different types of action called for ("advisory opinion" under § 3661; "recommended decision" or "report" under § 3662).

Section 5.—We note that, in contrast to the corresponding provision in H.R. 2445, this section in H.R. 7718 provides for the submission not of "evidence" but of "data and arguments" in rate and classification cases. To the extent that this phrase could be read as allowing parties to make less formal factual presentations we believe it would make our analytical and judgmental task more difficult.

Sections 6 and 7.—We treat these sections of H.R. 7718 together, since they form a single scheme for the restructuring of postal rate

and classification proceedings. As we understand the system proposed, the Postal Service would be entitled, if the Commission did not succeed in issuing a recommended decision within ten months from the Service's filing of a request, to put the requested rates into effect as temporary rates under § 3641.³ Following the issuance of a recommended decision, the temporary rates could remain in effect for up to 150 days (rather than the present 30), while the Governors considered the decision.

Thus, while the system proposed in H.R. 7718 increases the maximum amount the Service can charge as temporary rates (by eliminating the "one-third greater" limitation of present § 3641), it also limits the promptness with which such temporary rates can be made effective. It is possible that the extended waiting period before temporary rates could go into effect would result in an appreciable financial burden on the Postal Service. Whether the increase in the limit on temporary rates would compensate for this effect would depend on the facts of each case.

Section 8.—This provision of H.R. 7718 would carve out a "one-shot" exception to the procedures set up in §§ 6 and 7. In the next rate case filed after July 1, 1975, the Service would be permitted to place its temporary rates into effect almost immediately after filing its request, rather than waiting ten months as the normal procedures would dictate. This mechanism would provide a means of allaying the reportedly exceptional deficit faced by the Service in the near future. We gather from the way in which the section is written that it would not form part of the Postal Reorganization Act as collected in permanent form in Title 39, but is rather temporary or emergency legislation.

Under these circumstances, we believe that the choice of whether to aid the Service by a transitory modification of rate case procedures or by an appropriation is peculiarly within the discretion of Congress. Section 8 has the advantage of adhering more closely to the principle that postal services should be paid for by those who use them.⁴ On the other hand, we believe that the truly independent and scientific system of ratemaking desired by Congress can be best achieved if temporary alterations of the governing law are avoided.

Because of the expedited legislative schedule for this bill, we have not requested the advice of the Office of Management and Budget on these comments. We are transmitting copies of this letter to OMB, and will forward its advice, if any, to the Committee.

We hope that these comments will be helpful to the Committee. If you desire any further information from us, please let us know.

Sincerely,

CLYDE S. DUPONT,
Chairman.

Attachment.

³ Under present law, the Service may put in effect, 90 days after filing a request, temporary rates not more than one-third above the last permanent rate.

⁴ Maximum possible compliance with this principle, of course, is not achieved without a thorough review of rates for each class and type of service. Thus, any mechanism which increases the incidence of temporary rates tends somewhat to undercut the principle.

UNITED STATES OF AMERICA, POSTAL RATE COMMISSION, WASHINGTON,
D.C. 20268

Before Commissioners: Clyde S. DuPont, Chairman; Paul A. Miltich; Kieran O'Doherty; Frank P. Saponaro; Carlos C. Villarrel

(Docket No. RM76-1)

ELECTION OF THE VICE CHAIRMAN OF THE COMMISSION

ORDER ESTABLISHING PROCEDURE FOR ELECTION OF THE VICE-CHAIRMAN
OF THE COMMISSION

(Issued July 2, 1975)

The Postal Rate Commission has determined that in the interests of orderly and efficient dispatch of business, there should be a regular provision for the election of a Vice-Chairman. The amendment to our rules of organization made by this Order will provide such a procedure.

The rule we are adopting will provide for the annual election of a Vice-Chairman from among the members of the Commission. The present regulation (39 CFR § 3002.2(b)) provides for the ad hoc election of an Acting Chairman when required by circumstances.

Since the amendment herein made involves matters of agency organization and procedure, the notice requirements of the Administrative Procedure Act, 5 U.S.C. § 553, do not apply. We find further that good cause exists for making this amendment effective as of July 2, 1975.

Accordingly, pursuant to § 3603 of the Postal Reorganization Act (39 U.S.C.), it is ordered that Part 3002 of the Commission's Regulations (39 CFR Part 3002) is hereby amended as follows:

1. Section 3002.2(b) is amended by changing the title thereof to read "*The Chairman and Vice-Chairman*", and by deleting the last sentence thereof, and substituting for the deleted sentence the following:

The Commission shall elect annually a member of the Commission to serve as Vice-Chairman of the Commission for a term of one year or until his successor is elected. In case of a vacancy in the office of the Chairman of the Commission, or in the absence or inability of the Chairman to serve, the Vice-Chairman, unless otherwise directed by the Chairman, shall have the administrative responsibilities and duties of the Chairman during the period of vacancy, absence, or inability.

[Sec. 3603 Postal Reorganization Act, 84 Stat. 759, 39 U.S.C. 3603; 5 U.S.C. 552, 553, 80 Stat. 383, 384.]

By the Commission.

JAMES R. LINDSAY,
Secretary.

U.S. POSTAL SERVICE,
LAW DEPARTMENT,
Washington, D.C., July 18, 1975.

HON. DAVID N. HENDERSON,
Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for the views of the Postal Service on H.R. 8603, the proposed "Postal Reorganization Act Amendments of 1975".

THE NEED FOR EMERGENCY LEGISLATION

It has become apparent in recent months that legislative action is urgently required to resolve the deepening financial crisis into which the Postal Service has been cast by the continuing failure of the present ratemaking provisions of title 39 to keep pace with the revenue requirements of the postal system at current cost levels. Two distinct corrective actions are needed: (1) an immediate injection of new revenues to avoid continuing increases in the deficits already incurred as a result of past delays in concluding ratemaking proceedings; and (2) a permanent change in the ratemaking statutes so that similar deficits will not have to be incurred again in the future.

An injection of substantial increases in revenues in the next few months is absolutely essential to the continuation of postal services of the quality we all want and expect to be provided. Due to increases in the cost of living and price of fuel, the Postal Service lost nearly \$440 million in FY 1974 and an estimated additional \$870 million in FY 1975. Even discounting entirely the possibility of cost increases as the result of the national collective bargaining presently underway, we estimate that the Postal Service would lose in excess of \$1.6 billion for FY 1976 at existing rates. There is absolutely no way in which costs can be reduced within the time available in order to avoid deficits of this magnitude, while still providing postal services on an acceptable scale.

DEALING WITH THE IMMEDIATE PROBLEM OF ACCELERATING DEFICITS

Section 2 of H.R. 8603 proposes to address the need for additional revenues by authorizing additional public service appropriations to the Postal Service. The present permanent authorization in 39 U.S.C. § 2401 (b), which authorizes an appropriation of \$920 million through 1979 and smaller amounts thereafter, would be replaced by an authorization for fiscal years 1976 through 1979 in an amount equal to \$35 multiplied by the estimated number of delivery addresses served by the Postal Service during the fiscal year involved. Assuming that the term "delivery addresses", which is not defined, includes city residential and business addresses, rural residential and business addresses, star route boxes, and post office boxes, the amount authorized for fiscal year 1976 is estimated to be \$3 billion, for approximately 85.8 million addresses. If post office boxes should be excluded (and if this is intended the legislative history should so indicate), the amount would be approximately \$2.73 billion for 78 million addresses.

While providing this additional authorization for the current fiscal year, the bill would also postpone any exercise of Postal Service authority to establish new temporary rates. Under present law, the Postal Service would be able to establish new temporary rates 90 days following a request for new permanent rates, which would be made shortly after permanent rates become effective under the request made on September 25, 1973 (Postal Rate Commission Docket No. R74-1). However, section 8 would amend 39 U.S.C. § 3641 to provide that further changes in rates and fees could not be made until 10 months after the next Postal Service request for a recommended decision, unless made sooner on a permanent basis as a result of that request.

Regardless of the merits of adjustments in the present permanent public service authorization, we believe that complete reliance on an increased authorization for fiscal year 1976 appropriations as the means of stanching the mounting deficits that have placed postal finances in the present state of crisis is fundamentally misplaced as a matter of both policy and practical strategy. As is recognized by the amendments to the ratemaking procedure proposed by sections 3-8 of the bill, the principal reason for this crisis is the inability of the present ratemaking structure to perform with reasonable expedition, which has meant that rate increases made necessary by increasing costs have been delayed. Accordingly, an immediate rate adjustment would be the most effective and equitable way to place the Postal Service as nearly as possible in the financial position where revenues from ratepayers and appropriations cover current costs as required by the Postal Reorganization Act. In comparison, the alternative of a large increase in general subsidies to the Postal Service in fiscal year 1976 would be more difficult to achieve and could be unfair to the taxpaying public. Authorizing legislation for such an increase would have to be followed by appropriations not provided for in the President's Budget or the First Concurrent Resolution on the Budget. If enacted, such appropriations would require taxpayers to assume the full burden of a charge which should be borne mostly by mailers, who have benefited from the delay in postage increases while other costs in the economy have been rising. Since it is unlikely that the nearly \$3 billion authorized would be fully appropriated, and since no provision is made for the adjustment of rates by the Postal Service to the extent appropriations fail, the enactment of section 2 would apparently require the Postal Service to absorb still further deficits while awaiting the outcome of a request for supplemental appropriations, before beginning the 10-month waiting period required under section 8.

In our judgment, it is apparent that rather than relying on fiscal year 1976 appropriations increases, the bill should deal with the immediate need to place the Postal Service in a revenue position responsive to present costs by adopting a provision such as section 8 of H.R. 7718, a bill now pending before the Committee, which would permit temporary increases in postal rates and fees immediately upon the filing of the next Postal Service proposal for a permanent adjustment. This temporary authority would permit, for this one time, a new rate and fee adjustment (either at once or in stages) which could not exceed the proposed permanent increases for any rate or fee, could not exceed the amount necessary so that income and appropriations together would equal estimated costs, and would have to conform to the rate policies of title 39.

CHANGING PERMANENT RATEMAKING PROCEDURES

To deal with the need for permanent improvements in the postal ratemaking procedures, H.R. 8603 proposes three sets of changes, which generally would not be applied to the rate and classification proceedings now pending. Most importantly, sections 7 and 8 propose to amend 39 U.S.C. §§ 3624 and 3641, respectively, to require the Postal Rate Commission to provide the Governors of the Postal Service with recommended decisions on rate and classification proposals

within 10 months of their submission and to permit the Postal Service to put temporary changes into effect if the Commission does not meet its deadline. Temporary changes in rates of postage and fees for postal services could not exceed the proposed permanent rates and fees. Temporary changes in rates and fees or in the mail classification schedule would remain in effect for up to 150 days following the transmission of a recommended decision. This would allow time for the required consideration of a recommended decision by the Governors and the possible reconsideration by the Commission provided for under 39 U.S.C. § 3625, and adequate public notice of the final changes.

We believe that 10 months should be a sufficient time to provide a fair and comprehensive rate or classification proceeding in which all interested parties will have a reasonable opportunity to present their views. Certainly experience has shown that we cannot afford the luxury of extending the proceedings for any longer period, so that the cost and revenue questions under debate are mooted by the passage of time and the system which such proceedings exist to support is brought to the point of peril. The framers of the Postal Reorganization Act expected that authority to institute temporary rate increases, 90 days after a proposal, to one-third greater than the last-approved permanent rate, would provide the necessary encouragement to the Commission and the participants "to expedite the proceedings and not create unnecessary delays." 116 Cong. Rec. 27606 (1970) (remarks of Mr. Udall). Since that hope has not been realized, we believe that imposing a statutory time limit is needed to produce the necessary tight scheduling for each step of the process and disciplined insistence on time-saving procedures wherever possible.

This amendment would postpone the earliest date upon which the Postal Service may impose temporary rates from the present 90 days following a request for a recommended decision to no earlier than ten months following such a request. While we would prefer that the 90-day waiting period be retained, we would consider the additional 7-month extension an acceptable price to pay, once the present outdated rates are brought into line with current costs, if we can indeed be assured that a recommended decision will be forthcoming within that 10-month period.

The second major change proposed by the bill with respect to permanent procedures deals with the nature of the proceedings to be held by the Postal Rate Commission. In our opinion, the bill is not entirely consistent in this regard. Section 6(a), (c) would amend 39 U.S.C. §§ 3624(a), 3661(c) to delete the present requirement that the Commission conduct proceedings relating to rate, classification, and service changes "on the record under sections 556 and 557 of title 5", which provide for administrative trails. Presumably, the intent is to have the Commission instead conduct less formal proceedings patterned upon legislative hearings. This is consistent with the amendment proposed by section 6(b), which would modify the scope of judicial review under 39 U.S.C. § 3628 and 5 U.S.C. § 706 to that appropriate for an informal proceeding short of formal adjudication. However, present 39 U.S.C. § 3624(b), which provides for such formal procedures as prehearing conferences and discovery and which permits proceedings off the rec-

ord only with the consent of the parties, would not be changed. In addition, the Postal Rate Commission would be permitted to extend the 10-month deadline proposed under section 7 to the extent that it found that the Postal Service had delayed the proceeding by failing to respond within a reasonable time to any lawful order. It is not clear, if the required hearings are to be legislative in character, what kind of order appropriate to such a proceeding could result in such a delay by the Postal Service. Indeed, it seems that any recommended decision built around an informal legislative hearing unquestionably should be forthcoming well within the 10-month limit. If the hearings are to be informal, the bill should not provide any means of extending the deadline.

As indicated during our testimony on H.R. 2445 before the Subcommittee on Postal Service earlier this year, we favor the use of informal recommended decisions with respect to mail classification and advisory rulemaking procedures by the Postal Rate Commission in developing opinions with respect to service changes specified in 39 U.S.C. § 3661. Decisions with respect to these matters require basic policy judgments which can best be handled in this manner. We would provide simply that the Commission shall consider these matters in accordance with 5 U.S.C. § 553 except that the opportunity for oral presentation shall be required.

We do not favor relaxing the present requirement for formal adjudication in the case of proposed changes in rates of postage and fees for postal services. In our judgment, the opportunity for discovery and cross-examination is more critical in developing equitable rates and fees than in determining the mail classification schedule. However, in our judgment, the present intermediate level of decision should be eliminated and the Commission itself should be required to hear the full proceeding. The bill apparently contemplates this change by proposing to require that "the Commission shall hold hearings." With this modification and with proper discipline, we believe that a formal postal rate proceeding and the required recommended decision ordinarily can be completed within a 10-month period.

Even if the bill were amended to preserve formal hearings in the case of rate determinations, we believe that giving the Commission the authority under proposed 39 U.S.C. § 3624(c) (2) to extend the 10-month deadline by attributing the delay to the Postal Service might still be counter-productive. The 10-month period certainly will not suffice unless the proceeding focuses more strictly on expediting the business at hand than has been the practice in the past, when it has been considered appropriate to permit all parties to obtain complex discovery of interesting background information of only marginal relevance at best. If the provision for extending the 10-month deadline is retained, we believe that as an absolute minimum, such an extension should require the unanimous vote of the Commission and it should be clarified that such authority would be available only in the event of specific and deliberate attempts to delay proceedings which could otherwise have been concluded within 10 months by denying information material to a recommended decision. If revenues needed to maintain adequate postal services are denied by postponing both a recommendation on permanent changes and the availability of authority

for temporary increases, those who need postal services, not the managers of the Postal Service, are the ones who are penalized.

A third group of permanent changes proposed by the bill are the amendments contained in sections 3 through 5, dealing with the selection, budget, and administrative procedures of the Postal Rate Commission. The Postal Service has no objection to these proposals.

COLLATERAL MATTERS

In Subcommittee, several amendments were added which are irrelevant to the central character of the bill as an emergency package to avert an imminent financial breakdown in the Postal Service and to place ratemaking on a basis under which it can begin to establish the relationship between postal revenues and costs intended by Postal Reorganization. There remain a great number of other issues raised by H.R. 15511 in the 93rd Congress and H.R. 2445 in the present Session which are awaiting further consideration by the Committee after this emergency legislation is completed. The extraneous amendments adopted in Subcommittee can only complicate the progress of the central proposals of this package.

The Postal Service strongly opposes the amendment placed in section 2 of the bill which would amend 39 U.S.C. § 2401(b)(2) to require existing modes of delivery service to be retained and new addresses to be given delivery to the door, except as provided by local governments. In the first place, we believe that such an abdication of Federal responsibility for administering Federal services would be subject to serious question under the Constitution. A fuller examination of that issue is presented in a memorandum attached to this report. Even if the amendment could be legally upheld, it would be bad Federal policy and precedent, in our view. The proposal would not retain for the Federal Government any means of insuring that recipients of Federal postal services are treated fairly by the local officials to whom control over the mode of postal delivery services is delegated. The "approval" or "disapproval" of particular citizens' desired form of delivery could depend on the power or influence of the petitioning parties. In addition, the proposal would not permit the Postal Service to assure that delivery services will be administered in a rational manner. There would be no requirement that types of delivery services provided for adjacent addresses follow a consistent pattern. Even in a community where all deliveries are not made at the curbside, the local government apparently could require that new houses be served at the door. This could eventually turn delivery routes into a patchwork quilt of mixed modes of delivery that would be inefficient and expensive and could make delivery services appear completely irrational to neighbors treated inconsistently.

The irresponsibility of such a delegation to local communities is illustrated further by the vagueness and indisputable overbreadth of the provision, which would be a nightmare to administer. The proposal would require continuation of "the delivery service requirement in effect", absent local approval of a change. Postal Service delivery service requirements could be interpreted to include such substantive policies presumably outside the scope of concern of the provision's sup-

porters as the frequency of deliveries, or purely administrative matters, such as the choice between walking and park-and-loop delivery routes. There is certainly no reason to assume that local authorities would be uninterested in attempting to assert jurisdiction over such matters. To the extent that delivery service requirements are delegated to local control, it would probably be impossible for the Postal Service to obtain the thousands of approvals necessary to apply any innovations uniformly for the benefit of all citizens.

Further, it would not be clear in many cases what is the "unit of general local government" to which responsibility would be delegated. Many states have delegated various state functions to a number of local bodies with overlapping jurisdiction. Additional administrative problems would be created because postal administrative boundaries often do not coincide with local political jurisdiction. Moreover, there would be great doubt, which might often require litigation, as to whether an attempted local exercise of "disapproval" or "approval" by a particular local agency would suffice. The bill provides no procedural standards for such action. In each case, whether a particular action would be sufficient could depend on the vagaries of state and local law. This could mean that the local postmaster would be required to obtain advice of counsel in order to know how to proceed with each extension of service. In addition, there would be no clear demarcation, under proposed 39 U.S.C. § 2401(2)(c), of the point in time at which failure of the local government to disapprove proposed curbside service would be established. The Postal Service and its customers cannot be expected to shift delivery routes back and forth and uproot and restore boxes as local views and administrations change.

Finally, there would be no exemption for rural delivery areas or houses with large set-backs. This could mean that when a new farm residence is built, the local authorities, in their discretion, could require national ratepayers and taxpayers to finance delivery service to the farmhouse door, no matter what the cost. This could also be the case with respect to exclusive city neighborhoods with large estates, no matter how far the houses are recessed from the street.

The Postal Service also strongly opposes section 9, which would amend 39 U.S.C. § 3626 to create narrow, special-interest exemptions from the general rules of eligibility for reduced rates of postage under that section. Proposed section 3626(b) would define as "periodical publications" eligible for second class rates catalogs and course listings of institutions of higher learning and loose-leaf supplements of treaties or compilations. This provision is identical to that proposed by H.R. 7735. A copy of the Postal Service report on that bill is appended to this report. Proposed section 3626(d) would extend special second-class postage rates to one conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildlife resources of the State. The Postal Service report opposing an identical provision, section 1 of H.R. 2813, also is appended to this report. Proposed section 3626(c) would extend special second- and third-class postage rates to political committees eligible to receive tax credit contributions under 26 U.S.C. § 41(c)(1)(C), (D). We oppose this provision for many of the same reasons expressed in the reports on H.R. 2813 and H.R. 7735. It undermines the integrity

of a rational mail classification schedule to write into law narrow special-interest exemptions from the standard definitions of the schedule.

The Postal Service also opposes the amendment in section 2 of the bill, modified in Subcommittee, which is intended to deny part of the benefit of public service funds, if appropriated, to fourth-class mailers. It would be inconsistent to provide general public service subsidies on the theory that the entire mail delivery system is a public benefit, but to treat a particular class of mail as if that were not the case. Even if it were appropriate to protect Postal Service competitors by subsidizing only those rates covering classes of mail over which the Postal Service generally has a monopoly, that principle could not justify this provision because second-class and certain other mailings besides fourth-class may be carried outside the mails.

CONCLUSION

The Postal Service strongly favors establishing a 10-month limit on the rate proceedings leading to a recommended decision of the Postal Rate Commission. However, we believe that much of the remainder of H.R. 8603 strays from the crucial task of providing an immediate means of starting to equalize Postal Service receipts with payroll and other costs and consider on the whole that the bill in its present form simply would be ineffectual in that regard. Accordingly, we would urge substantial modifications to the bill as indicated in the foregoing.

Sincerely,

LOUIS A. COX,
General Counsel.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italics*, existing law in which no change is proposed is shown in *roman*):

TITLE 39, UNITED STATES CODE

CHAPTER 4.—GENERAL AUTHORITY

Sec.

- 401. General powers of the Postal Service.
- 402. Delegation of authority.
- 403. General duties.
- 404. Specific powers.
- 405. Printing of illustrations of United States postage stamps.
- 406. Postal services at Armed Forces installations.
- 407. International postal arrangements.
- 408. International money-order exchanges.
- 409. Suits by and against the Postal Service.
- 410. Application of other laws.

411. Cooperation with other Government agencies.

412. Nondisclosure of lists of names and address.

413. Reporting requirements.

§ 413. Reporting requirements

(a) The Postal Service shall keep the Postal Rate Commission fully and currently informed with respect to the operation of the Postal Service. The Postal Service shall furnish to the Commission information with respect to—

(1) internal Postal Service management matters;

(2) plans and policies of the Postal Service with respect to proposed changes in the nature of postal services; and

(3) evaluations undertaken by or at the direction of the Postal Service with respect to the operation of the Postal Service.

(b) The Postal Service shall furnish to the Postal Rate Commission any information which the Commission considers necessary or appropriate for the effective evaluation of the operation of the Postal Service.

CHAPTER 24.—APPROPRIATIONS AND ANNUAL REPORT

Sec.

2401. Appropriations.

2402. Annual report.

§ 2401. Appropriations.

(a) There are appropriated to the Postal Service all revenues received by the Postal Service.

[(b) (1) As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

[(A) for each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department by Act of Congress for its use in fiscal year 1971;

[(B) for fiscal year 1980, an amount equal to 9 percent of such sum for fiscal year 1971;

[(C) for fiscal year 1981, an amount equal to 8 percent of such sum for fiscal year 1971;

[(D) for fiscal year 1982, an amount equal to 7 percent of such sum for fiscal year 1971;

[(E) for fiscal year 1983, an amount equal to 6 percent of such sum for fiscal year 1971;

[(F) for fiscal year 1984, an amount equal to 5 percent of such sum for fiscal year 1971; and

[(G) except as provided in paragraph (2) of this subsection, for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971.

[(2) After fiscal year 1984, the Postal Service may reduce the percentage figure in paragraph (1)(G) of this subsection, including a

reduction to 0, if the Postal Service finds that the amounts determined under such paragraph are no longer required to operate the Postal Service in accordance with the policies of this title.

[(3) The Postal Service, in requesting amounts to be appropriated under the subsection, shall present to the appropriate committees of the Congress a comprehensive statement of its compliance with the public service cost policy established under section 101(b) of this title.]

