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*Postal Serv.*

THE WHITE HOUSE  
WASHINGTON

July 18, 1975

MEMORANDUM FOR: CAL COLLIER  
FROM: JIM CAVANAUGH ~~AK~~  
SUBJECT: Attached Correspondence

I'm sending the original of the attached correspondence to you. Jim Cannon specifically asked Cox to send this material to Jim Lynn, but I guess Cox misunderstood.





LAW DEPARTMENT  
Washington, DC 20260

July 14, 1975

Honorable James M. Cannon  
Director, Domestic Council  
The White House  
Washington, D. C. 20500

Dear Mr. Cannon:

Pursuant to our telephone conversation this afternoon, I am enclosing copies of a possible Presidential Proclamation declaring a national emergency and an Executive Order authorizing the calling into service of National Guard units which could be used in the event of a postal strike. These documents follow closely the Proclamation and Executive Order which were issued in March, 1970 on the occasion of the postal work stoppage of that time.

As you suggested, we are sending copies of these documents to Mr. Lynn at OMB.

Sincerely,

  
Louis A. Cox  
General Counsel

cc: Hon. James T. Lynn  
Office of Management and Budget

Benjamin F. Bailar  
Postmaster General

Enclosures

PROCLAMATION  
DECLARING A NATIONAL EMERGENCY

By the President of the United States of America

A Proclamation

WHEREAS certain employees of the Postal Service are engaged in an unlawful work stoppage which has prevented the delivery of the mails and the discharge of other postal functions in various parts of the United States; and

WHEREAS, as a result of such unlawful work stoppage the performance of critical governmental and private functions, such as the processing of men into the Armed Forces of the United States, the transmission of tax refunds and the receipt of tax collections, the transmission of Social Security and welfare payments, and the conduct of numerous and important commercial transactions, has wholly ceased or is seriously impeded; and

WHEREAS the continuance of such work stoppage with its attendant consequences will impair the ability of this nation to carry out its obligations abroad, and will cripple or halt the official and commercial intercourse which is essential to the conduct of its domestic business:

NOW, THEREFORE, I, GERALD FORD, President of the United States of America, pursuant to the powers vested in me by the Constitution and laws of the United States and more particularly by the provisions of Section 673 of Title 10 of the United States Code, do hereby declare a state of national emergency, and direct the Secretary of Defense to take such action as he deems necessary to carry out the provisions of the said Section 673 in order that the laws of the United States pertaining to the Postal Service may be executed in accordance with their terms.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_ day of \_\_\_\_\_ in the year of our Lord nineteen hundred and seventy-five, and of the Independence of the United States of America the one hundred and ninety-ninth.



Executive Order \_\_\_\_\_

CALLING INTO SERVICE MEMBERS AND UNITS OF THE NATIONAL GUARD

WHEREAS certain employees of the Postal Service are engaged in an unlawful work stoppage which has prevented the delivery of the mails and the discharge of other postal functions in various parts of the United States; and

WHEREAS the laws of the United States, including Sections 101, 403, 404, and 5001 of Title 39, United States Code, require that the business of the Postal Service, including the provision of prompt, reliable, and efficient postal services to patrons in all areas, be regularly carried on; and

WHEREAS the aforesaid unlawful work stoppage has prevented and is preventing the execution of the aforesaid laws relating to the Postal Service; and

WHEREAS the breakdown of postal services in the numerous areas affected by the said unlawful work stoppage is a matter of grave national concern; and

WHEREAS I am charged by the Constitution of the United States to take care that the laws be faithfully executed, and I have determined that I am unable solely with the regular forces to cause the aforesaid laws to be executed:

NOW, THEREFORE, I, GERALD FORD, by virtue of the authority vested in me by the Constitution and laws of the United States, including Sections 3500 and 8500 of Title 10 of the United States Code and Section 301 of Title 3 of the United States Code, do hereby order as follows:

Section 1. The Secretary of Defense is authorized and directed to take all appropriate steps to respond to requests of the Postal Service for assistance in restoring and maintaining postal service and to execute the postal laws of the United States.

Sec. 2. In furtherance of the authorization and direction contained in section 1 hereof, the Secretary of Defense is authorized to use such of the Armed Forces of the United States as he may deem necessary.



Sec. 3. I hereby authorize and direct the Secretary of Defense to call into the active military service of the United States, as he may deem appropriate to carry out the purposes of this order, any or all of the units of the Army National Guard and of the Air National Guard that he deems appropriate to serve in the active military service of the United States for an indefinite period and until relieved by appropriate orders. In carrying out the provisions of this order, the Secretary of Defense is authorized to use the units, and members thereof, of the Army National Guard and of the Air National Guard called into the active military service of the United States pursuant to this section.