(b) (1) *There is authorized to be appropriated to the Postal Service for the fiscal year ending June 30, 1976, and for each of the fiscal years ending September 30, 1977, 1978, and 1979, an amount equal to \$35 multiplied by the number of delivery addresses estimated by the Postal Service to be served during the fiscal year involved. There is authorized to be appropriated to the Postal Service for the period commencing July 1, 1976, and ending September 30, 1976, an amount equal to one-fourth the amount authorized under this subsection for the fiscal year ending June 30, 1976.*

(2) (A) *The appropriations authorized in paragraph (1) shall be used to reimburse the Postal Service for the costs of maintaining a system which shall provide a maximum degree of effective and regular postal services throughout the Nation, and which is available to serve the entire public regardless of particular individual usage.*

(B) *Except as provided in subparagraph (C), the Postal Service shall provide door delivery or curbside delivery to all permanent residential addresses (other than apartment building addresses). The Postal Service shall provide door delivery in any case in which the unit of general local government having jurisdiction over the address involved has adopted zoning ordinances in the interest of protecting the public safety which prohibit the construction or maintenance of any structure on the property adjacent to the curbside.*

(C) *The Postal Service may provide cluster box delivery service for any permanent residential address in any case in which a unit of general local government having jurisdiction over such address specifically approves the provision of such cluster box delivery service.*

(3) *Appropriations made under the authority of this subsection shall not be expended or utilized in such a manner as to effect a reduction of more than 10 percent in the applicable postal rates or fees established under chapter 36 of this title for zone-rated mail matter formerly entered under former chapter 67 of this title.*

(4) *The levels of service described in paragraph (2) (B) and paragraph (2) (C) of this subsection shall be required to be provided only during any period for which the appropriations authorized under paragraph (1) of this subsection have been appropriated by the Congress.*

(5) *The Postal Service, in requesting an amount to be appropriated under this subsection, shall present to the appropriate committees of the Congress a comprehensive statement of its compliance with the public service cost policy established under section 101(b) of this title.*

PART IV.—MAIL MATTER

CHAPTER 36.—POSTAL RATES, CLASSES, AND SERVICES

SUBCHAPTER I.—POSTAL RATE COMMISSION

- 3601. Establishment.
- 3602. Terms of office.
- 3603. Rules; regulations; procedures.
- 3604. Administration.
- 3605. Review and hearings.

* * * * *

SUBCHAPTER I.—POSTAL RATE COMMISSION

§ 3601. Establishment.

[There is established, as an independent establishment of the executive branch of the Government of the United States, the Postal Rate Commission composed of 5 Commissioners appointed by the President, not more than 3 of whom may be adherents of the same political party. One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed only in accordance with section 7521 of title 5.]

(a) *The Postal Rate Commission is an independent establishment of the executive branch of the Government of the United States. The Commission is composed of 5 Commissioners, appointed by the President, by and with the advice and consent of the Senate. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed by the President only for cause. Not more than 3 of the Commissioners may be adherents of the same political party.*

(b) *A Commissioner may continue to serve after the expiration of his term until his successor has qualified, except that such Commissioner may not so continue to serve for more than 1 year after the date upon which his term otherwise would expire under section 3602 of this title.*

(c) *One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President.*

(d) *The Commissioners shall by majority vote designate a Vice Chairman of the Commission. The Vice Chairman shall act as Chairman of the Commission in the absence of the Chairman.*

* * * * *

§ 3604. Administration.

[(a) The Chairman of the Postal Rate Commission shall have the administrative responsibility for assigning the business of the Commission to the other Commissioners and to the officers and employees of the Commission. All final acts of the Commissions shall be by a vote of an absolute majority thereof.

[(b) The Commission may obtain such facilities and supplies, and appoint and fix the compensation of such officers and employees, as may be necessary to permit the Commission to carry out its functions.

The officers and employees so appointed (1) shall be paid at rates of compensation, and shall be entitled to programs offering employee benefits, established under chapter 10 or 12 of this title, as appropriate, under chapter 10 or 12 of this title, as appropriate, and (2) shall be responsible solely to the Commissioners.

[(c) (1) The Commission shall periodically prepare and submit to the Postal Service a budget of the Commission's expenses, including but not limited to expenses for facilities, supplies, compensation, and employee benefits. The budget shall be considered approved—

[(A) as submitted if the Governors fail to act in accordance with clause (B) of this paragraph: or

[(B) as adjusted if the Governors holding office, by unanimous written decision, adjust the total amount of money requested in the budget.

Clause (B) shall not be constructed to authorized the Governors to adjust any item included within the budget.

[(2) Expenses incurred under any budget approved under paragraph (1) of this subsection shall be paid out of the Postal Service Fund established under section 2003 of this title.

[(d) The provisions of section 410 and chapter 10 of this title shall apply to the Commission, as a appropriate.]

3604. Administration.

(a) *The Chairman of the Postal Rate Commission shall be the principal executive officer of the Commission. The Chairman shall exercise or direct the exercise of all the executive and administrative functions of the Commission, including functions of the Commission with respect to (1) the appointment and supervision of personnel employed under the Commission, (2) the distribution of business among such personnel, and among the Commissioners, and (3) the use and expenditure of funds.*

(b) *In carrying out any of his functions under this section, the Chairman shall be governed by the general policies of the Commission.*

(c) *The Chairman may obtain such facilities and supplies as may be necessary to permit the Commission to carry out its functions. Any officer or employee appointed under this section shall be paid at rates of compensation, and shall be entitled to programs offering employee benefits, established under chapter 10 or chapter 12 of this title, as appropriate.*

(d) (1) *Except as provided by paragraph (2), the provisions of section 410 and chapter 10 of this title shall apply to the Commission, as appropriate.*

(2) *The provisions of the Budget and Accounting Act, 1921, relating to the preparation and presentation of budgets, and the provisions of any Federal law relating to the preparation and presentation of budgets, shall apply to the Commission.*

§ 3605. Review and hearings

(a) *The Postal Rate Commission shall have the authority to initiate reviews and hearings with respect to the activities of the Board of Governors and the Postal Service under this chapter.*

(b) *Any hearing initiated by the Postal Rate Commission under this section shall be in accordance with section 3624(a) of this title.*

(c) (1) *The Postal Rate Commission may issue subpoenas, signed by the Chairman of the Commission, to compel the production of evidence and the testimony of witnesses with respect to any hearing held by the Commission under this chapter.*

(2) *Any appropriate district court of the United States may, upon petition by the Commission, in case of refusal to obey a subpoena of the Commission issued under this subsection, issue an order requiring compliance with such subpoena. Any failure to obey such order may be punished by such district court as a contempt thereof.*

§ 3622. Rates and fees.

(a) From time to time the Postal Service shall request the Postal Rate Commission to submit a recommended decision on changes in a rate or rates of postage or in a fee or fees for postal services if the Postal Service determines that such changes would be in the public interest and in accordance with the policies of this title. The Postal Service may submit such suggestions for rate adjustments as it deems suitable.

(b) Upon receiving a request, the Commission shall make a recommended decision on the request for changes in rates or fees in each class of mail or type of service in accordance with the policies of this title and the following factors:

(1) the establishment and maintenance of a fair and equitable schedule;

(2) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;

(3) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;

(4) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;

(5) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;

(6) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

(7) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services; [and]

(8) *the educational, cultural, scientific, and informational value to the recipient of mail matter; and*

[(8)] (9) such other factors as the Commission deems appropriate.

§ 3624. Recommended decisions of Commission.

[(a) The Postal Rate Commission shall promptly consider a request made under section 3622 or 3623 of this title, except that the Commis-

sion shall not recommend a decision until the opportunity for a hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mails, and an officer of the Commission who shall be required to represent the interests of the general public.]

(a) *The Postal Rate Commission shall promptly consider any request made by the Postal Service under section 3622 or section 3623 of this title. In the course of such consideration, the Commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for the Postal Service, users of the mails, and an officer of the Commission who shall be required to represent the interests of the general public, to be present, and to present data and arguments, at any such hearing.*

(b) In order to conduct its proceedings with utmost expedition consistent with procedural fairness to the parties, the Commission may (without limitation) adopt rules which provide for—

- (1) the advance submission of written direct testimony;
- (2) the conduct of prehearing conferences to define issues, and for other purposes to insure orderly and expeditious proceedings;
- (3) discovery both from the Postal Service and the parties to the proceedings;
- (4) limitation of testimony; and
- (5) the conduct of the entire proceedings off the record with the consent of the parties.

(c) (1) *Except as provided by paragraph (2), in any case in which the Postal Service makes a request under section 3622 of this title for a recommended decision by the Commission on changes in a rate or rates of postage or in a fee or fees for postal services, or a request under section 3623(b) of this title for a recommended decision by the Commission on changes in the mail classification schedule, the Commission shall transmit its recommended decision to the Governors under subsection (d) of this section no later than 10 months after receiving any such request from the Postal Service.*

(2) *In any case in which the Commission determines that the Postal Service has unreasonably delayed consideration of a request made by the Postal Service under section 3622 or section 3623(b) by failing to respond within a reasonable time to any lawful order of the Commission, the Commission may extend the 10-month period described in paragraph (1) by one day for each day of such delay.*

[(c)] (d) The Commission shall transmit its recommended decision in a rate, fee, or classification matter to the Governors. The recommended decision shall include a statement specifically responsive to the criteria established under section 3622 or 3623, as the case may be.

(e) *Any fiscal action of the Commission under section 3622, 3623, 3661, or 3662 of this title shall be made by a vote of a majority of the Commissioners in office.*

* * * * *

§ 3626. Reduced rates.

(a) If the rates of postage for any class of mail or kind of mailer under former sections 4358, 4359, 4421, 4422, 4452, or 4554 of this title, as such rates existed on the effective date of this subchapter, are, on the effective date of the first rate decision under this subchapter affecting that class or kind, less than the rates established by such decision, a separate rate schedule shall be adopted for that class or kind effective

each time rates are established or changed under this subchapter, with annual increases as nearly equal as practicable, so that—

(1) the revenues received from rates for mail under former sections 4358, 4452 (b) and (c), 4554 (b) and (c) shall not, on and after the first day of the tenth year following the effective date of the first rate decision applicable to that class or kind, exceed the direct and indirect postal costs attributable to mail of such class or kind (excluding all other costs of the Postal Service); and

(2) the rates for mail under sections 4359, 4421, 4422, 4452(a), and 4554(a)¹ shall be equal, on and after the first day of the fifth year following the effective date of the first rate decision applicable to that class or kind, to the rates that would have been in effect for such mail if this subsection had not been enacted.

No person who would have been entitled to mail matter under former section 4359 of this title shall mail such matter at the rates provided under this subsection unless he files annually with the Postal Service a written request for permission to mail matter at such rates.

(b) (1) *For purposes of this title, the term "periodical publications", as used in former section 4351 of this title, includes (A) any catalog or other course listing issued by any institution of higher education; and (B) any looseleaf page or report (including any index, instruction for filing, table, or sectional identifier which is an integral part of such report) which is designed for inclusion in any treatise or compilation.*

(2) *Any material described in paragraph (1) shall qualify to be entered and mailed as second class mail in accordance with former section 4352 through former section 4357 of this title.*

(3) *For purposes of this subsection, the term "institution of higher education" has the meaning given it by section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a)).*

(c) *In the administration of this section a committee qualified for tax credit contributions under section 41(c)(1)(C) and (D) of the Internal Revenue Code shall be considered a qualified nonprofit organization under former sections 4452(d) and 4358(j)(2) of this title.*

(d) *In the administration of this section, one conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildlife resources of such State shall be considered a publication of a qualified nonprofit organization which qualifies for rates of postage under former section 4358 (d) of this title.*

* * * * *

SUBCHAPTER III—TEMPORARY RATES AND CLASSES

§ 3641. Temporary changes in rates and classes.

[(a) If the Postal Rate Commission does not transmit to the Governors within 90 days after the Postal Service has submitted, or within 30 days after the Postal Service has resubmitted, to the Commission a request for a recommended decision on a change in rates of postage or in fees for postal services, or on a change in the mail classification schedule (after such schedule is established under section 3623 of this title), the Postal Service, upon 10 days' notice in the Federal Register,

may place into effect temporary changes in rates of postage, in fees for postal service, or in the mail classification schedule it considers appropriate to carry out the provisions of this title. Any temporary change shall be effective for a period ending not later than 30 days after the Commission has transmitted its recommended decision to the Governors.

[(b) If, under section 3628 of this title, a court orders a matter returned to the Commission for further consideration, the Postal Service, with the consent of the Commission, may place into effect temporary changes in rates of postage, in fees for postal services, or in the mail classification schedule.]

[(c) A rate of postage for a class of mail or a fee for a postal service under a temporary change under this section may not exceed the lesser of (1) the rate or fee requested for such class or service, (or (2) a rate or fee which is more than one-third greater than the permanent rate or fee in effect for that class or service at the time a permanent change in the rate or fee of such class or service is requested under section 3622 of this title.]]

§ 3641. *Temporary changes in rules and classes*

(a) *In any case in which the Postal Rate Commission fails to transmit a recommended decision on a change in rates of postage or in fees for postal services, or on a change in the mail classification schedule, to the Governors in accordance with section 3624(c) of this title, the Postal Service may establish temporary changes in rates of postage, in fees for postal services, or in the mail classification schedule, in accordance with the provisions of this section. Such temporary changes may take effect upon such date as the Postal Service may determine, except that such temporary changes may take effect only after 10 days' notice in the Federal Register.*

(b) *Any temporary rate or fee established by the Postal Service under subsection (a) of this section shall be in accordance with the policies of this title and shall not exceed such amount as may be necessary for sufficient revenues to assure that the total estimated income, including appropriations, of the Postal Service shall, to the extent practicable, be equal to the total estimated costs of the Postal Service.*

(c) *The Postal Service may not establish any temporary rate for a class of mail or any temporary fee for a postal service which is more than the permanent rate or fee requested for such class or postal service by the Postal Service under section 3622 of this title.*

(d) *Any temporary change in rates of postage, in fees for postal services, or in the mail classification schedule made by the Postal Service under this section shall remain in effect no longer than 150 days after the date upon which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.*

SUBCHAPTER IV.—POSTAL SERVICE AND COMPLAINTS

§ 3661. Postal services.

(a) The Postal Service shall develop and promote adequate and efficient postal services.

(b) When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis, it shall submit a proposal, within a reasonable time prior to the effective date of such proposal, to the Postal Rate Commission requesting an advisory opinion on the change.

(c) The Commission shall not issue its opinion on any proposal until an opportunity for [hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mail, and an officer of the Commission who shall be required to represent the interests of the general public] *a hearing is accorded interested parties, reasonable public notice is given thereof, and a reasonable opportunity is afforded interested parties, including an officer of the Commission who shall be required to represent the interests of the general public, to be present, and to present data and arguments, at any such hearing.* The opinion shall be in writing and shall include a certification by each Commissioner agreeing with the opinion that in his judgment the opinion conforms to the policies established under this title. (Pub. L.

SUBCHAPTER V.—GENERAL

§ 3683. Uniform rates for books; films; other materials.

(a) Notwithstanding any other provision of this title, the rates of postage established for mail matter enumerated in former section 4554 of this title shall be uniform for such mail of the same weight, and shall not vary with the distance transported.

(b) *The rates for mail matter specified in former section 4554(a)(1) or 4554(b)(2)(A) of this title, when mailed from a publisher or a distributor to a school, college, university, or library shall be the rate currently in effect for such mail matter under the provisions of former section 4554(b)(1) of this title.*

INDIVIDUAL VIEWS OF HON. PAUL SIMON

I am pleased to co-sponsor H.R. 8603, the Postal Reorganization Act Amendments of 1975. The basic thrust of the bill meets the current financial crisis of the Postal Service. Although the heart of the bill is to bring only temporary changes in a costly, time-consuming

INDIVIDUAL VIEWS OF HON. JAMES M. HANLEY

H.R. 8603, of which I was the principal sponsor, contains many excellent features. The bill represents the culmination of almost three years of effort on the part of the Subcommittee on Postal Service and the full Committee.

I believed that the bill as reported from Subcommittee was a realistic and acceptable approach to most of the financial problems of the Postal Service. It provided authorization for substantially increased appropriations, simplification of Postal Rate Commission proceedings, and new provisions relating to the implementation of temporary rates. These provisions remain in H.R. 8603 as reported by the full Committee.

However, an amendment was added in Committee allowing the Postal Service to place into effect an immediate temporary rate increase of up to 20% higher than the rates now in effect. I opposed this amendment in Committee. I felt strongly that such a move would effectively place Congress back into postal rate making, a step which would be most unwise at this time. I also believed that such a provision would seriously endanger the chance for passage of what was otherwise a carefully thought-out and necessary piece of legislation. With that exception, I wholeheartedly agree with the action of the Committee and commend the bill to my colleagues.

JAMES M. HANLEY, Member of Congress.

be advantageous to the Postal Service. The bill would increase the first class postal rate from 10.54 cents in 1975 to increase at the same rate as the Consumer Price Index, the current first class rate would be 12.54. Graphs supplied by the Postal Service show a close relationship between the Consumer Price Index and postal rates.

The Consumer Price Index is the mechanism we can use to simplify the rate-making process. This the Postal Service should be able to do without congressional review. But if the revenue needs of the Postal Service are greater than the subsidy plus the increase in Consumer Price Index, we could allow the Postal Service to ask the House and Senate Post Office and Civil Service Committees for approval for rate increases greater than the Consumer Price Index. The Committees could then vote to accept or reject the requested rates. We were not elected to Congress to duck the tough issues.

Some of my colleagues will argue that we should keep Congress out of the postal rate making business. I contend that by following the guidelines established above, we generally can keep Congress out of

(b) When the Postal Service determines that there should be a change in the nature of postal services which will generally not be provided on a nationwide or substantially nationwide basis, it shall submit a proposal within a reasonable time prior to the effective date of such proposal to the Postal Rate Commission requesting an advisory opinion on the change.

(c) The Commission shall not issue its opinion on a proposal until an officer of the Postal Service has been notified in writing of the nature of the proposal and the Commission has been notified in writing of the nature of the proposal. The Commission shall not issue its opinion until it has received the views of the Postal Service and the views of the public. The Commission shall not issue its opinion until it has received the views of the Postal Service and the views of the public. The Commission shall not issue its opinion until it has received the views of the Postal Service and the views of the public.

(d) In the event the Postal Rate Commission fails to transmit a report to the House of Representatives or in violation of the provisions of section 3624(d) of this title, the rate of the Postal Service shall be determined by the Postal Rate Commission.

(e) Notwithstanding any other provision of this title, the rate of postage established for mail matter classified in former section 3624 of this title shall be determined for each class of the same weight and that such temporary change shall not be in effect for a longer period than 180 days after the date upon which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

(f) The rate for mail matter classified in former section 3624 of this title shall be determined for each class of the same weight and that such temporary change shall not be in effect for a longer period than 180 days after the date upon which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

(g) The revenues from the sale of postage stamps and the revenues from the sale of postage stamps and the revenues from the sale of postage stamps shall, to the extent practicable, be equal to the total estimated costs of the Postal Service.

(h) The Postal Service may not establish any temporary rate for a class of mail or any temporary fee for a postal service which is more than the permanent rate or fee requested for such class or postal service by the Postal Service under section 3622 of this title.

(i) Any temporary change in rates of postage, in fees for postal services, or in the mail classification schedule made by the Postal Service under this section shall remain in effect no longer than 180 days after the date upon which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

SUBCHAPTER IV--POSTAL SERVICE AND COMPLAINTS

§ 3661. Postal services.

(a) The Postal Service shall develop and promote adequate and efficient postal services.

INDIVIDUAL VIEWS OF HON. PAUL SIMON

I am pleased to co-sponsor H.R. 8603, the Postal Reorganization Act Amendments of 1975. The basic thrust of the bill meets the current financial crisis of the Postal Service. Although the heart of the bill is sound, it makes only cosmetic changes in a costly, time-consuming appendage, the Postal Rate Commission.

There is little doubt that the Postal Service faces severe financial troubles. The lofty goal that Congress sought in enactment of the Postal Reorganization Act of 1970, a financially self-sufficient Postal Service, is not possible. And while the Postal Service has tried to solve financial problems by closing rural post offices, consolidating rural routes, reducing pickups and deliveries, and otherwise cutting postal services, the financial problems grow. What is needed is a re-evaluation of the goals of the 1970 Act and a recognition by all that the name of this entire operation is Postal Service and not Postal Moneymaker.

The subsidy provisions of this bill will meet the short term financial crisis in which the Postal Service finds itself. But the short term solution may become part of the long term problem unless a basic change is made in the postal rate-making process. In the Postal Reorganization Act of 1970, Congress removed itself from the postal rate-making process. An independent agency was to oversee the fiscal needs of the Postal Service and translate those needs into equitable postal rates. The Postal Rate Commission has failed in that mission.

The Postal Rate Commission, forced upon the House by the Senate in a Conference Committee compromise, has taken over three years to reach a single decision and still dallies with a second. We can save millions by eliminating it.

There is a way to help stabilize the rate making picture that would be advantageous to both the mail user and the Postal Service. An employee of the Postal Service recently told me that if we had allowed the first class postal rate from 1901 to 1975 to increase at the same rate as the Consumer Price Index, the current first class rate would be 10.5¢. Graphs supplied by the Postal Service show a close relationship between the Consumer Price Index and postal rates.

The Consumer Price Index is the mechanism we can use to simplify the rate-making process. This the Postal Service should be able to do without congressional review. But if the revenue needs of the Postal Service are greater than the subsidy plus the increase in Consumer Price Index, we could allow the Postal Service to ask the House and Senate Post Office and Civil Service Committees for approval for rate increases greater than the Consumer Price Index. The Committees could then vote to accept or reject the requested rates. We were not elected to Congress to duck the tough issues.

Some of my colleagues will argue that we should keep Congress out of the postal rate making business. I contend that by following the guidelines established above, we generally can keep Congress out of

the rate-making process. Only the Congressional Committees with oversight responsibility for the Postal Service would become involved. But primary reliance would be on the Consumer Price Index.

Clearly a change more fundamental than is now embodied in H.R. 8603 is needed.

PAUL SIMON,
Member of Congress.

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POSTAL REORGANIZATION ACT AMENDMENTS OF 1976

JUNE 21 (legislative day, JUNE 18, 1976).—Ordered to be printed

Mr. McGEE, from the Committee on Post Office and Civil Service, submitted the following

REPORT
together with
SUPPLEMENTAL VIEWS

[To accompany H.R. 8603]

The Committee on Post Office and Civil Service, to which was referred the bill (H.R. 8603) to amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes, having considered the same, reports favorably thereon with an amendment to the text and recommends that the bill as amended do pass.

PURPOSE

Under the economic duress of an increasing deficit, the Postal Service has made an effort during the past 6 months to reduce expenditures through service reductions. Small post offices have been closed; the number of business deliveries in 10 East Coast cities has been reduced; door and, to some extent, curblin delivery has been abandoned for new residential addresses; overtime work has been reduced, thereby necessarily increasing delivery time; and in some regions there has been a freeze (also increasing delivery time) on new hires. The Committee understands that further cuts—including abandonment of Saturday delivery—are being considered.

Meanwhile, postal rates have increased. Since May of 1971, when the 8-cent rate became effective, first-class postage has increased 63 percent. During the same period, the Consumer Price Index increased 35 percent. The increase in first class postage has undoubtedly contributed to a decline in volume, which had historically risen steadily until 1974 but fell in 1975. Such a trend augurs ill, for the Postal Serv-

(1)

ice urgently needs the increased revenues derived from an expected expanding volume.

Prime among the committee's concerns is the fiscal posture of the Postal Service which requires early congressional attention. The postal deficit increased from \$175 million in 1972 to \$989 million in 1975, for a cumulative deficit through 1975 of \$1.6 billion. A deficit of \$1.5 billion is estimated for fiscal year 1976; and a \$1 billion 55 million deficit is estimated for fiscal year 1977.

H.R. 8603 addresses itself directly to these three major problems of the Postal Service: Reductions in service; increasing postal rates; and a continuing operating indebtedness. The bill would:

1. Authorize two appropriations in the amount of \$500 million each to be applied against the accumulated operating indebtedness of the Postal Service. The first such appropriation is to be applied against the debt as it exists at the close of fiscal year 1976, and the second is to be applied against the debt as it exists at the close of fiscal year 1977.

2. Prohibit service cuts and require door or curblineline delivery to residential addresses (except apartment buildings) for a period beginning with the appropriation of the funds authorized by the bill and ending on February 15, 1977.

3. Allow no postal rate increases during that same period.

Further, the bill looks to the future of the Postal Service by establishing a 12-member Commission on Postal Service to identify and study the problems facing the Postal Service and recommend actions to be taken to resolve them. The Commission's report will be due on or before February 15, 1977.

In short, the main purposes of the bill are to provide funds to be applied against the outstanding operating indebtedness of the Postal Service as of the beginning of fiscal year 1977 and the beginning of fiscal year 1978, to establish a moratorium on postal rate increases and service reductions, and to establish a Commission to study and report on the problems of the Postal Service.

AMENDMENT

H.R. 8603 has been amended by striking out all after the enacting clause and substituting the language of S. 2844 as it was amended by the Committee.

BACKGROUND

If it were truly a business, the United States Postal Service would be bankrupt. At its inception in July of 1971, the Service had assets of \$3.4 billion, with a capitalization balanced between liabilities of \$1.7 billion and equity of \$1.7 billion. It will end fiscal year 1977, in the absence of relief, with an accumulated deficit of approximately \$4.5 billion and it already has negative equity.

The United States Postal Service, however, is not a business. Although it was intended that the Postal Service would use modern business methods in organizing its activities, the Congress, in section 101 of title 39, United States Code, as it was amended by the Postal Reorganization Act of 1970, specifically stated that:

The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people.

The Congress had been told, primarily by the President's Commission on Postal Organization, the Kappell Commission, that the reorganization was needed so that postal management could improve upon the reliability of day-to-day mail delivery and also address itself to the unfilled needs of the nation for additional postal services. The Commission further foresaw that at least \$1.6 billion annually would be saved if postal management were unfettered. Congress discounted the optimism of the Postmaster General and other advocates of a self-sustaining Postal Service in 1970 and did provide for an annual payment to the Postal Service for public service costs. That payment amounts to 10 percent of the fiscal year 1971 budget of the former Post Office Department through fiscal year 1979, to be diminished by 1 percent a year for 5 years, after which the Postal Service could choose to end the so-called subsidy altogether.

Events have demonstrated that the congressional view that appropriations would be necessary was accurate. Indeed, the static payment, amounting to \$920 million annually through fiscal year 1979, has not proved to be adequate. The fixed subsidy, which stemmed from necessary compromise, was arbitrary. And the fixed subsidy, in addition, has been steadily eroded by inflation, which has proceeded at a more rapid rate than contemplated when the Reorganization Act was written in 1970.

The other appropriations provided to the Postal Service to compensate it for the revenue not realized because of public policy affecting the rates of postage for certain classes and kinds of mail do not comprise a subsidy of the Postal Service, but rather of mail users who have been provided with a time cushion to adjust to the impact of being charged the full rates required to cover the costs which can be attributed to them. For fiscal year 1977, a total of \$792 million has been included in the budget for this foregone revenue, which does not apply to first-class, zone-rated fourth-class (parcel post), or regular-rate third-class mailers. The chief beneficiaries of this policy are users of second-class, nonprofit third-class, and the special fourth-class rates.

BORROWING AUTHORITY

One of the key provisions of the Postal Reorganization Act gave the newly independent Postal Service the authority to borrow money and to issue and sell obligations as it deems necessary, within certain limits. Its total outstanding obligations cannot exceed \$10 billion. The net increases in its obligations in any year to cover operating expenses cannot exceed \$500 million and to cover capital improvements \$1.5 billion.

While there is no great concern over borrowing for capital purposes, since this long-term debt poses no difficulty in repayment, the committee has become increasingly concerned that annual resort to off-budget borrowing for operating expenses can only deepen the Service's insolvency. It already has done so. So far, the Postal Service has not been able to meet the schedule for repayment of operating debt and has had to roll-over each debt obligation as it came due.

Hard-pressed as it has become, the Postal Service has, not surprisingly, made cuts. Many air taxi routes have been abandoned. Sameday delivery in downtown areas has been abandoned. Local mail has

been mixed with area mail, slowing it down. Collections from corner mail deposit boxes have been restricted. The frequency of delivery in downtown business areas of our larger cities has been cut. Door-to-door service in newly built-up areas is a thing of the past. And the criteria by which the fate of small rural post offices is decided has been changed to facilitate a significant reduction in the number of such offices.

INFLATIONARY IMPACT

Primary among the reasons for the less-than-hoped-for performance of the newly independent Postal Service has been the rate of inflation. Cost-of-living increases in postal workers' pay have totaled \$987 million in the past 2 years; every penny increase in the price of gasoline costs the Service \$3.5 million per year. The effect has been significant. Impelled by these inflationary forces, the rate of postage has risen. Since May of 1971, when the former 8-cent rate for a first-class stamp became effective, the cost of a stamp has risen 63 percent. The Consumer Price Index has risen, in the same interval, by 35 percent. And, while there is no consensus about the elasticity or inelasticity of demand for postal services in the face of rate increases, recent experience would indicate that we are, at the least, approaching a point where rate increases will permanently affect mail volume. In fiscal year 1975, mail volume declined for the first time since the depression of the 1930's. The major revenue-producing class, first-class, which had risen 1.2 percent in fiscal year 1974, fell 0.4 percent in 1975. Third-class declined 3 percent, fourth-class by 6.7 percent, and airmail fell off 15.5 percent.

The Postmaster General, in his annual report for fiscal year 1975, understated the obvious when he said:

This development demands attention. While we hope that mail volume will respond to an improved general economy in fiscal year 1976, we are aware that postage rates may be reaching a point where price is causing mail users to increase their use of competitive means of distribution or electronic communications. This trend increases our concern over the long-term course of postal finances.

WAGES AND BENEFITS

Despite a significant increase in the mechanized sorting of mail, postal services continue to be highly labor-intensive, with wages and benefits for employees accounting for nearly 86 percent of total operating costs. The 1970 Act gave rank-and-file employees the right of collective bargaining and directed that compensation and benefits be maintained on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy.

There is no question that under collective bargaining postal employees have improved their lot. Since reorganization, salaries and benefits have risen significantly, so that today the average outlay for bargaining unit employees stands at \$13,755 in wages and \$16,228 if benefits are included in the computation.

Various comparisons of Postal Service pay and Postal Service increases with other segments of the economy have been made. For instance, as of March 21, 1976, the rate of pay for Postal Service grade 5/step 5 had increased by 57.69 percent since July 1, 1971, to \$12,634. General Schedule civil service employees in grade 5/step 5 had pay increases of 28.68 percent in the same time period, bringing their pay to \$10,117 annually.

The President's Council and Wage and Price Stability found that postal wage increases outstripped those in the private sector when compared with hourly wage earners in nonsupervisory positions in the private nonfarm economy, though it found Postal Service increases significantly more moderate when compared with increases in wages paid union workers in private industry over the same period.

The Postal Service itself surveyed 67 manufacturing and non-manufacturing firms a year ago and found that wages plus benefits for its average bargaining-unit employee amounted to \$8.05 per hour, 1 cent more than the average \$8.04 in wages and benefits for the companies surveyed.

The General Accounting Office has estimated that by the end of the current contract period, July 1978, the average pay and benefit cost for bargaining-unit employees of the Postal Service will stand at \$18,700. It concludes that postal workers seem to have attained a financial standing comparable to that of employees in the private sector of the economy, as intended by the Reorganization Act.

But the rate of compensation increases has slowed. The most recent contract between Postal Service management and labor was signed in August of 1975 and provided a fixed wage increase of slightly less than 4 percent per year plus a cost-of-living allowance of 1 percent per hour for every four ninetieths of a point increase in the Consumer Price Index. This contrasts with estimates by the Department of Labor that an average 10.3 percent increase in wages in the first year of industrial contracts last year and an average annual increase of 7.8 percent over the life of the contract were typical in the economy at large.

COMPARISON OF COMPENSATION COSTS IN THE SERVICE WITH THAT IN 14 SELECTED INDUSTRIES,
FEBRUARY 1975

	Postal Service	Private sector
Straight-time pay.....	\$6.02	\$5.55
Total benefits.....	2.03	2.49
Total compensation.....	8.05	8.04

The survey results indicated that there was little difference in compensation costs between the Service and the private sector.

As a matter of interest, GAO has traced the compensation growth for employees of the Service. The following table shows salary growth for Service employees since reorganization. It also shows the salary growth for General Schedule employees, grade 5/step 5 and for Postal Service Schedule employees, grade 5/step 5 (the former equivalent point in the General Schedule and Service scales).

SALARY GROWTH SINCE POSTAL REORGANIZATION

	July 1, 1971 ¹	July 21, 1975 ²	March 21, 1976 ³	Percent increase from July 1971 to March 1976
Postal Service:				
Average salary:				
Without fringes.....	\$8,694	\$13,254	\$13,650	57.00
With fringes.....	9,746	15,493	15,957	63.73
Grade 5/step 5:				
Without fringes.....	8,012	12,238	12,634	57.69
With fringes.....	8,981	14,306	14,769	64.45
General Schedule:				
Without fringes.....	7,862	9,632	10,117	28.68
With fringes.....	8,813	11,809	12,403	40.73

¹ Compensation prior to collective bargaining.

² Date of first increase under current contract.

³ Date of second increase under current contract.

⁴ Does not reflect a contribution for retirement benefits as complete as the General Schedule.

PERFORMANCE

In testimony before the committee, the General Accounting Office stated it as a fact that, "overall the mail is moving well, although not as well as in 1969."

Unfortunately, the GAO, as has the committee itself, concluded that more mail is being delayed for longer period than used to be the case, and that this mail, though proportionately small in terms of total volume, still adds up to several billion pieces a year.

As the Postal Service has increased the number of multiposition letter sorting machines in use, to the point where approximately 60 percent of all letter mail is processed on these machines, the incidence of missent mail has risen. It has been, in part, the price paid for efforts to cut costs and improve productivity.

In testimony to the committee, GAO auditors stated that in 1969 the average time to deliver a first-class letter was 1.5 days. By 1971, the average rose as high as 2 days. Four and one-half years later it had been reduced again, to 1.65 days. Postal Service standards provide for delivery of qualified first-class mail, that is, stamped ZIP-coded mail deposited prior to the last mail pickup, overnight within local areas, within 2 days within a 600-mile radius, and within 3 days everywhere else.

The laudable intention to cut costs and increase productivity also was behind the institution of the National Bulk Mail System, approved on March 11, 1971, and built at a cost of approximately \$1 billion. Savings, originally estimated at about \$300 million annually in 1970, have been scaled back and the new bulk mail centers have encountered significant mechanical difficulties in their early months of operation. The future of the system remains, in the committee's view, rather uncertain, in large part because of the uncertainty of the Service's future share of the parcel delivery market, even assuming that current difficulties are overcome.

The Postal Service no longer accounts for the majority of parcels transported in the United States. Moreover, total mail volume, which had been climbing at a rate of 3 or 4 percent per year when the Kappel Commission's study was underway, has more recently begun

to decline. Fiscal year 1974 may stand as the all-time high in volume of mail.

Regardless of mail volume, however, costs can be expected to climb. The Postal Service estimates the number of delivery points have grown by about 14 percent since fiscal year 1971. They now stand at 76.2 million. Major productivity improvements of the type needed to achieve the savings predicted in the late 1960's and 1970 have not materialized, though productivity as measured by pieces of mail processed per man-year has improved from 120,202 pieces in fiscal year 1971 to an estimated 130,564 in fiscal year 1976.

Higher postal rates have, then, apparently had an effect on volume. So, too, has advancing communications technology. In the face of lessening volume, hence less revenue, and rising costs, unit costs can only rise and produce the demand for ever higher rates. More severe costcutting measures, which mean service cuts as well, or increased appropriations are the other choices available, along with improvements in the ratesetting procedure itself.

RATESETTING

Under the 1970 Act, postage rates are established by the Board of Governors of the Postal Service, though the Board acts upon the recommended decision of an independent Postal Rate Commission set up to adjudicate Postal Service requests for rate increases. The most recently completed rate case, which established the permanent rate of 10 cents for a 1-ounce first-class letter (today's 13-cent rate is still temporary) took 2 years from start to finish, during which time the inexorable increase in the cost of doing business outpaced revenues. Had the case been decided 6 months earlier, thus permitting the present temporary rate to take effect in July of 1975, rather than December, the Service's fiscal year 1976 operating deficit likely would have been wiped out and a small surplus might have been realized.

The unexpected decline in mail volume raises the question of at what point rates become unacceptable or counterproductive of revenue. If rate increases are too steep and produce significant loss of business, they could conceivably result in greater operating losses. The Postal Service itself has expressed serious concern about the impact of a new round of increases on mailers, believing that many would turn to alternative services. At any rate, until the pending rate case under deliberation by the Postal Rate Commission is concluded, no new increase can be put into motion.

Postal rates, at least for first-class postage, are reasonable today and could be further increased and still be reasonable. That, at least, was the conclusion of the General Accounting Office, which compared data concerning revenue, expenses, and operations for ten major foreign postal systems, as well as the "true" cost of postage in terms of how long it takes a typical worker to earn the cost of a first-class stamp in reaching its conclusion.

"But being reasonable and being acceptable are two different things," added the testimony, which then cited the decline in mail volume by 832 million pieces in 1975 as evidence of the growing inclination to judge postal rates as unacceptable.

SELECTED COUNTRIES' ESTIMATED LETTER POSTAGE, JAN. 1, 1976

	Estimated letter postage in national currency	Estimated letter postage in U.S. cents
Australia (dollars)	0.18	23.5
Belgium (francs)	6.50	17.0
Canada (dollars)	0.08	7.8
France (francs)	.80	18.4
Japan (yen)	50.00	16.8
Netherlands (guilders)	.50	19.0
Sweden (kronas)	.90	21.1
Switzerland (francs)	4.30	11.2
United Kingdom (pounds)	0.85	23.5
United States (dollars) ^a	13	13.0
West Germany (marks)	.50	19.5

¹ Using foreign exchange rate prevailing on Aug. 1, 1975.

² Wage negotiations from the postal strike which began in October 1975 may result in increased rates.

³ Pending legislative approval.

⁴ Not including an unspecified rate increase projected for Jan. 1, 1976.

⁵ Effective date planned—Dec. 28, 1975.

Source: U.S. Postal Service.

SERVICE REDUCTIONS

Equally unacceptable to much of the public, and thus to Members of the Congress, is the alternative of further cutting service to the people. Major cost reductions could be realized, but even so they would not produce the savings necessary to eliminate the need for rate increases. They would not be popular, nor, in the committee's opinion, in full compliance with the spirit of the Reorganization Act of 1970.

A reduction in delivery services from 6 days a week to 5 would result in savings of approximately \$350 million. It has been estimated by the Comptroller General that a reduction in the number of third-class offices from 12,000 to 6,000 and the elimination of more than 6,000 fourth-class offices could save approximately \$130 million. An added \$30 million could come from closing or consolidating 2,000 larger offices. If delivery to remote places, now generally made 6 days a week, were reduced uniformly to 2 days, savings of \$400 million could be realized.

In all, such practices might produce savings in the neighborhood of \$810 million.

It is questionable if such policies, if effected, would fulfill the mandate of Congress, which has directed the Postal Service to "provide prompt, reliable, and efficient services to patrons in all areas," and to "render postal services to all communities."

The following table I, prepared by the Postal Service, shows the difference between its income and operating expenses for fiscal year 1975, 1976, the transition quarter and 1977.

Table II is an analysis of increases and decreases in Postal Service assets, liabilities and equity since 1971. The source is the GAO.

TABLE I.—POSTAL SERVICE OPERATING STATEMENTS, FISCAL YEARS 1972-77

	[Dollar amounts in millions]						
	Actual				Estimate		
	1972	1973	1974	1975	1976	TQ ¹	1977
Total revenues	\$9,417	\$9,931	\$10,875	\$11,657	\$12,815	\$3,395	\$14,317
(Appropriations) ²	(1,361)	(1,377)	(1,637)	(1,533)	(1,645)	(419)	(1,712)
Total expenses	9,592	9,944	11,313	12,646	14,226	3,820	15,373
Net income (loss)	(175)	(13)	(438)	(989)	(1,411)	(425)	(1,056)
Cumulative operating loss	175	188	626	1,615	3,026	3,451	4,507

¹ Transition quarter.

² Operating appropriations included in total revenues.

TABLE II.—ANALYSIS OF INCREASES AND DECREASES IN ASSETS, LIABILITIES, AND EQUITY OF POSTAL SERVICE

Fiscal year:	[In billions of dollars]				
	Assets	Increase	Liabilities	Increase	Equity
1971	\$3.4		\$1.7		\$1.7
1972	4.7	\$1.3	3.2	\$1.5	1.5
1973	5.6	.9	4.0	.8	1.6
1974	6.8	1.2	5.7	1.7	1.1
1975	7.5	.7	7.3	1.6	.2
1976 (estimate)	9.9	2.4	11.2	3.9	(1.3)
1977 (estimate)	10.7	.8	13.5	2.3	(2.8)

Note: The Postal Service is in a negative equity position, \$831,000,000, at Dec. 31, 1975. In the private sector, an excess of liabilities over assets, coupled with revenues that regularly fail to cover expenses, strongly suggest that the entity is bankrupt.

The Postal Service's equity is not quite like that of a corporate entity since about \$1,500,000,000 of the Service's liabilities are held by the Federal Financing Bank of the U.S. Treasury, another Government entity.

MAJOR PROVISIONS OF THE BILL

AUTHORIZATION AND MORATORIUM

The bill adds to the present provisions of 39 U.S.C. section 2401 two additional subsections. Proposed subsections 2401(d)(1) and (d)(2) authorize to be appropriated to the Postal Service the sum of \$1 billion in two increments of \$500 million. The first increment is to be applied against the operating indebtedness of the Service "as of September 30, 1976"; the second amount is similarly to be applied to operating indebtedness "as of September 30, 1977".

The committee approved these authorizations with the understanding that the President would request the appropriation of the sums authorized by the bill, this understanding having been achieved after discussions between the chairman of the committee and the ranking minority member with the Director of the Office of Management and Budget.

In conjunction with the authorization of funds, the bill provides for a moratorium on postage rate increases and service cuts during

the period beginning on the date on which the first \$500 million authorized is appropriated and ending on February 15, 1977, the day on which the Commission on Postal Service, established elsewhere in this bill and explained subsequently in this report, will deliver its recommendations to the President and to the Congress.

Specifically, the bill prohibits the Postal Service from having in effect any permanent or temporary rate of postage or fee for any postal service greater than the rates and fees actually in effect on the date of enactment. This language does not mean that the Postal Service may not file a request with the Postal Rate Commission to institute a proceeding for rate increases before the expiration of the moratorium.

The bill also provides that, during the moratorium period, levels, and types of postal services may not be instituted that are less than the levels and types of services provided on July 1, 1976. It is not the committee's intention to preclude the Postal Service from making such minor adjustments as would occur, for instance, in the restructuring of a letter carrier route. Rather, the committee intends by this provision to prohibit a more substantial adjustment, including a reduction in the frequency of delivery services.

Further, the bill would prohibit the Postal Service from closing, during the period of the moratorium, any post office where 35 or more families regularly receive their mail and which was providing service on July 1, 1976. Additionally, the bill provides that before the Postal Service under law may close any office, where fewer than 35 families are served, it must obtain the written concurrence of at least 60 percent of all patrons 18 years of age or over who regularly receive their mail from that office. It is the committee's intention that post office consolidations be governed by these provisions as well.

An additional provision of the moratorium requires that the Postal Service provide door delivery or curblin delivery to all permanent addresses (other than apartment building addresses) to which service has begun on or after the date of enactment. This provision of the moratorium stems from an administrative regulation published by the Postal Service including the following:

1. No local option is provided for door-to-door delivery in new residential areas.
2. In new residential housing areas, the delivery options open to the local postmaster are limited to curblin or cluster box, within 300 feet of the residence.
3. In new mobile home parks, the options are curblin, cluster box, or delivery to the management for future distribution by other than postal employees.
4. The only circumstances under which door delivery may continue are in the case of residences built to fill in an area already receiving door delivery, and extreme hardship cases.
5. If municipal or county ordinances prohibit curblin delivery, the only options are cluster box delivery, general delivery, or no service.

The committee understands that in many new areas, curblin structures of any sort are prohibited by local ordinance. Thus, under the regulations, these areas will be served only by cluster boxes. The mora-

torium provision on delivery standards does not require that the Postal Service roll back the effects of its existing delivery policy, but only that the standards required shall be observed prospectively until February 15, 1977.

The bill includes a broad new reporting requirement which makes it incumbent upon the Postal Service, in requesting appropriations, in the future to present to the Committees on Post Office and Civil Service and the Committees on Appropriations of the Senate and House of Representatives copies of its budget for the fiscal year for which funds are requested and a comprehensive statement which shall contain:

What the Postal Service is doing to comply with the policy section of the Postal Reorganization Act. ("The Postal Service shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.");

Postal operations generally, data on the speed and reliability of service, volume, productivity, trends, and the impact of internal and external factors on the Postal Service; and

Estimates of revenue requirements.

The Postal Service also is required to request an opportunity to appear before the legislative committees to respond to questions concerning its budget and the required statement.

The bill specifically provides that the failure of the President to request the appropriation of any part of the funds authorized by section 2401 of title 39, U.S.C., shall not be deemed a failure of appropriations. It further provides that such failure by the President to request the appropriation of any part of the funds authorized by that section shall not relieve the Postal Service from the responsibility of complying with the moratorium provisions of the bill.

PARCEL POST

Subsection (j) of section 2 provides that the rates established for zoned-rated parcels shall not be more than 10 percent less than the rates for this kind of mail would be if the two \$500 million appropriations authorized in subsection (d) were not appropriated. This provision would apply to regular-rate parcel post which is carried in the mails at rates which vary according to the distance between the point of entry and the destination. The limitation does not apply to the rates established for fourth-class zone rate catalogues or to educational and library material rates mailed at uniform rates.

This provision is different from the provisions of H.R. 8603 as passed by the House of Representatives. Under the House bill, the Postal Service would have been prohibited from apportioning the current \$920 million public service subsidy to all classes of mail in determining the revenue requirement. This method of apportionment has been the policy of the Postal Service since the enactment of the Postal Reorganization Act. The committee provision will continue this policy as to the \$920 million public service appropriation, but will prohibit the Postal Service from apportioning the new authorized appropriation of \$500 million in a manner which would result in a reduction in parcel post rates by more than 10 percent.

POSTAL RATE COMMISSION ORGANIZATION

Section 3 of the bill has the following provisions:

1. Changes the future appointment of Commissioners from Presidential appointment to Presidential nomination and Senate confirmation.
2. Permits a Commissioner to continue in office until his successor has qualified, but not for more than one year.
3. Provides that the Commissioners shall elect by majority vote a vice chairman to serve in the absence of the presidentially designated chairman.

POSTAL RATE COMMISSION ADMINISTRATION

Section 4 clarifies the authority of the Chairman of the Postal Rate Commission to be the chief executive of the agency. Present law does not give the Chairman the authority to direct the administrative and clerical business of the Commission, and needless difficulties have resulted because of what was apparently an oversight in the Postal Reorganization Act.

Section 5 changes the period of time in which the Commission can consider a rate case. Under existing law there is no specific time limit, although section 3624 permits administrative rulings to bring about "the utmost expedition consistent with procedural fairness". Section 5(a) amends section 3624 to require the Commission to issue its recommended decision within 10 months after the submission of a request by the Postal Service. The new time limit does not apply to a mail classification case. H.R. 8603 leaves unchanged the provisions governing a classification case.

The bill permits the Commission to extend the time period beyond 10 months in cases in which the Postal Service "has unreasonably delayed" consideration of a request through a failure to respond within a reasonable period of time to orders of the Commission. The Commission may extend the 10 months by 1 day for each day of delay by the Postal Service. The 10-month provision does not apply to the current rate case stemming from the request of September 18, 1975, by the U.S. Postal Service which bears Postal Rate Commission Docket No. R76-1.

TEMPORARY CHANGES IN RATES AND CLASSIFICATIONS

Section 6 revises the authority for temporary changes in postal rates and fees, and changes in the mail classification schedule.

Under 39 U.S.C. 3641, the Postal Service under existing law may change rates and fees on a temporary basis if the Postal Rate Commission does not issue a recommended decision within 90 days after a request is made.

Under the language of H.R. 8603, the Postal Service would have to wait for a period of 10 months after making its request to impose temporary changes. Since the Commission is mandated to issue its recommended decision within 10 months, it is at least possible that temporary rate authority would not be utilized.

Under current law, temporary changes may not exceed 33 percent of the existing permanent rate. H.R. 8603 eliminates the 33 percent

maximum, and permits the Postal Service to increase temporary rates up to the amount requested as a permanent rate. Such temporary rates must be "in accordance with the policies of this title."

The bill revises the duration of time for temporary rates imposed by the Postal Service. Under current law, these rates automatically expire 30 days after the Commission issues its recommended decision to the Governors. Under the proposed change, the temporary rates may continue in effect for 150 days following the submission of the Commission's recommended decision, thus permitting an adequate period for review of the recommendation and avoidance of changes in rates resulting solely from a Governor's decision to return a recommended decision for further consideration, or judicial review of a recommended decision or the action of the Governors.

The bill reiterates existing law, making no change in the existing provision that if the Postal Rate Commission does not transmit a classification schedule 90 days after being requested by the Governors, the Postal Service may impose temporary changes in the mail classification schedule. The Postal Service and the Postal Rate Commission are working closely on the new classification schedule, which will be phased in for the different classes over a three or four-year period.

The bill exempts the present rate case from the 10-month requirement and exempts the present case from the extension from 30 to 150 days for temporary rates.