Sec. 4. The Secretary of Defense is authorized to delegate within the Department of Defense any of the authority conferred upon him by this Executive order.

THE WHITE HOUSE

\_\_\_\_\_, 1975

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THE WHITE HOUSE

WASHINGTON

March 30, 1976

*Lynn*  
*Walter*  
*Thatcher*  
INFORMATION

MEMORANDUM FOR JIM CANNON

FROM: LYNN MAY *Lynn*

SUBJECT: U. S. Postal Service

The Postmaster General's criticism of the White House in recent testimony before the Senate Post Office Committee is the product of many forces which I have discussed in several preceding memorandums to you. Attached is today's "Wall Street Journal" article which summarizes Bailar's remarks.

First of all, the Postal Service is facing a growing deficit which it has been able to keep up with only by borrowing down on its equity. The recent postal rate increase was so long delayed by the Postal Rate Commission that it has only cut back rather than eliminate the amount of the deficit. In the last year, Postmaster General Bailar has waived between being against increased postal subsidies, when it appeared that rate increases might solve the deficit crisis, and calling for subsidies when the rate increase was stalled and now that the increase is insufficient to meet the deficit.

Bailar's frustration also stems from the fact that he has been stymied from taking serious management steps to cut back on expenses by the Congress. He is virtually unable to fire people, cut back on uneconomic post offices, or seriously reduce non-essential service.

*ll*  
I also believe that Bailar felt somewhat snubbed by the White House in recent weeks. He asked to attend the President's dinner with the Governors and was turned down. He requested an interview with the President recently (see attached schedule proposal) and was turned down. Now it comes out that Jim Lynn has not returned his phone calls recently. If you recall in a meeting with the President last March, Bailar asked that a Senior White House contact be designated for him. After some hesitation Jim Lynn seemed to take up that function, but the status of that relationship is unclear.

I believe that every effort should be made to show the Postal Service and the Congress that the Administration is interested in solving the postal crisis. If the President does not wish to get involved, and perhaps he should not, OMB and the Domestic Council should work closely with the

*Lynn - let's discuss*



Postal Service on these issues. I plan to spend as much time as I can working with the OMB-led study group which is analyzing postal problems. Hopefully, we will have a solid data base to support a set of policy options for the President by the middle of June. Even if the decision is made to avoid taking the lead in the issue this year, I believe that we should admit to the problem and say we are working on it with the Postal Service and the Congress. Our current posture, as indicated in Jim Lynn's recent testimony (attached) is to avoid responsibility and hope the issue will go away. While I concur with him that hard questions have to be asked and a public debate raised over levels of subsidies and services, I don't think that we can hide behind our institutional lack of responsibility in an election year.

I suggest that you or one of the Deputy Directors sit down with Jim Lynn and develop some kind of consensus approach to the Administration's posture vis-a-vis the Postal Service. I would of course like to attend.

Attachments

cc: Jim Cavanaugh  
Art Quern



"Wall Street Journal"

3/30/76 (Tuesday)

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*Postal Chief Cites White House Hostility  
To Further Aid in Defending Service Cuts*

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SCHEDULE PROPOSAL

DATE: February 24, 1975  
FROM: Jim Cannon,  
Lynn May  
VIA: Bill Nicholson

MEETING: With Postmaster General Benjamin F. Bailar.

DATE: Open until March 8, 1976.

PURPOSE: The Postmaster General wishes to brief you on a number of public statements he plans to make in March. They will address the fundamental problems facing the Postal Service and the hard choices they portend for mail service in this country.

FORMAT: -Oval Office  
-Participants: Benjamin F. Bailar  
-30 minutes

SPEECH MATERIAL: To be prepared by OMB and the Domestic Council.

PRESS COVERAGE: None

STAFF: Lynn May, Cal Collier

RECOMMEND: Jim Cannon, Jim Lynn

PREVIOUS PARTICIPATION:

The President has met with Postmaster General Bailar on March 13, 1975 and again on July 9, 1975.

BACKGROUND: While the Postal Service has received some relief from its mounting deficit in the form of the rate increase in December, fiscal and organizational problems still threaten its effectiveness. To remain solvent, the Postal Service is confronted concerning the level and cost of service. These choices were alluded to by Jim Lynn in recent testimony before the Senate. The Postmaster General believes that it is essential that the public understand these issues and the need for hard decision. He has, therefore, scheduled a series of addresses to take this issue to the public (the first of which will occur on March 8, 1976 at a meeting of the Detroit Economic Club).

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_



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

File  
for  
S... ..

FOR RELEASE ON DELIVERY  
Expected at 10:00 a.m.  
Monday, February 16, 1976

STATEMENT OF JAMES T. LYNN  
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET  
BEFORE THE SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I APPRECIATE THE OPPORTUNITY TO APPEAR THIS MORNING AND DISCUSS WITH YOU THE STATE OF THE U.S. POSTAL SERVICE. LET ME SAY AT THE OUTSET THAT I BELIEVE THESE HEARINGS WHICH THE COMMITTEE HAS EMBARKED UPON PROVIDE A MUCH NEEDED PUBLIC FORUM FOR IDENTIFYING THE KEY POSTAL ISSUES, WHICH IN DUE COURSE WILL NEED TO BE ADDRESSED AND RESOLVED.

I THINK THAT MANY PEOPLE, WHO ARE QUICK TO POINT OUT THE FAULTS OF POSTAL REFORM, FAIL TO REMEMBER THE SERIOUS CONDITION OF OUR POSTAL SYSTEM JUST A FEW SHORT YEARS AGO. THE OLD POST OFFICE DEPARTMENT WAS BESET BY BREAKDOWNS IN OPERATIONS, INADEQUATE SUPERVISION, LOW EMPLOYEE MORALE, TERRIBLE WORKING CONDITIONS, POOR SERVICE, AND YES... A GROWING DEFICIT.

SINCE REORGANIZATION THERE HAVE BEEN A NUMBER OF CHANGES, AND PROGRESS HAS BEEN MADE IN MANY AREAS. THE SYSTEM OF POLITICAL PATRONAGE HAS BEEN ELIMINATED; EMPLOYEE WORKING CONDITIONS AND MORALE HAVE BEEN IMPROVED; AND, ON BALANCE, THE SERVICE PROVIDED NOW IS BETTER THAN THAT PROVIDED IN 1970.

FOR A SYSTEM WHICH HAS UNDERGONE A RADICAL TRANSFORMATION, DURING A PERIOD OF ECONOMIC STRESS, THE POSTAL SERVICE HAS ACCOMPLISHED A GREAT DEAL. I BELIEVE THAT THE TEST OF TIME WILL BEAR OUT THE FORESIGHT AND EXPECTATIONS OF THOSE WHO WERE INSTRUMENTAL IN BRINGING ABOUT POSTAL REFORM.

THERE ARE A NUMBER OF PROBLEMS, HOWEVER, WHICH STAND IN THE WAY IN ACHIEVING THE GOALS SET FORTH IN THE REORGANIZATION ACT. OBVIOUSLY, THE CONTINUED MOUNTING DEFICIT IN POSTAL OPERATIONS IS SERIOUS AND NEEDS TO BE ADDRESSED.

THE POSTAL SERVICE'S INABILITY TO ACHIEVE A BALANCING OF ITS REVENUES AND COSTS IS THE RESULT OF A NUMBER OF FACTORS, MANY OF WHICH ARE DIFFICULT IF NOT IMPOSSIBLE TO CONTROL.

ON THE REVENUE SIDE, THE RATE SETTING PROCESS HAS TURNED OUT TO BE SLOW, UNCERTAIN, AND ARDUOUS. IN ADDITION, REVENUES HAVE EBBED AS MAIL VOLUME HAS NOT MET EXPECTATIONS.

THE POSTAL SERVICE'S PERFORMANCE ON THE COST SIDE HAS BEEN EVEN MORE DISAPPOINTING. IT HAS BEEN HARD HIT BY INFLATION AND THE HIGHER COSTS OF IMPROVED WORKING CONDITIONS, INCREASED WAGES, AND OTHER LABOR BENEFITS. PRODUCTIVITY INCREASES HAVE LAGGED BEHIND THESE BENEFIT AND WAGE INCREASES.

THESE INCREASED COSTS AND LAGGING REVENUES HAVE PRODUCED A SERIES OF CONSECUTIVE DEFICITS CUMULATING \$3.6 BILLION. ONLY THROUGH BORROWING AND DRAWING DOWN OF ITS EQUITY HAS THE POSTAL SERVICE BEEN ABLE TO CLOSE THE GAP.