THE COMMISSION ON POSTAL SERVICE

The bill establishes a Commission on Postal Service, to be composed of 10 members selected as follows:

4 appointed by the President, one of whom shall be Chairman.

3 appointed by the President Pro Tempore of the Senate, one of whom shall be a representative of the work force of the U.S. Postal Service.

3 appointed by the Speaker of the House of Representatives, one of whom shall be a representative of the work force of the U.S. Postal Service.

The Postmaster General of the United States and the Chairman of the Postal Rate Commission shall be ex-officio members of the Commission, but shall have no vote.

The committee decided that three members each would be appointed by the President Pro Tempore of the Senate and the Speaker of the House so that, in addition to the representatives of the Postal Service work force, the President Pro Tempore and the Speaker could each appoint a member from both political parties.

The committee construes "a member of the work force of the United States Postal Service" to be a Postal Service employee except that such employee shall not be a part of management.

The bill charges the Commission with identifying and studying the problems facing the Postal Service and recommending actions to be taken to resolve those problems. The Commission would not be limited to any subject areas for consideration. The bill requires that the Commission would send to the President and each House of Congress a report containing a detailed statement of its findings and recommendations on or before February 15, 1977. Note that this also is the date on

which the moratorium on rates and service cuts established by section 2 expires.

The bill authorizes necessary appropriations to the Postal Service Fund to pay the expenses incurred by the Commission.

THE COMMISSION'S DUTIES

During hearings on the bill and in earlier versions, the committee considered directing the Commission to study all aspects of the public-service functions of the Postal Service, including whether the current public-service allowance should be increased or decreased and to what extent such functions should be paid for out of appropriated funds. Following discussions with the Office of Management and Budget, however, the mandate to the Commission was enlarged so that the Commission would not be limited to any subject areas for consideration.

The broad and nonspecific mandate to the Commission to study the problems facing the U.S. Postal Service presupposes that the Commission will conduct its study with the understanding that the Commission has not suggested any abrogation of the provisions of section 101 of title 39 which provide in part that "The U.S. Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States authorized by the Constitution, created by Act of Congress, and supported by the people. The Postal Service shall have as its basic function the obligation to provide postal service to bring the Nation together through the personal, educational, literary, and business correspondence of the people . . ."

PROVISIONS NOT INCLUDED

H.R. 8603 and several Senate bills pending before the committee contain numerous amendments to the Postal Reorganization Act of 1970 that are unrelated to the immediate financial problems of the Postal Service. For example, one amendment would affirm past Postal Service grants of second class mail privileges to catalogs and bulletins published by universities and colleges and to the publications of certain looseleaf reporting services. The committee's decision to limit the scope of its bill to the financing of the Postal Service and the establishment of a Presidentially appointed Commission to consider broad public policy questions related to the Postal Service precluded committee consideration of these other measures. Neither the Postal Service nor any other body should, however, interpret the absence of these provisions from the committee bill as an expression of disapproval by the committee. The committee's action was taken without prejudice to these amendments to the act, and does not indicate committee approval of the administrative actions of the Postal Service to revoke these permits. The committee proposes to consider them separately and to act upon them when the committee's schedule permits. Pending consideration by the committee, and at least until the expiration of the moratorium on February 15, 1977, it is the committee's hope that the Postal Service will defer any further action with respect to the revocation of second class mailing privileges for these publications.

Also included in the bill considered, but not approved by the committee, was a provision that one conservation publication published by an agency of a State which is responsible for the management and

conservation of the fish or wildlife resources of such State shall be considered a publication of a qualified nonprofit organization qualified for nonprofit postal rates. The committee rejected this provision without prejudice and did not take into account the merits of the provision which may warrant future committee consideration. The provision was excluded solely as being peripheral to the thrust of the measure, which is to enhance the fiscal posture of the Postal Service.

Similarly, prior to the markup of H.R. 8603, committee members were asked to include in their deliberations a provision that qualified nonprofit organizations would be required to pay postage on their mailings in an amount not to exceed 50 percent of the regular postage rate. This provision was never included in the bill which the committee considered; hence it does not appear in H.R. 8603. This omission again reflects the fact that such a provision is not central to the main purpose of the bill, and its exclusion does not reflect upon its merits.

The committee also considered an amendment which would have provided larger size and weight limits on parcels to be airlifted to the Armed Forces post offices outside the 48 contiguous States, but did not approve it.

COMMITTEE ACTION

The ground work for consideration of H.R. 8603 began in February, 1973, when the Committee on Post Office and Civil Service undertook an investigation of the Postal Service pursuant to S. Res. 61 of the 93d Congress. Its report (No. 93-727) was filed in March 1974.

S. 2844, the text of which has been submitted, as amended, for the provisions of H.R. 8603, was introduced on January 19, 1976, and hearings were held on that bill on January 27 and 28, February 16 and 20, March 29, and April 19 and 20.

The committee met in open sessions to consider the legislation on June 9 and 10, 1976, ordering the bill, as amended, to be reported favorably to the Senate.

There were three roll-call votes taken. The first on an amendment offered by Senator Bellmon to make the Postmaster General and Chairman of the Postal Rate Commission ex-officio (not voting) members of the Commission on Postal Service, follows: Yea—Senators Randolph, Burdick, Hollings, Leahy, and Bellmon. Nay—Senator Fong. Not voting—Senators Moss, Stevens, and McGee.

The second roll-call vote, which was on an amendment offered by Senator Hollings in the nature of a substitute. The vote was: Yea—Senators Randolph and Hollings. Nay—Senators Burdick, Moss, Fong, Stevens, Bellmon, and McGee. Not voting—Senator Leahy.

The final roll-call vote, on a motion by Senator Fong to approve the bill as amended and order it reported, was: Yea—Senators Randolph, Burdick, Moss, Leahy, Fong, Stevens, Bellmon, and McGee. Nay—Senator Hollings.

SECTIONAL ANALYSIS

Section 1 provides a short title for the bill, "The Postal Reorganization Act Amendments of 1976".

Sections (d) (1) and (2) authorize two appropriations in the amount of \$500 million each to be applied against the accumulated operating indebtedness. The first such appropriation would be applied against

the accumulated operating indebtedness as it exists at the close of fiscal year 1976, and the second would be applied against the accumulated operating indebtedness as it exists at the close of fiscal year 1977.

Section 2 provides that during the period from the appropriation of the first \$500 million authorized until February 15, 1977, the Postal Service would not be allowed to have in effect any rate or fee increase which exceeds the rates and fees in effect on the date of enactment; would not be allowed to provide levels and types of postal services less than those services provided on July 1, 1976; would not be allowed to close any post office where 35 or more families regularly receive their mail and which was providing service on July 1, 1976; or close any post office where fewer than 35 families receive their mail unless the Postal Service receives the written consent of at least 60 percent of the regular patrons of such office who are at least 18 years of age.

Section 2 further provides that, during the same moratorium period, the Postal Service shall provide door delivery or curbside delivery to all permanent residential addresses (other than apartment building addresses) to which service was begun on or after the date of enactment.

Section 2 requires the Postal Service, in requesting the authorized appropriations, to present to both the Senate and House Post Office and Civil Service Committees and the Senate and House Appropriations Committees copies of the Postal Service budget for the fiscal year for which the funds are requested, as well as a comprehensive statement containing information falling into four categories. Each statement must specify, in the first place, plans, policies, and procedures of the Postal Service which are designed to comply with the requirements of the policy section of the Postal Reorganization Act of 1970. Secondly, each statement must comment on postal operations generally and specific data on the speed and reliability of service, volume, productivity, trends in postal operations, and an analysis of the impact of various internal and external factors on the Postal Service. Third, each statement must contain an income statement for the most recent fiscal year for which information is available and an estimated income statement for the fiscal year for which funds are requested. Finally, each statement must contain any other information determined by the committees to be necessary in order to keep Congress fully informed concerning postal operations, plans, and policies.

Section 2 further requires the Postal Service to request an opportunity to appear before the Senate and House Post Office and Civil Service Committees to present testimony and answer questions regarding the aforementioned budget and statement.

Section 2 specifically provides that the failure of the President to request the appropriation of any of the funds authorized shall not be deemed a failure of appropriations. It also provides that the failure of the President to request the appropriation of any part of the authorized funds will not prevent the Postal Service from having to comply with the previously mentioned moratorium provisions.

In addition, section 2 limits the rates established for zone-rated parcels so that they shall not be more than 10 percent less than such rates would be if the amounts authorized in subsection (d), that is, the additional sums authorized by this bill, were not appropriated.

Section 2 revises section 2003 of title 39, U.S.C., by adding a subsection requiring any amounts appropriated under the provisions of the bill to be expended only for the specified purposes.

Section 3 revises the organizational and administrative provisions of section 3601 dealing with the Postal Rate Commission.

Section 3 revises section 3601(a) to change the appointment process of all commissioners from direct Presidential appointment to Presidential nomination subject to Senate confirmation.

Section 3 revises section 3601(b) to provide that a Commissioner may continue in office until his successor has qualified to take office, except that any such Commissioner may not continue to serve for longer than one year after the date upon which his term would otherwise expire.

Section 3 revises section 3601(d) to require the election by the Commission of a vice chairman to serve in the absence of the Chairman. This procedure is the existing practice.

Section 3(b) provides that the requirement for nomination and confirmation by the Senate shall not apply to a current Postal Rate Commissioner, except that the provision would apply to such appointment occurring after the date of enactment.

Section 4 revises section 3604 to title 39 to clarify the authority of the Chairman of the Commission to act as the chief executive of the agency. Specifically, section 4 vests clear authority in the Chairman to administer the appointment and supervision of personnel, to direct the business of the Commission, and to direct the use and expenditure of funds.

Section 5 revises section 3624 to create a 10-month time limit within which the Postal Rate Commission must issue a recommended decision following the submission of a request by the Postal Service in a rate case. The Postal Rate Commission would be allowed to extend the 10-month period on any case in which the Postal Service "has unreasonably delayed consideration of a request made by the Postal Rate Commission" to respond to any lawful order of the Commission. This new time limit does not apply to mail classification cases, nor would it apply to the third rate case, bearing Docket No. R76-1.

Section 6 revises section 3641 of title 39 regarding the authority of the Postal Service to impose temporary changes in rates, fees, and the mail classification schedule.

With respect to rates and fees, section 6 requires the Postal Service to wait a period of 10 months instead of 90 days as provided by existing law after a rate request is filed before imposing temporary rates. Thus, temporary rates would only be imposed by the Postal Service in those cases in which the Postal Rate Commission takes longer than 10 months to issue a recommended decision.

Temporary rates may not exceed the permanent rate proposal submitted by the Postal Service to the Postal Rate Commission, nor may the temporary rates exceed the amounts necessary, when combined with all other available funds, which will equal the total estimated costs of the Postal Service.

Section 6 revises the duration of time for temporary rates imposed by the Postal Service. Under current law, these rates automatically expire 30 days after the Commission issues its recommended decision

to the Governors. Under the proposed change, the temporary rates may continue in effect for 150 days following the submission of the Commission's recommended decision, thus permitting an adequate period for review of the recommendation and avoidance of changes in rates resulting solely from a Governor's decision to return a recommended decision for further consideration, or judicial review of a recommended decision or the action of the Governors.

No change is made in existing law providing that temporary changes in the mail classification schedule may be imposed by the Postal Service if the Postal Rate Commission does not transmit a mail classification schedule 90 days after a request by the Postal Service.

Section 6(b) exempts the third rate case, bearing Docket No. R76-1, from the 10-month requirement and provides that the third rate case is to be controlled by current law.

Section 7 creates a Commission on Postal Service consisting of 12 members.

Four of the members would be appointed by the President, one of whom could be the chairman. Three of the members would be appointed by the President Pro Tempore of the Senate, one of whom must be a member of the work force of the United States Postal Service. Three of the members would be appointed by the Speaker of the House of Representatives, one of whom must also be a member of the work force of the United States Postal Service. The Postmaster General and the Chairman of the Postal Rate Commission would be ex-officio, nonvoting members of the Commission.

The function of the Commission would be to identify and study, without limitation as to such areas of inquiry, the problems facing the Postal Service.

The Commission is required, on or before February 15, 1977, to submit to the President and each House of Congress a detailed statement of its findings and recommendations, together with any individual views.

Section 7 provides that members of the Commission, with the exception of those members who are full time officers or employees of the U.S. Government, would receive compensation for their services equal to the daily equivalent of the annual rate of basic pay in effect for GS-18 for each day during which they are engaged in the actual performance of their duties as Commission members.

Section 7 also provides that Commission members in travel status would be allowed travel expenses including per diem in lieu of subsistence in the same manner as persons intermittently employed are allowed expenses under 5 U.S.C. 5703.

Section 7 provides that the Commission may appoint and fix the compensation of personnel without regard to the provisions of title 5, governing appointments in the competitive service. Such personnel would be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at a rate not to exceed the maximum rate authorized by the General Schedule. The Commission would be authorized to procure the services of experts and consultants but at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay in effect for the maximum rate authorized by the General Schedule.

Finally, section 7 authorizes the appropriation to the Postal Service Fund of sums necessary to carry out the provisions of the section.

Section 8 of the bill makes a technical amendment to section 3623(b) of title 39, U.S.C.

Costs

H.R. 8603, as amended, specifically authorizes appropriations totaling \$1 billion, and other appropriations required to pay the expenses of the Commission on Postal Service. The Congressional Budget Office estimated the cost of the Commission under an earlier provision at \$1.1 million for fiscal year 1977. Since, under the provisions of H.R. 8603, as amended, the Commission would report its recommendations by February 15, 1977, the Commission's expenses should be less than \$1 million on this basis.

By contrast, C.B.O., in its analyses of H.R. 8603 as it was referred to the Committee, S. 2844 as it was introduced, and S. 718 determined the fiscal year 1977 net cost of each to be approximately \$1.3 billion. Further costs, beyond fiscal year 1977, are presented in the analyses which follow.

The Committee on Post Office and Civil Service, in reporting H.R. 8603, as amended, also has reported a resolution for waiver from the provisions of section 402(a) of the Budget Act of 1974 with the understanding that the failure of the Committee of Conference on the First Concurrent Resolution on the Budget to specifically provide for the authorization proposed by the bill did not prejudice its consideration by the Senate.

The Congressional Budget Office analyses of various Postal Service bills, as they were originally presented to the Committee for consideration, follows:

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 13, 1976.

HON. GALE MCGEE,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 2844, Postal Reorganization Act Amendments of 1976.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE,
Deputy Director.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE, APRIL 13, 1976

1. Bill No.: S. 2844.
2. Bill title: Postal Reorganization Act Amendments of 1976.
3. Purpose of the bill:

General.—The bill: (1) amends Title 39, U.S. Code; (2) provides for changes in the organization, financing, and operation of the United States Postal Service; (3) authorizes increased appropriations; (4) makes changes in the Postal Rate Commission and the ratemaking process; and (5) establishes a 2-year Commission on Postal Service.

Specific.—Section 2(a) provides new authorization for fiscal years 1977, 1978, and 1979. The amount of the appropriation may not exceed 10 percent of the total estimated operating expenses for the fiscal year for which the appropriation is requested.

Section 2(e) requires door or curb delivery to all permanent residential addresses other than apartment buildings or, in cases where local governments approve, cluster box delivery service. This section also requires door delivery in cases where the local government adopts zoning ordinances which, in effect, prohibit curblin delivery.

Section 4 changes certain procedures of the Postal Rate Commission and the ratemaking process by increasing the power of the Chairman and by giving the Commission budget autonomy.

Section 6 relaxes the restrictions on the amount of temporary rate increases and establishes a two-year Commission on Postal Service to study and report on public service functions of the Postal Service, rates, costs, and other issues pertaining to postal operations.

4. Cost estimate:

(In billions of dollars)

	Fiscal year—		
	1977	1978	1979
Section 2(a).....	1.300	1.600	1.700
Section 2(e).....	.020	.040	.060
Section 6.....	.001	.001
Total².....	1.300	1.600	1.700

¹ Section 2(a) cost incorporates the additional costs incurred by sections 2(e) and 6. See "Basis for Estimate." Section 2(a) cost is based upon a first-class stamp cost of 14 cents in fiscal year 1977. This level is selected to facilitate comparison with other Postal Service bills.

² This total would be in addition to projected appropriation level.

5. Basis for estimate:

Section 2(a).—S. 2844 limits the level of appropriations for fiscal year 1977 through 1979 to 10 percent of the Postal Service's operating expenses for the fiscal year for which appropriations are requested. Appropriations authorized by the bill may be used for such purposes as Congress deems appropriate. Therefore, in order to estimate the possible budgetary impact of the legislation, it was necessary to project various situations under which Congress might appropriate funds to the Postal Service. The situations selected use the funds to (1) pay off the accumulated operating deficit, (2) hold down future postage rate increases, and (3) pay for new expenses incurred as a result of this legislation.

The cost estimates show different rate schedules for first class postage. (It is assumed that other rates will increase at the same rate as first class rates.) The estimates also assume that the accumulated deficit, which will be \$3.4 billion at the end of the transition quarter, will be paid off over five years. The 5-year period was used to facilitate comparison with other postal bills.

The maximum budget impact under this bill would be \$1.5 billion in fiscal year 1977, \$1.6 billion in fiscal year 1978, and \$1.7 billion in fiscal year 1979. These figures represent 10 percent of the projected Postal Service expenses for the next 3 fiscal years.

BUDGET AUTHORITY LEVELS ASSOCIATED WITH S. 2844

(In billions of dollars and fiscal years)

	Cost of 1st-class stamp (cents)	Accumulated deficit at end of fiscal year	Additional budget impact
Level I—This indicates the level of appropriation necessary to hold the 1st-class rate to a 1¢/yr increase over the next 3 yr:			
1977.....	14	2.7	1.3
1978.....	15	2.0	1.6
1979.....	16	1.4	1.7
Level II—This indicates a level of appropriation which would recover the accumulated deficit over the next 5 yr. This stamp schedule does not allow revenues to cover expenses:			
1977.....	16	2.7	.7
1978.....	16	2.0	.7
1979.....	18	1.3	.8

¹ Under S. 2844, only 10 percent or \$1,700,000,000 may be appropriated.

Section 2(e).—Approximately 11.2 million households are currently receiving curblin service. If this bill was enacted, these people would have to be provided with door delivery service, if local ordinances so ordered. It costs the Postal Service \$49 per household a year to provide door delivery service and \$39 per household to provide curb service. If the Postal Service was forced to change from curb to door delivery, it would cost an additional \$112 million a year, with an additional \$8 million to service new addresses. This would be a gradual cost increase over the five years and probably would not affect more than half of the 12 million households, at most. The additional cost would be \$20 million in fiscal year 1977, \$40 million in fiscal year 1978, \$60 million in fiscal year 1979, \$60 million in fiscal year 1980, and \$60 million in fiscal year 1981.

Section 6.—It is assumed that the Commission on Postal Service would be small with the five members, five assistants and five support staff. It is also assumed that the support services will be contracted out to the General Services Administration. The outside contract costs for consultants will be kept under \$500,000, as the Commission will do almost all of the work designated to it by Congress. The total cost of the Commission would be \$1.1 million in fiscal year 1977 and \$1.2 million in fiscal year 1978.

6. Estimate comparison: Not Applicable.

7. Previous CBO estimate:

CBO CURRENT POLICY POSTAL PROJECTIONS¹

	Fiscal year—				
	1977	1978	1979	1980	1981
Cost of 1st-class stamp (cents).....	17	17	19	19	21
Accumulated deficit (billions).....	\$2.9	\$2.6	\$1.8	\$1.9	\$1.5
Projected appropriation (billions).....	\$1.7	\$1.6	\$1.5	\$1.3	\$1.2

¹ CBO Mar. 15, 1976, Annual Report.

These projections are based upon setting rates to meet operating expenses and to pay off the accumulated deficit by 1984, assuming appropriations remain at the levels provided under current law.

8. Estimate prepared by: Jack Garrity and Ed Chase.

9. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 13, 1976.

HON. GALE MCGEE,
Chairman, Committee on Post Office and Civil Service, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 8603, Postal Reorganization Act Amendments of 1975.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE,
Deputy Director.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE, APRIL 13, 1976

1. Bill No.: H.R. 8603.
2. Bill title: Postal Reorganization Act Amendments of 1975.
3. Purpose of the bill:

General.—This bill amends title 39, U.S. Code, with respect to the organization, financing and operation of the United States Postal Service and the Postal Rate Commission. The bill gives authorization for additional appropriations to the Postal Service to provide a maximum degree of effective and regular postal services throughout the nation. This bill brings the Postal Service back on the budget.

Specific.—Section 2(a) changes the method of financing postal operations by requiring the deposit of postal revenues into the U.S. Treasury. Under the new authorization, Congress would appropriate such funds as are necessary to enable the Postal Service to carry out its responsibilities. The authorization is in addition to existing provisions for appropriations to cover public service costs, revenue lost or foregone, and transition costs. The bill would, however, eliminate the current formula for the public service appropriation and replace it with an open-ended authorization.

Section 2(b) requires door or curblin delivery to all permanent residential addresses other than apartment buildings, or in cases where local governments approve, cluster box delivery service. The bill would

require door delivery in cases where the local government adopts zoning ordinances which, in effect, prohibit curblin delivery.

Section 4 changes certain procedures of the Postal Rate Commission and the rate-making process by giving broader powers to the Chairman, and setting a deadline for decisions on rate proceedings. In addition, the budget of the Postal Rate Commission would be paid out of the U.S. Treasury, not out of the Postal Fund.

Section 8 extends the waiting period for the implementation of temporary rate increases and sets a lower limit on the amount of temporary rate increases.

Section 14 establishes a Commission on Postal Service for a 2-year period to study and report on public service functions of the Postal Service, rates, costs and other issues relating to postal operations.

4. Cost estimate:

	Fiscal year—				
	1977	1978	1979	1980	1981
Sec. 2(a) ¹	15.775	16.755	17.736	18.735	19.935
Sec. 2(b).....	.020	.040	.060	.060	.060
Sec. 4.....	.004	.004	.004	.005	.005
Sec. 14.....	.001	.001			
Total, budget impact.....	15.800	16.800	17.800	18.800	20.000
Net Federal cost ²	1.300	1.600	1.800	2.500	2.700

¹ See Basis for Estimate: This bill brings the Postal Service back on the budget. The "Total budget impact" does not include Postal revenues deposited in the U.S. Treasury; the "Net Federal cost" does include these revenues. This level was selected to facilitate comparison with other Postal Service bills.

² This "Net Federal cost" would be in addition to the projected appropriation level.

5. Basis for estimate:

Section 2(a).—H.R. 8603 would put the Postal Service back on budget, therefore the cost estimate provides a column for "Budgetary Impact" and a column for "Net Cost." The "Net Cost" is added to help in comparison with other postal bills. Appropriations under the bill can be used for such broad purposes as to provide for an efficient service-oriented Postal Service. The annual level of appropriations is left to be decided by Congress.

Therefore, in order to estimate the possible budgetary impact of the legislation, it was necessary to project various situations under which Congress might appropriate funds to the Postal Service. The situations selected use the funds to: (1) pay off the accumulated operating deficit, (2) hold down future postal rate increases, and (3) pay for new expenses incurred as a result of the legislation.

The cost estimates show different rate schedules for first class postage. (It is assumed that other rates will increase at the same rate as first class rates.) The estimates also assume that the accumulated deficit, which will be \$3.4 billion at the end of the transition quarter, will be paid off over 5 years.

BUDGET AUTHORITY LEVELS ASSOCIATED WITH H.R. 8603

[In billions of dollars and fiscal years]

	Cost of 1st-class stamp (cents)	Accumulated deficit at end of fiscal year	Budgetary impact	Net cost
Level I—This indicates the level of appropriation necessary to hold the 1st-class rate to a 1-cent-per-year increase over the next 5 years:				
1977	14	2.7	15.8	1.3
1978	15	2.0	16.8	1.6
1979	16	1.3	17.8	1.8
1980	17	.6	18.8	2.5
1981	18	-----	20.0	2.7
Level II—This indicates a level of appropriation which would recover the accumulated deficit over the next 5 years. This stamp schedule does not allow revenues to cover expenses:				
1977	16	2.7	15.9	.7
1978	16	2.0	16.3	.7
1979	18	1.3	17.9	.8
1980	20	.6	18.6	.8
1981	21	-----	19.7	.7
Level III—This indicates the level of appropriation necessary to maintain the 1st-class rate at its present level for the next 5 years:				
1977	13	2.7	15.8	1.6
1978	13	2.0	16.9	2.6
1979	13	1.3	18.0	3.7
1980	13	.6	19.0	4.6
1981	13	-----	20.2	5.7

Section 2(b).—Approximately 11.2 million households are currently receiving curblin service. If this bill were to be enacted, these households would have to be provided with door delivery service, if local ordinances so ordered. It costs the Postal Service \$49 per household per year to provide door delivery service and \$39 to provide curb service. If the Postal Service was forced to change from curb to door delivery, it would cost an additional \$112 million a year, with an additional \$8 million to service new addresses. This would be a gradual cost increase over the five years and probably would not affect more than half of the 12 million households, at the most. The additional cost would be \$20 million in fiscal year 1977, \$40 million in fiscal year 1978, \$60 million in fiscal year 1979, \$60 million in fiscal year 1980, and \$60 million fiscal year 1981.