OBVIOUSLY, INDEBTEDNESS IS A STOPGAP. ULTIMATELY, COSTS SIMPLY MUST BE BROUGHT INTO LINE WITH REVENUES.

BUT THE FINANCIAL PROBLEMS WHICH CURRENTLY BESET THE POSTAL SERVICE ARE NO REASON FOR THROWING-IN-THE-TOWEL ON POSTAL REFORM. WHAT IS NEEDED AT THIS TIME IS NOT A REPUDIATION OF BASIC GOALS OR FURTHER STOPGAPS, BUT RATHER TO CHART AND PURSUE A COURSE TOWARD AN EQUITABLE AND LASTING SOLUTION OF THESE PROBLEMS.

THE RECENTLY IMPLEMENTED POSTAL RATE INCREASE HAS PROVIDED A REPRIEVE FROM THE FINANCIAL CRUNCH WHICH FACED THE POSTAL SERVICE LAST FALL. BEFORE WE ARE FACED WITH ANOTHER SIMILAR SITUATION, WE SHOULD BEGIN A CAREFUL CONSIDERATION OF THE ALTERNATIVES FOR PLACING THE POSTAL SERVICE ON SOUNDER FINANCIAL FOOTING. I BELIEVE THAT WE HAVE THE TIME OVER THE NEXT 12 TO 18 MONTHS TO UNDERTAKE SUCH A REVIEW OF ALTERNATIVES.

ONE ALTERNATIVE IS TO REDUCE COSTS. ANOTHER IS TO INCREASE RATES. A THIRD, OF COURSE, IT TO PURSUE SOME COMBINATION OF THESE STEPS.

THESE ACTIONS MIGHT NOT BE POPULAR, BUT IT IS TIME TO FACE THE FACTS. ONE WAY OR THE OTHER, THE BILLS SIMPLY HAVE TO BE PAID.

STILL ANOTHER ALTERNATIVE APPROACH HAS BEEN ADVANCED. LEGISLATION PENDING BEFORE THIS COMMITTEE WOULD PROVIDE ADDITIONAL PUBLIC SUBSIDIES TO COVER POSTAL OPERATIONS.

THE ADMINISTRATION OPPOSES THIS APPROACH FOR THREE REASONS. FIRST, IT PROVIDES NEITHER AN ANSWER TO THE UNDERLYING PROBLEM OF RISING COSTS NOR ANY INCENTIVE TO INCREASE EFFICIENCY. SECOND, IT IS UNFAIR TO THE COUNTRY'S TAXPAYERS. THIRD, IT OBSCURES THE TRUE COSTS OF POSTAL OPERATIONS.

THE POSTAL SERVICE'S FIRST PRIORITY SHOULD BE TO REDUCE COSTS. I AM ENCOURAGED BY REPORTS THAT THE PMG IS LOOKING HARD AT EXISTING SERVICES AND WAYS OF DOING BUSINESS IN AN EFFORT TO IDENTIFY SPECIFIC WAYS TO CUT COSTS AND IMPROVE PRODUCTIVITY. WE ARE DEEPLY TROUBLED BY PROPOSALS THAT WOULD INCREASE POSTAL COSTS OR PREVENT COST REDUCTIONS.

SUBSIDIES, IN CONTRAST, PROVIDE NO INCENTIVES TO POSTAL MANAGEMENT TO FACE THESE QUESTIONS. CAN POSTAL MANAGEMENT BE EXPECTED TO ACHIEVE EFFICIENCIES AND DEAL SQUARELY WITH PROBLEMS IF THEY KNOW THAT THEY CAN COME BACK AGAIN TO THE TAXPAYER FOR MORE MONEY?

TAXPAYER SUBSIDIES ARE ALSO INEQUITABLE. THEY REQUIRE THOSE WHO USE THE MAILS LESS TO PAY MORE THAN THEIR FAIR SHARE. CONVERSELY, THOSE WHO USE THE MAIL MORE ARE NOT REQUIRED TO PAY FOR THE SERVICES FROM WHICH THEY DIRECTLY BENEFIT.

IT IS ARGUED THAT THERE IS A PUBLIC SERVICE BEYOND THE SERVICE RECEIVED BY THOSE WHO USE THE MAILS, AND THAT TAXPAYERS RATHER THAN MAIL USERS SHOULD PAY FOR THIS SERVICE. SOMEHOW, WE ARE TOLD, THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS.