Section 4.—This brings the Postal Rate Commission on budget as a new appropriation separate from the Postal Service Fund. It has been assumed that the new appropriation will be the same magnitude as the funding from the Postal Service Fund, and that there is no corresponding reduction in the appropriation to the Postal Service Fund.

Section 14.—This is based on the assumption that the Commission will have a total staff of fifteen: five members, five assistants, and five support staff. It is also assumed that the support services will be contracted out to the General Services Administration. The outside contract costs for consultants will be kept under \$500,000, as the Commission will do almost all of the work designated to it by Congress. The total cost of the Commission would be \$1.1 million in fiscal year 1977 and \$1.2 million in fiscal year 1978.

6. Estimate comparison: None.

7. Previous CBO estimate:

CBO CURRENT POLICY POSTAL PROJECTIONS¹

[Fiscal years]

	1977	1978	1979	1980	1981
Cost of 1st-class stamp (cents).....	17	17	19	19	21
Accumulated deficit (billions).....	\$2.9	\$2.6	\$1.8	\$1.9	\$1.5
Projected appropriation (billions).....	\$1.7	\$1.6	\$1.5	\$1.3	\$1.2

¹ CBO Mar. 15, 1976, Annual Report.

These projections are based upon setting rates to meet operating expenses and to pay off the accumulated deficit by 1984, assuming appropriations remain at the levels provided under current law.

8. Estimate prepared by: Jack Garrity and Ed Chase.

9. Estimate approved by: James L. Blum, for Assistant Director for Budget Analysis.

CONGRESS OF THE UNITED STATES,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., April 13, 1976.

HON. GALE MCGEE,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for S. 718, United States Postal Service Amendments of 1975.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE,
Deputy Director.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE, APRIL 13, 1976

1. Bill No.: S. 718.

2. Bill title: United States Postal Service Amendments of 1975.

3. Purpose of bill:

General.—This bill amends Title 39, United States Code, with respect to the organization, financing and operation of the United States Postal Service. It would include changes in the Postal Rate Commission and the rate making process. The bill also authorizes additional appropriations to the Postal Service Fund.

Specific.—Section 2 reorganizes the management of the Postal Service by eliminating the Board of Governors and making certain changes to the appointment and compensation procedures for postal officials.

Section 3 changes certain procedures of the Postal Rate Commission and the rate making process by making the Commission the final authority on rate increases, extending the waiting period before a temporary rate can be put into effect, setting a lower limit on the amount of temporary rate increases, and authorizing to be appropriated such sums as may be necessary to pay the expenses of the Postal Rate Commission.

Section 5a prohibits the borrowing of money for operating expenses. Section 5c authorizes to be appropriated to the Postal Service such additional sums as may be determined to be necessary for an efficient service oriented postal service.

Section 6 requires that employee compensation be based on comparability with the federal government rather than the private sector.

4. Cost estimate:

[In billions of dollars and fiscal years]

	1977	1978	1979	1980	1981	
Sec. 5c.....	0.004	0.004	0.004	+	0.005	0.005
Sec. 5c ¹	1.300	1.600	1.700	+	2.400	2.600
Total ²	1.304	1.604	1.704	2.405	2.605	

¹ Sec. 5(c) cost is based upon a 1st-class stamp cost of 14 cents in fiscal year 1977. This level was selected to facilitate comparison with other Postal Service bills. See "Basis for estimate."
² This total would be in addition to the projected appropriation level.

5. Basis for estimate:

Section 3c.—This section authorizes new appropriations to pay for the Postal Rate Commission. The Commission is now funded by the Postal Service Fund and the new appropriation would decrease the Postal Service's expenses, but would not necessarily decrease appropriations for the Postal Service Fund. It has been assumed that the new appropriation would be equal to the Postal Rate Commission budget and there would be no decrease to the Fund. The Commission's budget will be \$3.725 million in fiscal year 1977, \$4.004 million in fiscal year 1978, \$4.304 million in fiscal year 1979, \$4.627 million in fiscal year 1980, and \$4.974 million in fiscal year 1981.

Section 5c.—S. 718 authorizes such sums as are necessary to be appropriated to the Postal Service for an efficient service-oriented Postal Service. The annual level of appropriation is left to be decided by Congress.

Therefore, in order to estimate the possible budgetary impact of the bill, it was necessary to project various situations under which Congress might appropriate funds to the Postal Service. The situations selected use the funds to: (1) pay off the accumulated operating deficit, and (2) hold down future postage rate increases.

The cost estimates show different rate schedules for first class postage. (It is assumed that all rates will increase at the same rate as first class rates.) The estimates also assume that the accumulated deficit, which will be \$3.4 billion at the end of the transition quarter, will be paid off over 5 years.

BUDGET AUTHORITY LEVELS ASSOCIATED WITH S. 718

[In billions of dollars and fiscal years]

	Cost of 1st class stamp (cents)	Accumulated deficit at end of fiscal year	Additional budget impact
Level I —This indicates the level of appropriation necessary to hold the 1st class rate to a 1 cent per year increase over the next 5 years:			
1977.....	14	2.7	1.3
1978.....	15	2.0	1.6
1979.....	16	1.3	1.7
1980.....	17	.6	2.4
1981.....	18	-----	2.6
Level II —This indicates a level of appropriation which would recover the accumulated deficit over the next 5 years. This stamp schedule does not allow revenues to cover expenses:			
1977.....	16	2.7	.7
1978.....	16	2.0	.7
1979.....	18	1.3	.7
1980.....	20	.6	.7
1981.....	21	-----	.6
Level III —This indicates the level of appropriation necessary to maintain the first class rate at its present level for the next 5 years:			
1977.....	13	2.7	1.6
1978.....	13	2.0	2.6
1979.....	13	1.3	3.6
1980.....	13	.6	4.5
1981.....	13	-----	5.6

6. Estimate comparison: None.

7. Previous CBO estimate:

CBO CURRENT POLICY POSTAL PROJECTIONS¹

[Fiscal years]

	1977	1987	1979	1980	1981
Cost of 1st-class stamp (cents).....	17	17	19	19	24
Accumulated deficit (billions).....	\$2.9	\$2.6	\$1.8	\$1.9	\$1.5
Projected appropriations (billions).....	\$1.7	\$1.6	\$1.5	\$1.3	\$1.2

¹ CBO Mar. 15, 1976, Annual Report.

These projections are based upon setting rates to meet operating expenses and to pay off the accumulated deficit by 1984, assuming appropriations remain at the levels provided under current law.

8. Estimate prepared by: Jack Garrity and Ed Chase.

9. Estimate approved by: James L. Blum, for Assistant Director for Budget Analysis.

POSTAL SERVICE VIEWS

Following are the views of the Postal Service on S. 2844, the bill considered by the Senate committee.

U.S. POSTAL SERVICE,
LAW DEPARTMENT,
Washington, D.C., March 18, 1976.

HON. GALE MCGEE,
Chairman, Committee on Post Office and Civil Service,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request for the views of the Postal Service on S. 2844, "To amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes."

The Postmaster General testified before your Committee on this bill on January 27, 1976. He said the Postal Service favors what we understand to be the heart of S. 2844, namely, the creation of a commission to study the public service function of the Postal Service and an interim increase in the public service funding authorization in the amount of 10 percent of the estimated operating expenses of the Postal Service each year for three years. Both the danger of the present deficit position of the Postal Service and increasingly significant trends in the development of substitutes for mail service make these measures particularly important at this time. The Postmaster General's testimony also discussed particular provisions of the bill and promised that more detailed comments on the entire proposal would be provided in writing. These detailed comments are provided below, section by section.

Section 2 of the bill would amend section 2401(b) of title 39 by striking out paragraph (3) and adding new subsections (d), (e), and (f). New subsection (d) would authorize appropriations to the Postal Service for each of the fiscal years ending September 30, 1977, 1978, and 1979 in an amount not exceeding 10 percent of the total estimated operating expenses of the Postal Service for the fiscal year for which such appropriations are requested. Subsection (d) also provides that the Postal Service, in requesting appropriations under this subsection and subsection (b), must file with the appropriate congressional committees¹ a detailed statement relating to (1) postal plans, policies, and procedures designed to comply with 39 U.S.C. 101, (2) the operations of the Postal Service, including the use of revenues, appropriations, and borrowed funds, (3) estimates as to revenue requirements of the Postal Service and the means to be used in financing total estimated costs, and (4) such other matters as the congressional committees may determine are needed.

In view of its present financial crisis, the Postal Service fully supports an interim increase in the public service funding authorization of 10% of the estimated operating expenses of the Postal Service. We recognize that such additional emergency funding would carry with it an obligation to keep postal rates as low as possible. Accordingly,

¹The "appropriate" congressional committees presumably would be the Appropriations Committees of the House and Senate since such information is to be presented when requesting appropriations. Similar language is contained in present 39 U.S.C. 2401(b)(3) pursuant to which a "compliance statement" has been presented to the two appropriations committees each year.

the efforts of the Postal Service to reduce costs in a responsible manner would continue despite the availability of increased appropriations funding.

We do have a drafting suggestion to make in this respect. We would recommend that the Committee authorize a definite amount to be appropriated rather than a "not to exceed" amount. This is the manner in which the existing public service authorization is drafted. Moreover, postal rates must be set on the assumption that a specific sum will be appropriated, not just a maximum amount. Accordingly, we recommend the deletion of the words "an amount not exceeding" in the first sentence of subsection (d).

Proposed new subsection (e) would attach to the public service authorization a provision intended to inhibit the use of curbside or cluster box residential delivery modes in urbanized areas. Delivery to the door would be required (except in the case of apartments) wherever local zoning ordinances prohibit, for safety reasons, the maintenance of any structure—presumably such as utility poles and fences—on the property adjacent to the curbside. Cluster box delivery would be prohibited except where approved by the local government. However, under the first sentence of proposed subsection (e), these restrictions would not apply if the Post Service does not receive the appropriations authorized under subsections (b) and (d) of section 2401.

We oppose these restrictions. If the Postal Service is to make an effort at sensible economies given the long-term financial realities that must be faced, the judicious use of curbside and cluster box delivery modes is an essential and a modest step in that direction.

In addition, proposed section 2401(e) would create a number of problems of administration. It is not clear that the appropriate unit of local government could be identified in all cases. Assuming the right unit is known, there are no standards respecting the substance, timing, or term of effect of the actions required of that unit to record its permitted decisions. The applicability of the whole provision also could vary from year to year depending upon the availability of appropriations. All of these factors would tend to make the implementation of the provision confusing, inconsistent, and episodic.

In the House, the provision in H.R. 8603 with respect to curbside delivery was revised in response to our view that an unconditional, vague, and standardless delegation of Federal decisionmaking responsibility to local authorities would be of questionable constitutionality. However, the cluster box provision, which still suffers from the same difficulties, was not revised in H.R. 8603, as passed the House, and has been included in S. 2844 in the same form. If some provision of this kind is to be enacted, we believe that any local authority over proposed curbside or cluster box delivery should be governed by the same or similar standards, such as the safety standard proposed by the last sentence of the curbside delivery restriction (proposed section 2401(e)(1)).

There is also a substantial ambiguity in the phrasing of the first sentence of proposed section 2401(e)(1), which makes the service requirement applicable only during any fiscal year for which Congress has appropriated all of the funds authorized under subsection (b) or (d) of this section. To resolve the ambiguity, in the context of this bill,

Section 7 of the bill² would establish a two-year study commission to investigate and propose legislation with respect to the cost of public service aspects of the Postal Service and with respect to the functions and procedures of the Postal Rate Commission. The Postal Service is in favor of the creation of such a commission. The continuing general inflation of costs appears to have invalidated some of the assumptions upon which the public service appropriation provided in 39 U.S.C. § 2401(b) was based. Moreover, developing electronics and computer technologies promise to have a far-reaching effect on the nature and utility of postal services and the health of postal finances in the immediate future. In addition, Postal Rate Commission proceedings have not kept pace with the speed of events and have been unduly costly in time and money for all concerned. Accordingly, we believe that a thorough review of these matters by an impartial commission is warranted.

Sincerely,

LOUIS A. COX,
General Counsel.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law in which no change is proposed is shown in roman; existing law proposed to be omitted is enclosed in black brackets; new matter is shown in italic):

TITLE 39, UNITED STATES CODE

U.S. POSTAL SERVICE

* * * * *

PART III—MODERNIZATION AND FISCAL ADMINISTRATION

CHAPTER 20.—FINANCE

- Sec.
2001. Definitions.
2002. Capital of the Postal Service.
2003. The Postal Service Fund.
2004. Transitional appropriations.
2005. Obligations.
2006. Relationship between the Treasury and the Postal Service.
2007. Public debt character of the obligations of the Postal Service.
2008. Audit and expenditures.
2009. Annual budget.
2010. Restrictions on agreements.

* * * * *

§ 2003. The Postal Service Fund.

(a) There is established in the Treasury of the United States a revolving fund to be called the Postal Service Fund which shall be available to the Postal Service without fiscal-year limitation to carry out the purposes, functions, and powers authorized by this title.

² There is a technical error in section 7(d)(3). The reference to "section 5703(b) of title 5" should read "section 5703 of title 5" inasmuch as that section is no longer divided into subsections.

(b) There shall be deposited in the Fund, subject to withdrawal by check by the Postal Service—

- (1) revenues from postal and nonpostal services rendered by the Postal Service;
- (2) amounts received from obligations issued by the Postal Service;
- (3) amounts appropriated for the use of the Postal Service;
- (4) interest which may be earned on investments of the Fund;
- (5) any other receipts of the Postal Service; and
- (6) the balance in the Post Office Department Fund established under former section 2202 of title 39 as of the commencement of operations of the Postal Service.

(c) If the Postal Service determines that the moneys of the Fund are in excess of current needs, it may request the investment of such amounts as it deems advisable by the Secretary of the Treasury in obligations of, or obligations guaranteed by, the Government of the United States, and, with the approval of the Secretary, in such other obligations or securities as it deems appropriate.

(d) With the approval of the Secretary of the Treasury, the Postal Service may deposit moneys of the Fund in any Federal Reserve bank, any depository for public funds, or in such other places and in such manner as the Postal Service and the Secretary may mutually agree.

(e) The Fund shall be available for the payment of all expenses incurred by the Postal Service in carrying out its functions under this title and, subject to the provisions of section 3604 of this title, all of the expenses of the Postal Rate Commission. Neither the Fund nor any of the funds credited to it shall be subject to apportionment under the provisions of section 665 of title 31.

(f) *Notwithstanding any other provision of this section any amounts appropriated to the Postal Service under subsection (d) of section 2401 of this title and deposited into the Fund shall be expended by the Postal Service only for the purposes provided in such subsection.*

* * * * *

CHAPTER 24.—APPROPRIATIONS AND ANNUAL REPORT

- Sec.
2401. Appropriations.
2402. Annual report.

§ 2401. Appropriations

(a) There are appropriated to the Postal Service all revenues received by the Postal Service.

(b) (1) As reimbursement to the Postal Service for public service costs incurred by it in providing a maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere, there are authorized to be appropriated to the Postal Service the following amounts:

(A) for each of the fiscal years 1972 through 1979, an amount equal to 10 percent of the sum appropriated to the former Post Office Department by Act of Congress for its use in fiscal year 1971;

(B) for fiscal year 1980, an amount equal to 9 percent of such sum for fiscal year 1971;

(C) for fiscal year 1981, an amount equal to 8 percent of such sum for fiscal year 1971;

(D) for fiscal year 1982, an amount equal to 7 percent of such sum for fiscal year 1971;

(E) for fiscal year 1983, an amount equal to 6 percent of such sum for fiscal year 1971;

(F) for fiscal year 1984, an amount equal to 5 percent of such sum for fiscal year 1971; and

(G) except as provided in paragraph (2) of this subsection, for each fiscal year thereafter an amount equal to 5 percent of such sum for fiscal year 1971.

(2) After fiscal year 1984, the Postal Service may reduce the percentage figure in paragraph (1) (G) of this subsection, including a reduction to 0, if the Postal Service finds that the amounts determined under such paragraph are no longer required to operate the Postal Service in accordance with the policies of this title.

[(3) The Postal Service, in requesting amounts to be appropriated under this subsection, shall present to the appropriate committees of the Congress a comprehensive statement of its compliance with the public service cost policy established under section 101 (b) of this title.]

(c) There are authorized to be appropriated to the Postal Service each year a sum determined by the Postal Service to be equal to the difference between the revenues the Postal Service would have received if sections 3217, 3403-3405, and 3626 of this title and the Federal Voting Assistance Act of 1955 had not been enacted and the estimated revenues to be received on mail carried under such sections and Act.

(d) (1) *There is authorized to be appropriated to the Postal Service \$500,000,000 to be applied against the amount of the accumulated operating indebtedness of the Postal Service as of September 30, 1976.*

(2) *There is authorized to be appropriated to the Postal Service \$500,000,000 to be applied against the amount of the accumulated operating indebtedness of the Postal Service as of September 30, 1977.*

(e) *During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7 (f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall not—*

(1) *have in effect any permanent or temporary rate of postage or fee for postal services exceeding the rates and fees in effect on the date of enactment of the Postal Reorganization Act Amendments of 1976;*

(2) *provide levels and types of postal services which are less than the levels and types of services provided on July 1, 1976;*

(3) *close any post office where 35 or more families regularly receive their mail and which was providing service on July 1, 1976; or*

(4) *close any post office where fewer than 35 families receive their mail and which was providing service on July 1, 1976, unless the Postal Service receives the written consent of at least 60 per-*

cent of the regular patrons of such office who are at least 18 years of age.

(f) *During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7 (f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall provide door delivery or curbside delivery to all permanent residential addresses (other than apartment building addresses) to which service is begun on or after the date of enactment of the Postal Reorganization Act Amendments of 1976.*

(g) *In requesting amounts to be appropriated under this section, the Postal Service shall present to the Committees on Post Office and Civil Service and the Committees on Appropriations of the Senate and the House of Representatives sufficient copies of the budget of the Postal Service for the fiscal year for which funds are requested to be appropriated, and a comprehensive statement relating to the following matters:*

(1) *the plans, policies, and procedures of the Postal Service designed to comply with all of the provisions of section 101 of this title;*

(2) *postal operations generally, including data on the speed and reliability of service provided for the various classes of mail and types of mail service, mail volume, productivity, trends in postal operations, and analyses of the impact of internal and external factors upon the Postal Service;*

(3) *estimates of the total expenditures and obligations incurred or to be incurred by the Postal Service for the most recent fiscal year for which information is available and for the fiscal year for which funds are requested to be appropriated, and the means by which these estimated expenses will be financed; and*

(4) *such other matters as the committees may determine necessary to insure that the Congress is fully and currently consulted and informed on postal operations, plans, and policies.*

(h) *The Postal Service shall request an opportunity to appear before the Post Office and Civil Service Committees of the Senate and the House of Representatives to present testimony and respond to to questions with respect to such budget and statement. Upon receipt of such request, each such committee shall take such action as it considers appropriate and shall advise the Postal Service of such action.*

(i) *The failure of the President to request the appropriation of any part of the funds authorized by this section may not be deemed a failure of appropriations. The failure of the President to request the appropriation of any part of the funds authorized by this section shall not relieve the Postal Service from the responsibility to comply with the provisions of subsections (e), (f), and (g) of this section.*

(j) *The rates established under chapter 36 of this title for zone-rated parcels formerly entered under former chapter 67 of this title shall not be more than 10 percent less than the rates for such mail would be if the funds authorized under subsection (d) of this section were not appropriated.*

* * * * *

CHAPTER 36.—POSTAL RATES, CLASSES, AND SERVICES

SUBCHAPTER I—POSTAL RATE COMMISSION

SEC.

3601. Establishment.
 3602. Terms of office.
 3603. Rules; regulations; procedures.
 3604. Administration.

SUBCHAPTER II—PERMANENT RATES AND CLASSES OF MAIL

3621. Authority to fix rates and classes.
 3622. Rates and fees.
 3623. Mail classification.
 3624. Recommended decisions of Commission.
 3625. Action of the Governors.
 3626. Reduced rates.
 3627. Adjusting free and reduced rates.
 3628. Appellate review.

SUBCHAPTER III—TEMPORARY RATES AND CLASSES

3641. Temporary changes in rates and classes.

SUBCHAPTER IV—POSTAL SERVICES AND COMPLAINTS

3661. Postal services.
 3662. Rate and service complaints.

SUBCHAPTER V—GENERAL

3681. Reimbursement.
 3682. Size and weight limits.
 3683. Uniform rates for books; films; other materials.
 3684. Limitations.
 3685. Filing of information relating to periodical publications.

SUBCHAPTER I—POSTAL RATE COMMISSION

§ 3601. Establishment

There is established as an independent establishment of the executive branch of the Government of the United States, the Postal Rate Commission composed of 5 Commissioners appointed by the President, not more than 3 of whom may be adherents of the same political party. One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed only in accordance with section 7521 of title 5.]

(a) *The Postal Rate Commission is an independent establishment of the executive branch of the Government of the United States. The Commission is composed of 5 Commissioners, appointed by the President, by and with the advice and consent of the Senate. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed by the President only for cause. Not more than 3 of the Commissioners may be adherents of the same political party.*

(b) *A Commissioner may continue to serve after the expiration of his term until his successor has qualified, except that a Commissioner may not so continue to serve for more than 1 year after the date upon which his term otherwise would expire under section 3602 of this title.*

(c) *One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President.*

(d) *The Commissioners shall by majority vote designate a Vice Chairman of the Commission. The Vice Chairman shall act as Chairman of the Commission in the absence of the chairman.*

(b) *The provisions of section 3601(a) of title 39, United States Code, as amended by subsection (a) of this section, shall not apply with respect to any Commissioner of the Postal Rate Commission holding office on the date of the enactment of this Act, except that such provisions shall apply to any appointment of such a Commissioner occurring after the date of the enactment of this Act.*

§ 3603. Rules; regulations; procedures

The Postal Rate Commission shall promulgate rules and regulations and establish procedures, subject to chapters 5 and 7 of title 5, and take any other action they deem necessary and proper to carry out their functions and obligations to the Government of the United States and the people as prescribed under this chapter. Such rules, regulations, procedures, and actions shall not be subject to any change or supervision by the Postal Service.

§ 3604. Administration

[(a) The Chairman of the Postal Rate Commission shall have the administrative responsibility for assigning the business of the Commission to the other Commissioners and to the officers and employees of the Commission. All final acts of the Commissioners shall be by a vote of an absolute majority thereof.

[(b) The Commission may obtain such facilities and supplies, and appoint and fix the compensation of such officers and employees, as may be necessary to permit the Commission to carry out its functions. The officers and employees so appointed (1) shall be paid at rates of compensation, and shall be entitled to programs offering employee benefits, established under chapter 10 or 12 of this title, as appropriate, and (2) shall be responsible solely to the Commissioners.

[(c)(1) The Commission shall periodically prepare and submit to the Postal Service a budget of the Commission's expenses, including but not limited to expenses for facilities, supplies, compensation, and employee benefits. The budget shall be considered approved—

[(A) as submitted if the Governors fail to act in accordance with clause (B) of this paragraph; or

[(B) as adjusted if the Governors holding office, by unanimous written decision, adjust the total amount of money requested in the budget.

Clause (B) shall not be construed to authorized the Governors to adjust any item included within the budget.

[(2) Expenses incurred under any budget approved under paragraph (1) of this subsection shall be paid out of the Postal Service Fund established under section 2003 of this title.

[(d) The provisions of section 410 and chapter 10 of this title shall apply to the Commission, as appropriate.]

(a) *The Chairman of the Postal Rate Commission shall be the principal executive officer of the Commission. The Chairman shall exercise or direct the exercise of all the executive and administrative func-*

tions of the Commission, including functions of the Commission with respect to (1) the appointment of personnel employed under the Commission, except that the appointment of the heads of major administrative units under the Commission shall require the approval of a majority of the members of the Commission, (2) the supervision of the personnel employed under the Commission and the distribution of business among them and among the Commissioners, and (3) the use and expenditure of funds.

(b) In carrying out any of his functions under this section, the Chairman shall be governed by the general policies of the Commission.

(c) The Chairman may obtain such facilities and supplies as may be necessary to permit the Commission to carry out its functions. Any officer or employee appointed under this section shall be paid at rates of compensation and shall be entitled to programs offering employee benefits established under chapter 10 or chapter 12 of this title, as appropriate.

(d) (1) The Commission shall periodically prepare and submit to the Postal Service a budget of the Commission's expenses, including, but not limited to, expenses for facilities, supplies, compensation, and employee benefits. The budget shall be considered approved—

(A) as submitted if the Governors fail to act in accordance with Subparagraph (B) of this paragraph; or

(B) as adjusted if the Governors holding office, by unanimous written decision, adjust the total amount of money requested in the budget.

Subparagraph (B) shall not be construed to authorize the Governors to adjust any item included within the budget.

(2) Expenses incurred under any budget approved under paragraph (1) of this subsection shall be paid out of the Postal Service Fund established under section 2003 of this title.

(e) The provisions of section 410 and chapter 10 of this title shall apply to the Commission, as appropriate.

* * * * *

§ 3623. Mail classification

(a) Within 2 years after the effective date of this subchapter, the Postal Service shall request the Postal Rate Commission to make a recommended decision on establishing a mail classification schedule in accordance with the provisions of this section.

(b) Following the establishment of the mail classification schedule requested under subsection (a) of this section, the Postal Service may from time to time request that the Commission submit, or the Commission may submit to the [Postal Service] Governors on its own initiative, a recommended decision on changes in the mail classification schedule.

(c) The Commission shall make a recommended decision on establishing or changing the schedule in accordance with the policies of this title and the following factors:

(1) the establishment and maintenance of a fair and equitable classification system for all mail;

(2) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;

(3) the importance of providing classifications with extremely high degrees of reliability and speed of delivery;

(4) the importance of providing classifications which do not require an extremely high degree of reliability and speed of delivery;

(5) the desirability of special classifications from the point of view of both the user and of the Postal Service; and

(6) such other factors as the Commission may deem appropriate.

(d) The Postal Service shall maintain one or more classes of mail for the transmission of letters sealed against inspection. The rate for each such class shall be uniform throughout the United States, its territories, and possessions. One such class shall provide for the most expeditious handling and transportation afforded mail matter by the Postal Service. No letter of such a class of domestic origin shall be opened except under authority of a search warrant authorized by law, or by an officer or employee of the Postal Service for the sole purpose of determining an address at which the letter can be delivered, or pursuant to the authorization of the addressee.

§ 3624. Recommended decisions of Commission

(a) The Postal Rate Commission shall promptly consider a request made under section 3622 or 3623 of this title, except that the Commission shall not recommend a decision until the opportunity for a hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mails, and an officer of the Commission who shall be required to represent the interests of the general public.

(b) In order to conduct its proceedings with utmost expedition consistent with procedural fairness to the parties, the Commission may (without limitation) adopt rules which provide for—

(1) the advance submission of written testimony;

(2) the conduct of prehearing conferences to define issues, and for other purposes to insure orderly and expeditious proceedings;

(3) discovery both from the Postal Service and the parties to the proceedings;

(4) limitation of testimony; and

(5) the conduct of the entire proceedings off the record with the consent of the parties.

(c) (1) Except as provided by paragraph (2) of this subsection, in any case in which the Postal Service makes a request under section 3622 of this title for a recommended decision by the Commission on changes in a rate or rates of postage or in a fee or fees for postal services the Commission shall transmit its recommended decision to the Governors under subsection (d) of this section no later than 10 months after receiving any such request from the Postal Service.

(2) In any case in which the Commission determines that the Postal Service has unreasonably delayed consideration of a request made by the Postal Service under section 3622 by failing to respond within a reasonable time to any lawful order of the Commission, the Commission may extend the 10-month period described in paragraph (1) of this subsection by one day for each day of such delay.

(b) The amendment made by subsection (a) shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage, and in fees for postal services, requested on September 18,

1975, by the United States Postal Service in a request which bears or which at any time has been included under Postal Rate Commission Docket Number R76-1.

[(c)](d) The Commission shall transmit its recommended decision in a rate, fee, or classification matter to the Governors. The recommended decision shall include a statement specifically responsive to the criteria established under section 3622 or 3623, as the case may be.

* * * * *

SUBCHAPTER III—TEMPORARY RATES AND CLASSES

§ 3641. Temporary changes in rates and classes

[(a) If the Postal Rate Commission does not transmit to the Governors within 90 days after the Postal Service has submitted, or within 30 days after the Postal Service has resubmitted, to the Commission a request for a recommended decision on a change in rates of postage or in fees for postal services, or on a change in the mail classification schedule (after such schedule is established under section 3623 of this title), the Postal Service, upon 10 days' notice in the Federal Register, may place into effect temporary changes in rates of postage, in fees for postal service, or in the mail classification schedule it considers appropriate to carry out the provisions of this title. Any temporary change shall be effective for a period ending not later than 30 days after the Commission has transmitted its recommended decision to the Governors.

[(b) If, under section 3628 of this title, a court orders a matter returned to the Commission for further consideration, the Postal Service, with the consent of the Commission, may place into effect temporary changes in rates of postage, in fees for postal services, or in the mail classification schedule.

[(c) A rate of postage for a class of mail or a fee for a postal service under a temporary change under this section may not exceed the lesser of (1) the rate or fee requested for such class or service, or (2) a rate or fee which is more than one-third greater than the permanent rate or fee in effect for that class or service at the time a permanent change in the rate or fee of such class or service is requested under section 3622 of this title.]

(a) In any case in which the Postal Rate Commission fails to transmit a recommended decision on a change in rates of postage or in fees for postal services to the Governors in accordance with section 3624(c) of this title, the Postal Service may establish temporary changes in rates of postage and in fees for postal services in accordance with the proposed changes under consideration by the Commission. Such temporary changes may take effect upon such date as the Postal Service may determine, except that such temporary changes may take effect only after 10 days' notice in the Federal Register.

(b) Any temporary rate or fee established by the Postal Service under subsection (a) of this section shall be in accordance with the policies of this title and shall not exceed such amount as may be necessary for sufficient revenues to assure that the total estimated income, including appropriations, of the Postal Service shall, to the extent practicable, be equal to the total estimated costs of the Postal Service.

(c) Notwithstanding the provisions of subsection (b), the Postal Service may not establish any temporary rate for a class of mail or

any temporary fee for a postal service which is more than the permanent rate or fee requested for such class or postal service by the Postal Service under section 3622 of this title.

(d) Any temporary change in rates of postage or in fees for postal service made by the Postal Service under this section shall remain in effect no longer than 150 days after the date on which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

(e) If the Postal Rate Commission does not transmit to the Governors within 90 days after the Postal Service has submitted, or within 30 days after the Postal Service has resubmitted, to the Commission a request for a recommended decision on a change in the mail classification schedule (after such schedule is established under section 3623 of this title), the Postal Service, upon 10 days' notice in the Federal Register, may place into effect temporary changes in the mail classification schedule in accordance with proposed changes under consideration by the Commission. Any temporary change shall be effective for a period ending not later than 30 days after the Commission has transmitted its recommended decision to the Governors.

(f) If, under section 3628 of this title, a court orders a matter returned to the Commission for further consideration, the Postal Service, with the consent of the Commission, may place into effect temporary changes in rates of postage, and fees for postal services, or in the mail classification schedule.

(b) (1) The amendment made by subsection (a) of this section shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage and in fees for postal services requested on September 18, 1975, by the United States Postal Service in a request which bears or which at any time has been included under Postal Rate Commission Docket Number R76-1.

(2) The provisions of section 3641 of title 39, United States Code, as such provisions were in effect on the day before the date of the enactment of this Act, shall apply to any temporary rate or fee established by the Postal Service pursuant to its request to the Postal Rate Commission, dated September 18, 1975, for a recommended decision, bearing Docket Number R76-1.

SUPPLEMENTAL VIEWS OF SENATOR
ERNEST F. HOLLINGS

The basic difference that I have with the leadership over H.R. 8603 is the leadership's disowning of our oversight responsibility by passing it to a Blue Ribbon Commission. We agree on the \$1 billion that is needed to keep the Postal Service solvent. We agree that the Rate Commission procedures should be accelerated; we agree that there should be a moratorium on arising rates and/or a cut in service during the period of oversight. But we disagree as to who should do the oversight. I feel the Senate Post Office and Civil Service Committee has avoided and evaded this responsibility too long. Assigning the task to a so-called Blue Ribbon Commission to report by February 15 of next year is nothing more than a political cop-out. Rather than solving problems, this creates an additional problem of struggling with yet another study report of the Postal Service. The General Accounting Office has rendered no less than 138 studies of the Postal Service—only two requested by the Senate Post Office Committee. It was a Blue Ribbon Commission (Kappel Commission) that gave us this mess. It is a Blue Ribbon Commission (Board of Governors) that has nurtured it into bankruptcy; and I cannot in conscience commence the task with yet another Blue Ribbon Commission.

In August 1970, the Congress in abolishing the Post Office Department made clear its intent that the Postal Service be removed from politics and that it operate as a private corporation. The public appointment of a Board of Governors and the \$1 billion public service subsidy prevented the concept from being totally private. But if there were any doubt that a private concept was intended, Congress removed this by making it a crime to recommend the appointment of a postmaster. Pursuing this intent, the Postal Service for a long period forbade any contact by their employees with Members of Congress. And the general feeling on the Senate Post Office and Civil Service Committee was that contact should be kept to a minimum, that the new institution should be given a chance without congressional interference.

This has resulted in the Postal Service operating with little or no congressional oversight for 6 years. In 1971, there were no oversight hearings with the Postmaster General. None in 1972. But as complaints mounted, the committee commenced oversight hearings in March 1973. After 2 mornings, these hearings were adjourned to luncheon sessions with the Postmaster General. These proved fruitless and before long were abandoned. There was a postal oversight hearing in Ogden, Utah one day in 1974 but none that year with the Postmaster General. There was an oversight hearing in Casper, Wyo. on June 25, 1975, but none that year with the Postmaster General. Postmaster General Bailar testified on S. 2844 which is now H.R. 8603 on January 27 and 28, 1976, but when it became known that the Senate Post Office Committee was finally to have hearings, the committee was so deluged

with postal problems waiting in line to be heard that the only way to finalize the work on this bill was to hold hearings during the April recess when everyone was out of town. So lack of oversight while well-intended initially has now after 6 years become critical. Letters of complaint stream in. Extravagance in the top offices is reported. Reports of mismanagement mount. Undelivered and broken packages pile high and the cost of service goes up, up while service itself goes down, down. As the Postal Service appears to be going out of business, United Parcel Service, its private competitor, seems to thrive. Taking a cue from this, many now recommend that the express statute be repealed so that first class mail can be delivered by private enterprise. The Administration, while resisting profligate financing for New York City, encourages the borrowing of more and more millions each year for operating expenses. As a result, the Postal Service valued at \$3 billion when it started in 1970 is now near bankruptcy. We all agree that an infusion of \$1 billion is necessary now. But because of our policy of benign neglect, no proposal can pass the Senate without a recognition of the need for oversight. This is the issue at hand.

The Post Office and Civil Service Committee Chairman and the ranking minority member recommend that this oversight responsibility be palmed off on a Blue Ribbon Commission. But after 6 years, we should have learned by now that the public's demand for service can no longer be ignored by the Congress. Only the Congress as the people's representatives can determine the amount of public service subsidy. Only a constant oversight by Congress can make the Service sound and responsive. My hope was that by now we would be giving out awards for success rather than billions for failure. But the only way to study these failures, the only way to prevent them in the future, the only way for a constant input by the public is to bring the Postmaster General back in communication with the Congress and the President and for us to resume budgetary authorizations. We can't continue to do as we have been doing—giving out a billion a year—without oversight and the economies proposed from time to time by the Postal Service can only receive the support of the people when sanctioned by the Congress. This is not to say that the advances made in the past 6 years should be junked or politics resumed. The Postmaster General should be appointed by the President and confirmed by the Senate. But the Service should be maintained as presently constituted rather than a new Department. Collective bargaining would remain, the Rate Commission procedures would be expedited, and Congress would stay out of the business of appointing Postmasters. While the House bill seeks the annual authorization of the postal budget commencing October 1, 1976, realistically this cannot be done until October 1, 1977. During the intervening period, a moratorium should be declared on rate increases and cuts in services unless Congress determines otherwise. The Board of Governors would be abolished and the decisions of the Postmaster General would be under Congressional review. Many of the present difficulties could have been avoided by a Congress and Postmaster General working together.

Many say the Postmaster General is doing an outstanding job, that he inherited a mess, that faulty decisions of his predecessor, plus inflation, plus the slowness of the Rate Commission are the reasons for failure. Others say that as part of the previous postal administration,

he must take the responsibility for his inheritance. We don't know. But this involves a key finding and, of course, it is obvious that an impartial objective review cannot be made with the Postmaster General as one of the investigators. Nothing more emphasizes the predisposition of the Committee leadership for a partial review than their insistence that the Postmaster General and the head of the Rate Commission be a part of the reviewing team.

It is clear that the President has failed to grasp the problem. The President did not provide any money in his budget for the Postal Service. He has adamantly maintained that the Postal Service can borrow to take care of its needs and really doesn't think this bill is necessary. Trying to discuss the financial needs, the Postmaster General called the White House and then testified in exasperation on March 29, 1976 that he had called 6 times leaving word but his calls were not returned. Finally, the President and the Postmaster General made contact. Now we are told that the cement that glued together the agreement by the President to go along with S. 2844 (now H.R. 8603) was the appointment of a Blue Ribbon Commission.

To me, this indicates a lack of appreciation for the many problems. If we stabilize the Postal Service with \$1 billion plus a moratorium on rates and services, the President cannot object. If we start immediately to work on oversight, working with the Postmaster General, making the necessary adjustments and giving the necessary approvals between now and October 1, 1977, the President cannot object. To insist that the job be done by a Blue Ribbon Commission reporting in February of next year is to insist that the chaos continue unattended and that all we are interested in really is getting past the November General Election. The House has sent us a bill calling for the appointment of the Postmaster General and the resumption of the authorization process. They did this after a year and a half of hearings and a very thorough debate. Now, we are informed that if no bill passes, the only alternative is to raise rates soon and terminate Saturday deliveries. I cannot see the President by an act of veto raising rates and terminating Saturday deliveries just before November. And I cannot see the Congress given a clear mandate from the people to go to work on the Postal Service finessing this until February with a Blue Ribbon Commission.

Accordingly, I will propose my substitute again on the floor which was defeated in committee by a vote of 6 to 2 with one member favoring the amendment but could not stay for the vote. The 7 points of my proposal include:

1. *Annual authorization.*—Beginning in fiscal year 1978 the Postal Service would be required to come before the Congress each year for authorization and appropriation of its total budget.

2. *Transitional subsidy.*—There would be a \$1 billion authorization for fiscal year 1977 to prevent a disruption of postal operations while Congress resumes oversight and reviews the needs of the Postal Service.

3. *Moratorium on increased rates and decreased service.*—A moratorium would be imposed on increasing rates and on the closing of Post Offices which serve 35 or more families as well as guaranteeing door-to-door or curb line delivery. This moratorium would be in effect until fiscal year 1978 when the Congress begins the annual authorization process for the Postal Service.

4. *Presidential appointment of Postmaster General.*—The Postmaster General would be appointed by the President and confirmed by the Senate. The Postal Service requires positive attention and guidance from as well as accountability to the Executive Branch.

5. *Abolish Board of Governors.*—The Board of Governors simply has not done the job. Also it should be the responsibility of the Congress, publicly accountable representatives, to guide and direct the Postal Service.

6. *Expedite ratemaking.*—There would be a requirement that all rate decisions from the Postal Rate Commission shall be determined within ten months. The delays of the Commission have been of major significance in contributing to postal losses.

7. *Limit borrowing authority.*—The ability of the Postal Service to borrow funds to offset operating expenses would be limited to \$500 million at any one time. This provision will provide the Postal Service with a buffer should a cash flow problem arise during the annual authorization and appropriations process.

ERNEST F. HOLLINGS.



[Faint, mirrored text bleed-through from the reverse side of the page, including phrases like 'process for the Postal Service' and 'Congress'.]

POSTAL REORGANIZATION

AUGUST 31, 1976.—Ordered to be printed

Mr. HENDERSON, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 8603]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 8603) to amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That this Act may be cited as the "Postal Reorganization Act Amendments of 1976".

SEC. 2. (a) Section 2401(b) of title 39, United States Code, is amended by striking out paragraph (3).

(b) Section 2401 of title 39, United States Code, is amended by adding at the end thereof the following new subsections:

"(d) (1) There is authorized to be appropriated to the Postal Service for fiscal year 1976 and for the period beginning July 1, 1976, and ending September 30, 1976, the amount of \$500,000,000 to be applied against the accumulated operating indebtedness of the Postal Service as of September 30, 1976.

"(2) There is authorized to be appropriated to the Postal Service for fiscal year 1977 the amount of \$500,000,000 to be applied against the accumulated operating indebtedness of the Postal Service as of September 30, 1977.

"(e) During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7(f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall not—

"(1) have in effect any permanent or temporary rate of postage or fee for postal services exceeding the rates and fees in effect on the date of enactment of the Postal Reorganization Act Amendments of 1976;

"(2) provide levels and types of postal services which are less than the levels and types of services provided on July 1, 1976;

"(3) close any post office where 35 or more families regularly receive their mail and which was providing service on July 1, 1976; or

"(4) close any post office where fewer than 35 families receive their mail and which was providing service on July 1, 1976, unless the Postal Service receives the written consent of at least 60 percent of the regular patrons of such office who are at least 18 years of age.

"(f) During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7(f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall provide door delivery or curbside delivery to all permanent residential addresses (other than apartment building addresses) to which service is begun on or after the date of enactment of the Postal Reorganization Act Amendments of 1976.

"(g) The Postal Service shall present to the Committees on Post Office and Civil Service and the Committees on Appropriations of the Senate and the House of Representatives, at the same time it submits its annual budget under section 2009 of this title, sufficient copies of the budget of the Postal Service for the fiscal year for which funds are requested to be appropriated, and a comprehensive statement relating to the following matters:

"(1) the plans, policies, and procedures of the Postal Service designed to comply with all of the provisions of section 101 of this title;

"(2) postal operations generally, including data on the speed and reliability of service provided for the various classes of mail and types of mail service, mail volume, productivity, trends in postal operations, and analyses of the impact of internal and external factors upon the Postal Service;

"(3) a listing of the total expenditures and obligations incurred by the Postal Service for the most recent fiscal year for which information is available, an estimate of the total expenditures and obligations to be incurred by the Postal Service during the fiscal year for which funds are requested to be appropriated, and the means by which these estimated expenses will be financed; and

"(4) such other matters as the committees may determine neces-

sary to ensure that the Congress is fully and currently consulted and informed on postal operations, plans, and policies.

Not later than March 15 of each year, the Postal Service shall appear before the Committees on Post Office and Civil Service of the Senate and the House of Representatives to submit information which any such committee considers necessary to determine the amount of funds to be appropriated for the operation of the Postal Service, and to present testimony and respond to questions with respect to such budget and statement. Each such committee shall take such action as it considers appropriate and shall advise the Postal Service of such action.

"(h) The failure of the President to request the appropriation of any part of the funds authorized by this section may not be deemed a failure of appropriations. The failure of the President to request the appropriation of any part of the funds authorized by this section shall not relieve the Postal Service from the responsibility to comply with the provisions of subsections (e) and (f) of this section.

"(i) The rates established under chapter 36 of this title for zoned parcels formerly entered under former chapter 67 of this title shall not be more than 10 percent less than the rates for such mail would be if the funds authorized under subsections (b) and (d) of this section were not appropriated."

(c) Section 2003 of title 39, United States Code, is amended by adding at the end thereof the following new subsection:

"(f) Notwithstanding any other provision of this section, any amounts appropriated to the Postal Service under subsection (d) of section 2401 of this title and deposited into the Fund shall be expended by the Postal Service only for the purposes provided in such subsection."

SEC. 3. (a) Section 3601 of title 39, United States Code, is amended to read as follows:

"§ 3601. Establishment

"(a) The Postal Rate Commission is an independent establishment of the executive branch of the Government of the United States. The Commission is composed of 5 Commissioners, appointed by the President, by and with the advice and consent of the Senate. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed by the President only for cause. Not more than 3 of the Commissioners may be adherents of the same political party.

"(b) A Commissioner may continue to serve after the expiration of his term until his successor has qualified, except that a Commissioner may not so continue to serve for more than 1 year after the date upon which his term otherwise would expire under section 3602 of this title.

"(c) One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President.

"(d) The Commissioners shall by majority vote designate a Vice Chairman of the Commission. The Vice Chairman shall act as Chairman of the Commission in the absence of the Chairman."

(b) The provisions of section 3601(a) of title 39, United States Code, as amended by subsection (a) of this section, shall not apply with respect to any Commissioner of the Postal Rate Commission

holding office on the date of the enactment of this Act, except that such provisions shall apply to any appointment of such a Commissioner occurring after the date of the enactment of this Act.

Sec. 4. Section 3604 of title 39, United States Code, is amended to read as follows:

“§ 3604. Administration

“(a) The Chairman of the Postal Rate Commission shall be the principal executive officer of the Commission. The Chairman shall exercise or direct the exercise of all the executive and administrative functions of the Commission, including functions of the Commission with respect to (1) the appointment of personnel employed under the Commission, except that the appointment of the heads of major administrative units under the Commission shall require the approval of a majority of the members of the Commission, (2) the supervision of the personnel employed under the Commission and the distribution of business among them and among the Commissioners, and (3) the use and expenditure of funds.

“(b) In carrying out any of his functions under this section, the Chairman shall be governed by the general policies of the Commission.

“(c) The Chairman may obtain such facilities and supplies as may be necessary to permit the Commission to carry out its functions. Any officer or employee appointed under this section shall be paid at rates of compensation and shall be entitled to programs offering employee benefits established under chapter 10 or chapter 12 of this title, as appropriate.

“(d) (1) The Commission shall periodically prepare and submit to the Postal Service a budget of the Commission's expenses, including, but not limited to, expenses for facilities, supplies, compensation, and employee benefits. The budget shall be considered approved—

“(A) as submitted if the Governors fail to act in accordance with subparagraph (B) of this paragraph; or

“(B) as adjusted if the Governors holding office, by unanimous written decision, adjust the total amount of money requested in the budget.

Subparagraph (B) shall not be construed to authorize the Governors to adjust any item included within the budget.

“(2) Expenses incurred under any budget approved under paragraph (1) of this subsection shall be paid out of the Postal Service Fund established under section 2003 of this title.

“(e) The provisions of section 410 and chapter 10 of this title shall apply to the Commission, as appropriate.”

Sec. 5. (a) Section 3624 of title 39, United States Code, is amended by redesignating subsection (c) as subsection (d) and by inserting immediately after subsection (b) the following new subsection:

“(c) (1) Except as provided by paragraph (2) of this subsection, in any case in which the Postal Service makes a request under section 3622 of this title for a recommended decision by the Commission on changes in a rate or rates of postage or in a fee or fees for postal services the Commission shall transmit its recommended decision to the Governors under subsection (d) of this section no later than 10 months after receiving any such request from the Postal Service.

“(2) In any case in which the Commission determines that the Postal Service has unreasonably delayed consideration of a request

made by the Postal Service under section 3622 by failing to respond within a reasonable time to any lawful order of the Commission, the Commission may extend the 10-month period described in paragraph (1) of this subsection by one day for each day of such delay.”

(b) The amendment made by subsection (a) of this section shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage, and in fees for postal services, requested on September 18, 1975, by the United States Postal Service in a request which bears, or which at any time has been included under, Postal Rate Commission Docket Number R76-1.

Sec. 6. (a) Section 3641 of title 39, United States Code, is amended to read as follows:

“§ 3641. Temporary changes in rates and classes

“(a) In any case in which the Postal Rate Commission fails to transmit a recommended decision on a change in rates of postage or in fees for postal services to the Governors in accordance with section 3624(c) of this title, the Postal Service may establish temporary changes in rates of postage and in fees for postal services in accordance with the proposed changes under consideration by the Commission. Such temporary changes may take effect upon such date as the Postal Service may determine, except that such temporary changes may take effect only after 10 days' notice in the Federal Register.

“(b) Any temporary rate or fee established by the Postal Service under subsection (a) of this section shall be in accordance with the policies of this title and shall not exceed such amount as may be necessary for sufficient revenues to assure that the total estimated income, including appropriations, of the Postal Service shall, to the extent practicable, be equal to the total estimated costs of the Postal Service.

“(c) Notwithstanding the provisions of subsection (b) of this section, the Postal Service may not establish any temporary rate for a class of mail or any temporary fee for a postal service which is more than the permanent rate or fee requested for such class or postal service by the Postal Service under section 3622 of this title.

“(d) Any temporary change in rates of postage or in fees for postal services made by the Postal Service under this section shall remain in effect no longer than 150 days after the date on which the Commission transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

“(e) If the Postal Rate Commission does not transmit to the Governors within 90 days after the Postal Service has submitted, or within 30 days after the Postal Service has resubmitted, to the Commission a request for a recommended decision on a change in the mail classification schedule (after such schedule is established under section 3623 of this title), the Postal Service, upon 10 days' notice in the Federal Register, may place into effect temporary changes in the mail classification schedule in accordance with proposed changes under consideration by the Commission. Any temporary change shall be effective for a period ending not later than 30 days after the Commission has transmitted its recommended decision to the Governors.

"(f) If, under section 3628 of this title, a court orders a matter returned to the Commission for further consideration, the Postal Service, with the consent of the Commission, may place into effect temporary changes in rates of postage, and fees for postal services, or in the mail classification schedule."

(b) (1) The amendment made by subsection (a) of this section shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage and in fees for postal services requested on September 18, 1975, by the United States Postal Service in a request which bears, or which at any time has been included under, Postal Rate Commission Docket Number R76-1.

(2) The provisions of section 3641 of title 39, United States Code, as such provisions were in effect on the day before the date of the enactment of this Act, shall apply to any temporary rate or fee established by the Postal Service pursuant to its request to the Postal Rate Commission, dated September 18, 1975, for a recommended decision, bearing Docket Number R76-1.

SEC. 7. (a) (1) There is hereby established the Commission on Postal Service (hereinafter in this section referred to as the "Commission"). The Commission shall be composed of 7 members, to be selected as follows:

(A) 3 appointed by the President of the United States, of whom one shall be appointed as chairman;

(B) 2 appointed by the president pro tempore of the Senate, of whom one shall be an individual who is a member of the work force of the United States Postal Service; and

(C) 2 appointed by the Speaker of the House of Representatives, of whom one shall be an individual who is a member of the work force of the United States Postal Service.

The Postmaster General of the United States and the Chairman of the Postal Rate Commission shall serve as *ex officio* members of the Commission, without the right to vote.

(2) The members of the Commission shall be appointed within 15 days following the date of the enactment of this Act. In the event that all of the members of the Commission have not been appointed at the close of such 15-day period, a majority of the members appointed to the Commission shall constitute a quorum for the conduct of business by the Commission.

(3) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(b) The Commission shall identify and study the problems facing the United States Postal Service and recommend actions to be taken to resolve those problems. The Commission shall not be limited to any particular subject areas for consideration but the Commission—

(1) shall identify and study the public service aspects of the United States Postal Service, shall recommend to what extent and by what means such aspects may be defined and costs thereof reasonably estimated, and shall, insofar as practicable, identify any difference between—

(A) the costs that the Postal Service should reasonably be expected to incur in providing postal services in accordance with the policies of title 39, United States Code, and

(B) the revenues that the Postal Service may reasonably be expected to receive from rates and fees for postal services, with due consideration to the fact that demands for postal services may be reflected by changes in the levels of such rates and fees;

(2) shall determine the extent to which the public service aspects of the Postal Service shall be supported by appropriations and shall recommend a plan for such appropriations with due consideration being given to—

(A) the economic and social benefits of the postal system to the user and recipient of the mail,

(B) the relative economic ability of the users of various classes of mail to absorb the costs of the postal system,

(C) the extent to which the costs of maintaining a system which would provide a reasonable degree of regular postal services to the entire public without regard to individual usage, and the degree to which such costs should be borne by the public generally rather than by mail users in particular,

(D) the relative economic and social benefits of other uses of private and public funds, and

(E) the need of the Postal Service for adequate and dependable funding and for systematic planning and rate-making to provide efficient and economical postal services in accordance with the policies of title 39, United States Code;

(3) shall study the desirability and feasibility of—

(A) the ratemaking procedures established under title 39, United States Code, particularly the functions and responsibilities of the Postal Rate Commission, and shall develop recommendations for more expeditious and economical procedures that are responsive to the needs of the Postal Service and the public, including, if the Commission recommends the abolition of the Postal Rate Commission, a method of assuring that changes in postal rates shall be reviewed independently outside the Postal Service,

(B) a system in which changes in postal rates shall not exceed changes in consumer prices unless greater changes in such rates are approved by a body independent of the Postal Service,

(C) the rate making criteria established by section 3622 (b) of title 39, United States Code, and

(D) a statutory requirement for cost attributions to particular classes of mail or types of mail service;

(4) shall review the appropriateness of current and future service levels and the extent to which, if any, such levels should be supported by appropriations; and

(5) shall review the long range impact of new electronic fund transfers and communication techniques, the effect of such transfers and techniques on mail volumes and revenues of the Postal Service, and the feasibility of the Postal Service operating such systems.

(c) (1) For purposes of carrying out its functions under this section, the Commission may sit and act at such times and places and receive such evidence and testimony as it considers advisable.

(2) The Commission may secure directly from any department or agency of the United States information and assistance necessary to carry out its duties under this section. Each department or agency is authorized and directed, to the extent permitted by law and within the limits of available funds, to furnish information and assistance to the Commission.

(3) When so authorized by the Commission, any member or agent of the Commission may take any action which the Commission is authorized to take by this section.

(4) All meetings, hearings, conferences, or other proceedings of the Commission shall be open to the chairmen of the appropriate committees of the Congress or their designees and reasonable notice of such meetings or hearings shall be given to such chairmen or their designees.

(d) (1) Except as provided in paragraph (2), members of the Commission each shall receive as compensation the daily equivalent of the annual rate of basic pay in effect for Grade GS-18 for each day (including traveltime) during which they are engaged in the actual performance of duties vested in the Commission.

(2) Members of the Commission who are full-time officers or employees of the United States shall receive no additional pay on account of their service on the Commission.

(3) While away from their homes or regular places of business in the performance of service for the Commission, members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5, United States Code.

(e) The Commission may appoint and fix the compensation of such personnel as it considers advisable without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such personnel may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at a rate not to exceed the maximum rate authorized by the General Schedule. The Commission may procure the services of experts and consultants in accordance with section 3109 of title 5, United States Code, but at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay in effect for the maximum rate authorized by the General Schedule.

(f) (1) The Commission shall transmit to the President and to each House of the Congress a final report containing a detailed statement of its findings and recommendations, together with any individual views, on or before March 15, 1977.

(2) The Commission shall not be required to obtain the clearance of any Federal agency before the transmittal of its report.

(g) The Commission shall cease to exist 60 days after the transmission of its final report under subsection (f) of this section and all offices and employment under it shall then expire.

(h) There are authorized to be appropriated to the Postal Service Fund established under section 2003 of title 39, United States Code, without fiscal year limitation, such sums as may be necessary to carry out the provisions of this section. Expenses incurred by the Commission shall be paid out of the Postal Service Fund.

SEC. 8. Section 3623(b) of title 39, United States Code, is amended by striking out "Postal Service" the second place it appears therein and inserting in lieu thereof "Governors".

SEC. 9. (a) Section 404 of title 39, United States Code, is amended by inserting "(a)" immediately before "Without" and by adding at the end thereof the following new subsection:

"(b) (1) The Postal Service, prior to making a determination under subsection (a) (3) of this section as to the necessity for the closing or consolidation of any post office, shall provide adequate notice of its intention to close or consolidate such post office at least 60 days prior to the proposed date of such closing or consolidation to persons served by such post office to ensure that such persons will have an opportunity to present their views.

"(2) The Postal Service, in making a determination whether or not to close or consolidate a post office, shall consider—

"(A) the effect of such closing or consolidation on the community served by such post office;

"(B) the effect of such closing or consolidation on employees of the Postal Service employed at such office;

"(C) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;

"(D) the economic savings to the Postal Service resulting from such closing or consolidation; and

"(E) such other factors as the Postal Service determines are necessary.

"(3) Any determination of the Postal Service to close or consolidate a post office shall be in writing and shall include the findings of the Postal Service with respect to the considerations required to be made under paragraph (2) of this subsection. Such determination and finding shall be made available to persons served by such post office.

"(4) The Postal Service shall take no action to close or consolidate a post office until 60 days after its written determination is made available to persons served by such post office.

"(5) A determination of the Postal Service to close or consolidate any post office may be appealed by any person served by such office to the Postal Rate Commission within 30 days after such determination is made available to such person under paragraph (3). The Commission shall review such determination on the basis of the record before the Postal Service in the making of such determination. The Commission shall make a determination based upon such review no later than 120 days after receiving any appeal under this paragraph. The Commission shall set aside any determination, findings, and conclusions found to be—

"(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law;

“(B) without observance of procedure required by law; or
“(C) unsupported by substantial evidence on the record.”

The Commission may affirm the determination of the Postal Service or order that the entire matter be returned for further consideration, but the Commission may not modify the determination of the Postal Service. The Commission may suspend the effectiveness of the determination of the Postal Service until the final disposition of the appeal. The provisions of section 556, section 557, and chapter 7 of title 5 shall not apply to any review carried out by the Commission under this paragraph.”

(b) The amendments made by subsection (a) of this section shall take effect on the day after the date on which the Commission on Postal Service transmits its final report under section 7 (f) (1) of this Act.

SEC. 10. Section 3622 (b) of title 39, United States Code, is amended by striking out “and” at the end of paragraph (7), by redesignating paragraph (8) as paragraph (9), and by inserting immediately after paragraph (7) the following new paragraph:

“(8) the educational, cultural, scientific, and informational value to the recipient of mail matter; and”.

SEC. 11. Section 3626 of title 39, United States Code, is amended by inserting “(a)” immediately before “If the rates” and by adding at the end thereof the following new subsections:

“(b) (1) For the purposes of this title, the term ‘periodical publications’, as used in former section 4351 of this title, includes (A) any catalog or other course listing, including mail announcements of legal texts which are part of post-bar admission education issued by any institution of higher education or by a nonprofit organization engaged in continuing legal education; and (B) any looseleaf page or report (including any index, instruction for filing, table, or sectional identifier which is an integral part of such report) which is designed as part of a looseleaf reporting service concerning developments in the law or public policy.

“(2) Any material described in paragraph (1) of this subsection shall qualify to be entered and mailed as second class mail in accordance with the applicable provisions of former section 4352 through former section 4357 of this title.

“(3) For purposes of this subsection, the term ‘institution of higher education’ has the meaning given it by section 1201 (a) of the Higher Education Act of 1965 (20 U.S.C. 1141 (a)).

“(c) In the administration of this section, one conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildlife resources of such State shall be considered a publication of a qualified nonprofit organization which qualifies for rates of postage under former section 4358 (d) of this title.

“(d) (1) For purposes of this title, the term ‘agricultural’, as used in former sections 4358 (j) (2), 4452 (d), and 4554 (b) (1) (B) of this title, includes the art or science of cultivating land, harvesting crops or marine resources, or raising of livestock.

“(2) In the administration of this section, and for purposes of former sections 4358 (j) (2), 4452 (d), and 4554 (b) (1) (B) of this title, agricultural organizations or associations shall include any organiza-

tion or association which collects and disseminates information or materials relating to agricultural pursuits.”

SEC. 12. Section 3683 of title 39, United States Code, is amended by inserting “(a)” immediately before “Notwithstanding any other provision” and by adding at the end thereof the following new subsection:

“(b) The rates for mail matter specified in former section 4554 (a) (1) or 4554 (b) (2) (A) of this title, when mailed from a publisher or a distributor to a school, college, university, or library, shall be the rate currently in effect for such mail matter under the provisions of former section 4554 (b) (1) of this title.”

And the Senate agree to the same.

DAVID N. HENDERSON,
MORRIS K. UDALL,
ROBERT N. C. NIX,
JIM HANLEY,
WILLIAM D. FORD,
EDWARD DERWINSKI,
ALBERT W. JOHNSON,

Managers on the Part of the House.

GALE W. MCGEE,
JENNINGS RANDOLPH,
Q. BURDICK,
TED STEVENS,
HENRY BELLMON,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 8603) to amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

POSTAL REVENUES, APPROPRIATIONS, AND REPORTS TO CONGRESS

Section 2 of the House bill revised the method of financing postal operations. Under current law, enacted in the Postal Reorganization Act in 1970, all revenues of the Postal Service are permanently appropriated to the Postal Service Fund, and Congress annually appropriates only the amounts due for public services (\$920 million through fiscal year 1979), revenue foregone, and incidental expenses. The House bill established the method of postal finances which existed prior to 1970, which required that all postal revenues be deposited in the general fund of the Treasury and that Congress annually appropriate all of the Postal Service's funds. The House bill also revised the authorization for public service appropriations, which under current law are related to 10 percent of fiscal year 1971 appropriations for a definite period of time, by repealing existing law and substituting a general authorization for public service appropriations without specific financial or time limitations.

Section 2 of the Senate bill did not change the present authority of Postal Service finances, but added a new authorization for \$500 million for each of the periods ending September 30, 1976, and September 30, 1977.

The conference substitute retains existing law relating to the permanent appropriation of postal revenues to the postal service and the existing law on authorizations for public service appropriations, revenue foregone, and certain incidental expenses. The conference substitute also includes an authorization for two appropriations of \$500,000,000 each. It is the understanding of the managers that the Office of Management and Budget will transmit to the Congress a request for both appropriations immediately following the enactment of this legislation. The authorization under the new section 2401(d)(1) for \$500,000,000 shall be made for the purpose of retiring the accumulated operating deficit incurred by the Postal Service as of September 30, 1976. The new section 2401(d)(2) authorizes an appropriation of \$500,000,000 to be used to retire the accumulated operating indebtedness for the fiscal year 1977.

It is the intent of the managers that the \$1 billion authorized to be appropriated under the conference agreement is to be applied toward the outstanding indebtedness incurred by the Postal Service during the respective periods.

The managers have concluded that application of the \$1 billion in this manner will have the same effect as allowing the Postal Service to use these funds to pay current operating expenses, since under either application the total outstanding indebtedness will undoubtedly remain the same and further, the Postal Service will have available to it the same amount of funds needed for its operations.

The conference substitute also establishes new reporting requirements on the Postal Service. Under existing law, the Postal Service is required to submit a statement each year in compliance with the postal policy of section 101 of title 39, United States Code.

Both House bill and the Senate bill expanded substantially upon the present reporting requirements. The conference substitute adopts the principle expressed in the Senate bill and also requires that the Postal Service appear before the Committees on Post Office and Civil Service of the House and the Senate before March 15 of each year to testify and respond to questions relating to the Postal Service.

The managers are particularly mindful of the need for effective oversight of postal operations to insure that the postal services provided the public shall continue at an effective level and at reasonable rates. The failure of the Postal Service to provide the kind of extensive information which can sustain legislative and public confidence in the Postal Service, whether international or the result of oversight, must not continue. The provisions of section 2401 of title 39, requiring an annual report concerning the Postal Service's compliance with the public service policy of section 101 of title 39 has never been more than a simple recitation of the number of post offices in rural areas which have been opened, closed, or changed in status since the last report. The new reporting requirements go far beyond that kind of enumeration and, coupled with the requirement for appearances by officials of the Postal Service before the legislative committees responsible for oversight of postal affairs, will promote better administration of congressional policy, and better relations between the Executive and Legislative branches.

DOOR AND CURBLINE DELIVERY STANDARDS

Section 2 of the House bill required the Postal Service to provide door or curblin delivery to residential addresses under conditions determined by local government authorities. Where permitted by local authority, the Postal Service could provide "clusterbox" delivery to residences. The imposition of these delivery requirements was conditional upon public service appropriations.

Section 2 of the Senate bill required the Postal Service, during the period beginning on the date of enactment of the new public service appropriation and ending on the date the report of the Commission on Postal Service is filed, to provide door or curblin delivery to all new residential addresses. No clusterbox delivery was authorized and local governmental authority was not involved.

The conferees are mindful of the problems that now exist in connection with the establishment of new delivery routes. However, it is also recognized that this matter is one proper for consideration by the Commission on Postal Service established by section 7 of the Conference Agreement. It is the intent of the conferees that the Commission include this matter in its studies and report.

The conference substitute adopts the Senate language.

MORATORIUM ON RATE INCREASES, SERVICE CHANGES, AND POST OFFICE CLOSINGS

The House bill did not include language regarding a moratorium on rate increases or service changes.

The Senate bill provided that during the period beginning on the date of enactment of the new appropriation and ending on the date the report of the Commission on Postal Service is filed, the Postal Service shall not increase any rate of postage or any fee for any postal service, shall provide services to all patrons in all areas at the same level, and of the same type, as were being provided on July 1, 1976, and shall not close any post office except in the case of very small communities where patrons of the office give their consent to the closing.

The conference provision adopts the Senate language.

PARCEL POSTAL RATES

Section 2 of the House bill provided that the public service appropriations to the Postal Service could not be utilized or expended in such a manner as would effect a reduction of more than 10 percent in the rates established under chapter 36 of title 39 for parcel post.

Section 2 of the Senate bill provided that rates for parcel post established under chapter 36 of title 39 could not be more than 10 percent less than they would be if the new appropriation were not enacted.

The conference substitute contains new language which adopts the principle of the House bill—that parcel post rates shall not benefit from the appropriation of funds to the Postal Service to an extent which would result in the establishment of parcel post rates at levels more than 10 percent below the levels which would be established if no appropriations for public services and for the purposes described in the new section 2401(d) were made.

FAILURES OF APPROPRIATIONS

The Senate bill contained language clarifying when there may occur a failure of appropriations within the meaning of section 3627 of title 39. Existing law authorizes the Postal Service to initiate proceedings under subchapter II of chapter 36 of title 39 if Congress fails to appropriate funds pursuant to section 2401(c). Beginning in fiscal year 1972, the President has refused to request some of the funds authorized to be appropriated, including the funds for extended phasing authorized under Public Law 93-328.

The Senate bill provided that the failure of the President to request the appropriation of any part of the funds authorized to be appro-

priated under section 2401 of title 39 may not be deemed a failure of appropriations, and also provided that the failure of the President to request the appropriations of such funds would not relieve the Postal Service from the responsibility to comply with the provisions of this legislation relating to the moratorium on rate increases and service changes, the requirement for door or curblin delivery, and the new reporting requirements to the Congress.

The House bill contained no provision.

The conference substitute adopts the Senate language except that the language is modified to eliminate the possibility of interpreting the language to establish a relationship between the appropriation of funds to the Postal Service and the reporting requirements imposed upon the Postal Service under this legislation. These provisions are entirely separate. In addition, it should be understood that a failure of appropriations occurs only when Congress enacts legislation appropriating funds to the Postal Service pursuant to section 2401 of title 39 and that legislation does not include an amount estimated to be necessary to pay the difference between reduced rates and full rates. In that case, a proceeding under section 3627 permitting rate adjustments in accordance with subchapter II of chapter 36 could be undertaken.

POSTAL RATE COMMISSION PROVISIONS

Both the House bill and the Senate bill included substantially similar language making changes in the organizational structure of the Postal Rate Commission.

The appointment of the Commission was changed from direct Presidential appointment to nomination by the President and Senate confirmation. Commissioners are allowed to continue in office until a successor has qualified, and the power of the chairman to exercise the executive authority for the agency has been clarified.

In the consideration of rate and classification cases, the House bill provided that both types of cases would be subject to a 10-month period for hearing and decision. The Senate bill adopted the 10-month provision for postal rates cases, but retained existing law, which imposes no limits, for mail classification cases. The conference substitute adopts the Senate provision.

In setting temporary rates and making temporary changes in mail classifications, the House bill applied a 10-month waiting period in both instances, while the Senate bill applied the 10-month period to rate increases, but retained the 90-day waiting period for classification changes. The conference substitute adopts the Senate language.

The House bill removed the proceedings of the Postal Rate Commission from the provisions of the Administrative Procedure Act (5 U.S.C. 556-557) and provided instead that the Commission would be authorized to hold hearings under less rigorous standards than those now required for its proceedings.

The Senate bill made no change in existing law.

The conference substitute adopts the Senate position.

The House bill required that Commissioners of the Postal Rate Commission appointed after the date of enactment of this legislation would be subject to Senate confirmation, but that the new require-

ment would not be applicable to an incumbent unless he were reappointed.

The Senate bill was similar to the House bill except that in the provision relating to incumbent commissioners, the requirement for Senate confirmation did not apply if the commissioner has served fewer than two years.

The conference substitute adopts the House provision.

The House bill contained 2 sections vesting authority in the Postal Rate Commission to review the activities of the Postal Service, to secure data from the Postal Service, to conduct hearings relating to the activities of the Board of Governors of the Postal Service and to issue subpoenas to compel the production of evidence and the testimony of witnesses.

The Senate bill contained no similar provision.

The conference substitute contains no provision.

The managers wish to emphasize that, under existing law, the Postal Service must provide the Commission with prompt and reliable data in order for the Commission to carry out its responsibilities under the law. Under this legislation the Commission has been granted the additional authority to suspend implementation of proposed temporary rates on a day for day basis when it determines that the Postal Service has engaged in undue delays during consideration of rate cases. This authority should be sufficient to insure postal service cooperation. If it is not, further consideration should be given this matter by the appropriate committees of the Congress.

CHANGES IN THE NATURE OF POSTAL SERVICES

The House bill provided a definition for the purpose of determining when the Postal Service must submit a request for an advisory opinion by the Postal Rate Commission under section 3661 of title 39. Under existing law, a change in the nature of postal services which has a nationwide or substantially nationwide impact must be reviewed by the Commission, but the words "change in the nature of postal service" are not defined. Section 6(d) of the House bill defined the term to mean "any change or alteration in the type, quality, terms, or conditions of providing for the receipt, transmission, or delivery of mail matter of any type."

The Senate bill contained no provision.

The conference substitute adopts the Senate provision.

CRITERIA FOR FIXING POSTAL RATES

The House bill included a provision adding a new factor to be taken into account by the Postal Rate Commission in recommending postal rates. This new criterion is "the educational, cultural, scientific, and informational value to the recipient of mail matter."

The Senate bill did not contain any provision on this issue.

The conference substitute adopts the House provision.

MAILING PERMITS

The House bill provided that certain publications would be entitled to mail at second-class rates notwithstanding recent administra-

tive efforts by the Postal Service to withdraw such mailing permits from these publications. Included in the provision were college and university course catalogs, periodicals relating to continuing legal education published by an educational institution or a nonprofit organization, and looseleaf publications relating to law and public policy.

The Senate bill contained no provision.

The conference substitute adopts the House provision.

The House bill also extended nonprofit mailing status to political committees qualified for tax credit contributions under the Internal Revenue Code, to one publication published by a state fish or wildlife agency, and broadened the definition of an agricultural nonprofit association or organization to include such associations engaged in the harvesting of marine life.

The Senate bill contained no provisions.

The conference substitute adopts the House provisions relating to publications of a State fish or wildlife agency and relating to the definition of an agricultural nonprofit association or organization. The conference substitute does not include the provision extending nonprofit mailing status to political committees qualified for tax credit contributions under the Internal Revenue Code.

BOOK RATES

The House bill contained a provision making the rates applicable for books mailed between schools and libraries applicable to the rates for books when mailed by a publisher or distributor to a school or library.

The Senate bill contained no provision.

The conference substitute adopts the House language.

PROCEDURES FOR CLOSING OR CONSOLIDATING POST OFFICES

The Senate bill included a provision requiring the Postal Service to give public notice of its intent to close or consolidate a post office 60 days in advance; to give the public an opportunity to express its views on the plan; to comply with specific criteria in making such determinations, and to issue a final decision 60 days before an office could be closed or consolidated. A postal patron of such a post office would be entitled to appeal the decision to a United States Court of Appeals for a judicial determination.

The House bill contained no provision on this issue.

The conference substitute adopts the Senate provision except that the right of appeal to a United States court of appeals is deleted and instead there shall be a right of appeal to the Postal Rate Commission. The managers intended that an appeal to the Commission under this new provision may be made only by a regular patron of a post office which has been ordered to be closed or consolidated. Also, the managers intend that this provision apply to post offices only and not to other postal facilities.

TEMPORARY POSTAL RATE INCREASES

The House bill provided a limitation on the amount of increase which could be made by the Postal Service in establishing temporary

rates. This provision was adopted when the bill was reported by the House last year. Since that time, temporary rates have already been established and have subsequently been replaced by permanent rates. There is, therefore, no need for this provision.

The Senate bill contained no provision.

The conference substitute contained no provision.

USE OF LETTERBOXES BY NONPROFIT ORGANIZATIONS

The House bill contained a provision which authorized certain nonprofit organizations to use volunteers to deposit mail matter relating to the activities of the associations in postal patrons letter boxes without payment of postage.

The Senate bill contained no provision.

The conference substitute contains no provision.

APPOINTMENT OF THE POSTMASTER GENERAL AND DEPUTY POSTMASTER GENERAL

The House bill contained a provision which required that the Postmaster General and the Deputy Postmaster General be appointed by the President of the United States with the advice and consent of the Senate.

The Senate bill contained no provision.

The conference substitute contains no provision.

The conferees have taken note that a majority of the House of Representatives is of the opinion that the current method of appointment of the Postmaster General and Deputy Postmaster General should be revised. The conferees, therefore, expect the Commission or Postal Service to study and issue recommendations on the feasibility and desirability of alternative methods of appointment. In particular, the Commission should give attention to the length of terms of office, if any, and the alternative of appointment by the President with the advice and consent of the Senate.

COMMISSION ON POSTAL SERVICE

The House bill established the Commission on Postal Service consisting of five members appointed as follows: two, (including the chairman) by the President, and one each by the President pro tempore of the Senate, the Speaker of the House, and the Postmaster General. The Commission was to study specific areas—particularly the public service aspects of the Postal Service, and the method of establishing postal rates. In the House version, the Commission would report to the President and Congress within two years.

The Senate bill established the Commission on Postal Service consisting of ten members: four (including the chairman) appointed by the President, and three each appointed by the President pro tempore of the Senate and the Speaker of the House. One appointee of each House was to be a member of the Postal Service work force. The Postmaster General and the Chairman of the Postal Rate Commission were to be ex officio members without a vote.

The Commission in the Senate bill was required simply to study problems facing the Postal Service and issue recommendations to the President and the Congress by February 5, 1977. The only specific charge was that the Commission report on the feasibility and desirability of relaxing the Private Express Statutes.

The conferees concluded that a smaller commission would be more efficient. Therefore, they adopted language establishing a seven member Commission: three appointed by the President and two each by the President pro tempore of the Senate and the Speaker of the House. The language requiring that one appointee of each House be a member of the Postal Service work force was retained. The Postmaster General and the Chairman of the Postal Rate Commission were retained as ex officio members without a vote.

The general responsibility of the Commission to study postal problems was retained. However, the Commission was also required to study and issue recommendations on several specific areas of interest, including public service aspects of the Postal Service.

The conferees agreed that the Commission should not study areas relating to matters covered under chapter 12 of title 39, United States Code.

The conferees also adopted language requiring the Commission to report to the President and Congress by March 15, 1977. The conferees accepted Senate language requiring appointment of the members of the Commission within fifteen days after date of enactment. Thereafter, a quorum of those appointed can conduct business.

SIZE AND WEIGHT LIMITS

The Senate bill contained a provision expanding the size and weight limits for surface-air mail parcels (SAM) addressed to military installations of the Armed Forces outside the 48 contiguous States. Under existing law, the maximum weight is 15 pounds and the maximum size is 60 inches in length and girth combined. The Senate bill would have increased these dimensions to 70 pounds and 100 inches (the limits which presently apply to incoming SAM mail).

The House bill contained no provision.

The conference substitute contains no provision.

DAVID N. HENDERSON,
MORRIS K. UDALL,
ROBERT N. C. NIX,
JIM HANLEY,
WILLIAM D. FORD,
EDWARD DERWINSKI,
ALBERT W. JOHNSON,

Managers on the Part of the House.

GALE W. MCGEE,
JENNINGS RANDOLPH,
Q. BURDICK,
TED STEVENS,
HENRY BELLMON,

Managers on the Part of the Senate.



Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Postal Reorganization Act Amendments of 1976".

SEC. 2. (a) Section 2401(b) of title 39, United States Code, is amended by striking out paragraph (3).

(b) Section 2401 of title 39, United States Code, is amended by adding at the end thereof the following new subsections:

"(d) (1) There is authorized to be appropriated to the Postal Service for fiscal year 1976 and for the period beginning July 1, 1976, and ending September 30, 1976, the amount of \$500,000,000 to be applied against the accumulated operating indebtedness of the Postal Service as of September 30, 1976.

"(2) There is authorized to be appropriated to the Postal Service for fiscal year 1977 the amount of \$500,000,000 to be applied against the accumulated operating indebtedness of the Postal Service as of September 30, 1977.

"(e) During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7(f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall not—

"(1) have in effect any permanent or temporary rate of postage or fee for postal services exceeding the rates and fees in effect on the date of enactment of the Postal Reorganization Act Amendments of 1976;

"(2) provide levels and types of postal services which are less than the levels and types of services provided on July 1, 1976;

"(3) close any post office where 35 or more families regularly receive their mail and which was providing service on July 1, 1976; or

"(4) close any post office where fewer than 35 families receive their mail and which was providing service on July 1, 1976, unless the Postal Service receives the written consent of at least 60 percent of the regular patrons of such office who are at least 18 years of age.

"(f) During the period beginning on the date of the appropriation of the funds under subsection (d) (1) and ending on the date on which the Commission on Postal Service is required to transmit the final report required under section 7(f) (1) of the Postal Reorganization Act Amendments of 1976 to the President and each House of Congress, the Postal Service shall provide door delivery or curbside delivery to all permanent residential addresses (other than apartment building addresses) to which service is begun on or after the date of enactment of the Postal Reorganization Act Amendments of 1976.

"(g) The Postal Service shall present to the Committees on Post Office and Civil Service and the Committees on Appropriations of the

Senate and the House of Representatives, at the same time it submits its annual budget under section 2009 of this title, sufficient copies of the budget of the Postal Service for the fiscal year for which funds are requested to be appropriated, and a comprehensive statement relating to the following matters:

“(1) the plans, policies, and procedures of the Postal Service designed to comply with all of the provisions of section 101 of this title;

“(2) postal operations generally, including data on the speed and reliability of service provided for the various classes of mail and types of mail service, mail volume, productivity, trends in postal operations, and analyses of the impact of internal and external factors upon the Postal Service;

“(3) a listing of the total expenditures and obligations incurred by the Postal Service for the most recent fiscal year for which information is available, an estimate of the total expenditures and obligations to be incurred by the Postal Service during the fiscal year for which funds are requested to be appropriated, and the means by which these estimated expenses will be financed; and

“(4) such other matters as the committees may determine necessary to ensure that the Congress is fully and currently consulted and informed on postal operations, plans, and policies.

Not later than March 15 of each year, the Postal Service shall appear before the Committees on Post Office and Civil Service of the Senate and the House of Representatives to submit information which any such committee considers necessary to determine the amount of funds to be appropriated for the operation of the Postal Service, and to present testimony and respond to questions with respect to such budget and statement. Each such committee shall take such action as it considers appropriate and shall advise the Postal Service of such action.

“(h) The failure of the President to request the appropriation of any part of the funds authorized by this section may not be deemed a failure of appropriations. The failure of the President to request the appropriation of any part of the funds authorized by this section shall not relieve the Postal Service from the responsibility to comply with the provisions of subsections (e) and (f) of this section.

“(i) The rates established under chapter 36 of this title for zoned parcels formerly entered under former chapter 67 of this title shall not be more than 10 percent less than the rates for such mail would be if the funds authorized under subsection (b) and (d) of this section were not appropriated.”

(c) Section 2003 of title 39, United States Code, is amended by adding at the end thereof the following new subsection:

“(f) Notwithstanding any other provision of this section, any amounts appropriated to the Postal Service under subsection (d) of section 2401 of this title and deposited into the Fund shall be expended by the Postal Service only for the purposes provided in such subsection.”

SEC. 3. (a) Section 3601 of title 39, United States Code, is amended to read as follows:

“§ 3601. Establishment

“(a) The Postal Rate Commission is an independent establishment of the executive branch of the Government of the United States. The

Commission is composed of 5 Commissioners, appointed by the President, by and with the advice and consent of the Senate. The Commissioners shall be chosen on the basis of their professional qualifications and may be removed by the President only for cause. Not more than 3 of the Commissioners may be adherents of the same political party.

“(b) A Commissioner may continue to serve after the expiration of his term until his successor has qualified, except that a Commissioner may not so continue to serve for more than 1 year after the date upon which his term otherwise would expire under section 3602 of this title.

“(c) One of the Commissioners shall be designated as Chairman by, and shall serve in the position of Chairman at the pleasure of, the President.

“(d) The Commissioners shall by majority vote designate a Vice Chairman of the Commission. The Vice Chairman shall act as Chairman of the Commission in the absence of the Chairman.”

(b) The provisions of section 3601(a) of title 39, United States Code, as amended by subsection (a) of this section, shall not apply with respect to any Commissioner of the Postal Rate Commission holding office on the date of the enactment of this Act, except that such provisions shall apply to any appointment of such a Commissioner occurring after the date of the enactment of this Act.

SEC. 4. Section 3604 of title 39, United States Code, is amended to read as follows:

“§ 3604. Administration

“(a) The Chairman of the Postal Rate Commission shall be the principal executive officer of the Commission. The Chairman shall exercise or direct the exercise of all the executive and administrative functions of the Commission, including functions of the Commission with respect to (1) the appointment of personnel employed under the Commission, except that the appointment of heads of major administrative units under the Commission shall require the approval of a majority of the members of the Commission, (2) the supervision of the personnel employed under the Commission and the distribution of business among them and among the Commissioners, and (3) the use and expenditure of funds.

“(b) In carrying out any of his functions under this section, the Chairman shall be governed by the general policies of the Commission.

“(c) The Chairman may obtain such facilities and supplies as may be necessary to permit the Commission to carry out its functions. Any officer or employee appointed under this section shall be paid at rates of compensation and shall be entitled to programs offering employee benefits established under chapter 10 or chapter 12 of this title, as appropriate.

“(d) (1) The Commission shall periodically prepare and submit to the Postal Service a budget of the Commission's expenses, including, but not limited to, expenses for facilities, supplies, compensation, and employee benefits. The budget shall be considered approved—

“(A) as submitted if the Governors fail to act in accordance with subparagraph (B) of this paragraph; or

“(B) as adjusted if the Governors holding office, by unanimous written decision, adjust the total amount of money requested in the budget.

Subparagraph (B) shall not be construed to authorize the Governors to adjust any item included within the budget.

“(2) Expenses incurred under any budget approved under paragraph (1) of this subsection shall be paid out of the Postal Service fund established under section 2003 of this title.

“(e) The provisions of section 410 and chapter 10 of this title shall apply to the Commission, as appropriate.”

SEC. 5. (a) Section 3624 of title 39, United States Code, is amended by redesignating subsection (c) as subsection (d) and by inserting immediately after subsection (b) the following new subsection:

“(c)(1) Except as provided by paragraph (2) of this subsection, in any case in which the Postal Service makes a request under section 3622 of this title for a recommended decision by the Commission on changes in a rate or rates of postage or in a fee or fees for postal services the Commission shall transmit its recommended decision to the Governors under subsection (d) of this section no later than 10 months after receiving any such request from the Postal Service.

“(2) In any case in which the Commission determines that the Postal Service has unreasonably delayed consideration of a request made by the Postal Service under section 3622 by failing to respond within a reasonable time to any lawful order of the Commission, the Commission may extend the 10-month period described in paragraph (1) of this subsection by one day for each day of such delay.”

(b) The amendment made by subsection (a) of this section shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage, and in fees for postal services, requested on September 18, 1975, by the United States Postal Service in a request which bears, or which at any time has been included under, Postal Rate Commission Docket Number R76-1.

SEC. 6. (a) Section 3641 of title 39, United States Code, is amended to read as follows:

“§ 3641. Temporary changes in rates and classes

“(a) In any case in which the Postal Rate Commission fails to transmit a recommended decision on a change in rates of postage or in fees for postal services to the Governors in accordance with section 3624(c) of this title, the Postal Service may establish temporary changes in rates of postage and in fees for postal services in accordance with the proposed changes under consideration by the Commission. Such temporary changes may take effect upon such date as the Postal Service may determine, except that such temporary changes may take effect only after 10 days' notice in the Federal Register.

“(b) Any temporary rate or fee established by the Postal Service under subsection (a) of this section shall be in accordance with the policies of this title and shall not exceed such amount as may be necessary for sufficient revenues to assure that the total estimated income, including appropriations, of the Postal Service shall, to the extent practicable, be equal to the total estimated costs of the Postal Service.

“(c) Notwithstanding the provisions of subsection (b) of this section, the Postal Service may not establish any temporary rate for a class of mail or any temporary fee for a postal service which is more than the permanent rate or fee requested for such class or postal service by the Postal Service under section 3622 of this title.

“(d) Any temporary change in rates of postage or in fees for postal services made by the Postal Service under this section shall remain in effect no longer than 150 days after the date on which the Commis-

sion transmits its recommended decision to the Governors under section 3624(d) of this title, unless such temporary change is terminated by the Governors before the expiration of such period.

“(e) If the Postal Rate Commission does not transmit to the Governors within 90 days after the Postal Service has submitted, or within 30 days after the Postal Service has resubmitted, to the Commission a request for a recommended decision on a change in the mail classification schedule (after such schedule is established under section 3623 of this title), the Postal Service, upon 10 days’ notice in the Federal Register, may place into effect temporary changes in the mail classification schedule in accordance with proposed changes under consideration by the Commission. Any temporary change shall be effective for a period ending not later than 30 days after the Commission has transmitted its recommended decision to the Governors.

“(f) If, under section 3628 of this title, a court orders a matter returned to the Commission for further consideration, the Postal Service, with the consent of the Commission, may place into effect temporary changes in rates of postage, and fees for postal services, or in the mail classification schedule.”

(b) (1) The amendment made by subsection (a) of this section shall not apply to any action or proceeding with respect to the recommended decision of the Postal Rate Commission relating to proposed changes in rates of postage and in fees for postal services requested on September 18, 1975, by the United States Postal Service in a request which bears, or which at any time has been included under, Postal Rate Commission Docket Number R76-1.

(2) The provisions of section 3641 of title 39, United States Code, as such provisions were in effect on the day before the date of the enactment of this Act, shall apply to any temporary rate or fee established by the Postal Service pursuant to its request to the Postal Rate Commission, dated September 18, 1975, for a recommended decision, bearing Docket Number R76-1.

SEC. 7. (a) (1) There is hereby established the Commission on Postal Service (hereinafter in this section referred to as the “Commission”). The Commission shall be composed of 7 members, to be selected as follows:

(A) 3 appointed by the President of the United States, of whom one shall be appointed as chairman;

(B) 2 appointed by the President pro tempore of the Senate, of whom one shall be an individual who is a member of the work force of the United States Postal Service; and

(C) 2 appointed by the Speaker of the House of Representatives, of whom one shall be an individual who is a member of the work force of the United States Postal Service.

The Postmaster General of the United States and the Chairman of the Postal Rate Commission shall serve as ex officio members of the Commission, without the right to vote.

(2) The members of the Commission shall be appointed within 15 days following the date of the enactment of this Act. In the event that all of the members of the Commission have not been appointed at the close of such 15-day period, a majority of the members appointed to the Commission shall constitute a quorum for the conduct of business by the Commission.

(3) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(b) The Commission shall identify and study the problems facing the United States Postal Service and recommend actions to be taken to resolve those problems. The Commission shall not be limited to any particular subject areas for consideration but the Commission—

(1) shall identify and study the public service aspects of the United States Postal Service, shall recommend to what extent and by what means such aspects may be defined and costs thereof reasonably estimated, and shall, insofar as practicable, identify any difference between—

(A) the costs that the Postal Service should reasonably be expected to incur in providing postal services in accordance with the policies of title 39, United States Code, and

(B) the revenues that the Postal Service may reasonably be expected to receive from rates and fees for postal services, with due consideration to the fact that demands for postal services may be reflected by changes in the levels of such rates and fees;

(2) shall determine the extent to which the public service aspects of the Postal Service shall be supported by appropriations and shall recommend a plan for such appropriations with due consideration being given to—

(A) the economic and social benefits of the postal system to the user and recipient of the mail,

(B) the relative economic ability of the users of various classes of mail to absorb the costs of the postal system,

(C) the extent to which the costs of maintaining a system which would provide a reasonable degree of regular postal services to the entire public without regard to individual usage, and the degree to which such costs should be borne by the public generally rather than by mail users in particular,

(D) the relative economic and social benefits of other uses of private and public funds, and

(E) the need of the Postal Service for adequate and dependable funding and for systematic planning and rate-making to provide efficient and economical postal services in accordance with the policies of title 39, United States Code;

(3) shall study the desirability and feasibility of—

(A) the ratemaking procedures established under title 39, United States Code, particularly the functions and responsibilities of the Postal Rate Commission, and shall develop recommendations for more expeditious and economical procedures that are responsive to the needs of the Postal Service and the public, including, if the Commission recommends the abolition of the Postal Rate Commission, a method of assuring that changes in postal rates shall be reviewed independently outside the Postal Service,

(B) a system in which changes in postal rates shall not exceed changes in consumer prices unless greater changes in such rates are approved by a body independent of the Postal Service,

(C) the ratemaking criteria established by section 3622(b) of title 39, United States Code, and

(D) a statutory requirement for cost attributions to particular classes of mail or types of mail service;

(4) shall review the appropriateness of current and future service levels and the extent to which, if any, such levels should be supported by appropriations; and

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(5) shall review the long range impact of new electronic fund transfers and communication techniques, the effect of such transfers and techniques on mail volumes and revenues of the Postal Service, and the feasibility of the Postal Service operating such systems.

(c)(1) For purposes of carrying out its functions under this section, the Commission may sit and act at such times and places and receive such evidence and testimony as it considers advisable.

(2) The Commission may secure directly from any department or agency of the United States information and assistance necessary to carry out its duties under this section. Each department or agency is authorized and directed, to the extent permitted by law and within the limits of available funds, to furnish information and assistance to the Commission.

(3) When so authorized by the Commission, any member or agent of the Commission may take any action which the Commission is authorized to take by this section.

(4) All meetings, hearings, conferences, or other proceedings of the Commission shall be open to the chairmen of the appropriate committees of the Congress or their designees and reasonable notice of such meetings or hearings shall be given to such chairmen or their designees.

(d)(1) Except as provided in paragraph (2), members of the Commission each shall receive as compensation the daily equivalent of the annual rate of basic pay in effect for Grade GS-18 for each day (including traveltime) during which they are engaged in the actual performance of duties vested in the Commission.

(2) Members of the Commission who are full-time officers or employees of the United States shall receive no additional pay on account of their service on the Commission.

(3) While away from their homes or regular places of business in the performance of service for the Commission, members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, in the same manner as persons employed intermittently in the Government service are allowed expenses under section 5703 of title 5, United States Code.

(e) The Commission may appoint and fix the compensation of such personnel as it considers advisable without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such personnel may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at a rate not to exceed the maximum rate authorized by the General Schedule. The Commission may procure the services of experts and consultants in accordance with section 3109 of title 5, United States Code, but at rates for individuals not to exceed the daily equivalent of the annual rate of basic pay in effect for the maximum rate authorized by the General Schedule.

(f)(1) The Commission shall transmit to the President and to each House of the Congress a final report containing a detailed statement of its findings and recommendations, together with any individual views, on or before March 15, 1977.

(2) The Commission shall not be required to obtain the clearance of any Federal agency before the transmittal of its report.

(g) The Commission shall cease to exist 60 days after the transmission of its final report under subsection (f) of this section and all offices and employment under it shall then expire.

(h) There are authorized to be appropriated to the Postal Service Fund established under section 2003 of title 39, United States Code, without fiscal year limitation, such sums as may be necessary to carry out the provisions of this section. Expenses incurred by the Commission shall be paid out of the Postal Service Fund.

SEC. 8. Section 3623(b) of title 39, United States Code, is amended by striking out "Postal Service" the second place it appears therein and inserting in lieu thereof "Governors".

SEC. 9. (a) Section 404 of title 39, United States Code, is amended by inserting "(a)" immediately before "Without" and by adding at the end thereof the following new subsection:

"(b) (1) The Postal Service, prior to making a determination under subsection (a) (3) of this section as to the necessity for the closing or consolidation of any post office, shall provide adequate notice of its intention to close or consolidate such post office at least 60 days prior to the proposed date of such closing or consolidation to persons served by such post office to ensure that such persons will have an opportunity to present their views.

"(2) The Postal Service, in making a determination whether or not to close or consolidate a post office, shall consider—

"(A) the effect of such closing or consolidation on the community served by such post office;

"(B) the effect of such closing or consolidation on employees of the Postal Service employed at such office;

"(C) whether such closing or consolidation is consistent with the policy of the Government, as stated in section 101(b) of this title, that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining;

"(D) the economic savings to the Postal Service resulting from such closing or consolidation; and

"(E) such other factors as the Postal Service determines are necessary.

"(3) Any determination of the Postal Service to close or consolidate a post office shall be in writing and shall include the findings of the Postal Service with respect to the considerations required to be made under paragraph (2) of this subsection. Such determination and finding shall be made available to persons served by such post office.

"(4) The Postal Service shall take no action to close or consolidate a post office until 60 days after its written determination is made available to persons served by such post office.

"(5) A determination of the Postal Service to close or consolidate any post office may be appealed by any person served by such office to the Postal Rate Commission within 30 days after such determination is made available to such person under paragraph (3). The Commission shall review such determination on the basis of the record before the Postal Service in the making of such determination. The Commission shall make a determination based upon such review no later than 120 days after receiving any appeal under this paragraph. The Commission shall set aside any determination, findings, and conclusions found to be—

"(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law;

"(B) without observance of procedure required by law; or

"(C) unsupported by substantial evidence on the record.

The Commission may affirm the determination of the Postal Service or order that the entire matter be returned for further consideration, but the Commission may not modify the determination of the Postal Service. The Commission may suspend the effectiveness of the determination of the Postal Service until the final disposition of the appeal. The provisions of section 556, section 557, and chapter 7 of title 5 shall not apply to any review carried out by the Commission under this paragraph.”

(b) The amendments made by subsection (a) of this section shall take effect on the day after the date on which the Commission on Postal Service transmits its final report under section 7(f)(1) of this Act.

SEC. 10. Section 3622(b) of title 39, United States Code, is amended by striking out “and” at the end of paragraph (7), by redesignating paragraph (8) as paragraph (9), and by inserting immediately after paragraph (7) the following new paragraph:

“(8) the educational, cultural, scientific, and informational value to the recipient of mail matter; and”.

SEC. 11. Section 3626 of title 39, United States Code, is amended by inserting “(a)” immediately before “If the rates” and by adding at the end thereof the following new subsections:

“(b) (1) For the purposes of this title, the term ‘periodical publications’, as used in former section 4351 of this title, includes (A) any catalog or other course listing, including mail announcements of legal texts which are part of post-bar admission education issued by any institution of higher education or by a nonprofit organization engaged in continuing legal education; and (B) any looseleaf page or report (including any index, instruction for filing, table, or sectional identifier which is an integral part of such report) which is designed as part of a looseleaf reporting service concerning developments in the law or public policy.

“(2) Any material described in paragraph (1) of this subsection shall qualify to be entered and mailed as second class mail in accordance with the applicable provisions of former section 4352 through former section 4357 of this title.

“(3) For purposes of this subsection, the term ‘institution of higher education’ has the meaning given it by section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a)).

“(c) In the administration of this section, one conservation publication published by an agency of a State which is responsible for management and conservation of the fish or wildlife resources of such State shall be considered a publication of a qualified nonprofit organization which qualifies for rates of postage under former section 4358(d) of this title.

“(d) (1) For purposes of this title, the term ‘agricultural’, as used in former sections 4358(j)(2), 4452(d), and 4554(b)(1)(B) of this title, includes the art or science of cultivating land, harvesting crops or marine resources, or raising of livestock.

“(2) In the administration of this section, and for purposes of former sections 4358(j)(2), 4452(d), and 4554(b)(1)(B) of this title, agricultural organizations or associations shall include any organization or association which collects and disseminates information or materials relating to agricultural pursuits.”.

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SEC. 12. Section 3683 of title 39, United States Code, is amended by inserting "(a)" immediately before "Notwithstanding any other provision" and by adding at the end thereof the following new subsection:
"(b) The rates for mail matter specified in former section 4554(a)(1) or 4554(b)(2)(A) of this title, when mailed from a publisher or a distributor to a school, college, university, or library, shall be the rate currently in effect for such mail matter under the provisions of former section 4554(b)(1) of this title."

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*