THE LAW ALREADY PROVIDES FOR LARGE ANNUAL PUBLIC SUBSIDIES TO THE POSTAL SERVICE TO PAY FOR SO-CALLED PUBLIC BENEFITS. WITHOUT A MUCH STRONGER SHOWING THAT THE PUBLIC AT LARGE DERIVES BENEFITS APPROACHING THOSE THAT INURE DIRECTLY TO MAIL USERS WE CAN SEE NO JUSTIFICATION FOR FURTHER SHIFTING THE BURDEN OF POSTAL DEFICITS TO THE GENERAL TAXPAYER.

IT IS TIME TO ASK THE HARD QUESTIONS. WOULD THE PUBLIC PREFER TO PAY INCREASED RATES FOR THE SAME OR BETTER SERVICE, OR WOULD THEY SETTLE FOR LESS SERVICE AT RELATIVELY LOWER RATES? CAN WE AFFORD NOT TO CLOSE MARGINAL FACILITIES? ARE WE WILLING TO FOREGO THE SAVINGS THAT WOULD ACCRUE FROM SHIFTING TO FIVE DAY DELIVERIES?

IT SEEMS TO ME THAT THE QUESTIONS AS TO HOW SAVINGS CAN BE EFFECTED MUST BE ADDRESSED SOON IF WE ARE TO ESCAPE THE MELODRAMA OF STUMBLING FROM ONE CRISIS TO THE NEXT. WITH THE NUMBER OF DELIVERY ADDRESSES INCREASING EACH YEAR; WITH THE LEVEL OF DEMAND FOR MAIL SERVICES LAGGING; AND WITH THE COMING OF NEW ELECTRONIC COMMUNICATIONS TECHNOLOGIES, WE SHOULD ALSO BE ANALYZING THE IMPACT OF THESE FACTORS ON THE FUTURE FINANCIAL VIABILITY OF THE POSTAL SERVICE. SHOULD THERE BE MORE INVESTMENT IN NEW TECHNOLOGIES? SHOULD WE BE EXPLORING NEW CONCEPTS OF SERVICE? SHOULD THE POSTAL SERVICE BE GIVEN FURTHER PROTECTION FROM PRIVATE SECTOR COMPETITION RESULTING FROM THE APPLICATION OF NEW TECHNOLOGIES, SUCH AS ELECTRONIC FUNDS TRANSFER? IS THERE A BENEFIT TO OPENING UP AREAS OF



TRADITIONAL SERVICE TO PRIVATE COMPETITION? THESE ARE SOME OF THE OTHER CRUCIAL QUESTIONS WHICH WE NEED TO ADDRESS IF WE ARE TO EVOLVE A POSTAL SYSTEM WHICH IS RESPONSIBLE TO SOCIETY'S NEEDS IN THE FUTURE.

MR. CHAIRMAN, I HAVE NOT COME BEFORE THIS COMMITTEE WITH A HANDFUL OF EASY ANSWERS. FRANKLY, I DON'T THINK THERE ARE ANY EASY ANSWERS.

PROGRESS TOWARDS COST CONTROL MAY REQUIRE TIME AND SOME SACRIFICES. CERTAINLY, SOME FURTHER INCREASES IN POSTAL RATES SEEM UNAVOIDABLE. KEEP IN MIND, HOWEVER, THAT COMPARED TO MAIL RATES IN MOST OTHER COUNTRIES, OUR POSTAL SYSTEM IS STILL A BARGAIN. AS THE PMG HAS NOTED, CUSTOMERS IN MOST INDUSTRIALIZED NATIONS PAY MUCH MORE TO SEND A LETTER THAN PEOPLE IN THE UNITED STATES.

WE MUST RESIST THE TEMPTATION TO SWEEP THESE PROBLEMS UNDER A RUG THAT IS ALREADY TOO LUMPY. PERHAPS MORE IMPORTANTLY, WE MUST MEASURE ANY SHORT TERM ACTIONS AGAINST OUR LONG TERM GOALS OF IMPROVED COMMUNICATIONS AT THE LEAST POSSIBLE COST. WHAT SHOULD THE POSTAL SERVICE LOOK LIKE TEN YEARS FROM NOW?

MR. CHAIRMAN, I WOULD BE HAPPY TO ANSWER ANY QUESTIONS WHICH YOU OR THE COMMITTEE MAY HAVE.

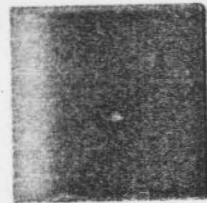
Date: April 24, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen	Alan Greenspan
<u>Jim Cannon</u>	Jack Marsh
Max Friedersdorf	Bill Seidman



FROM THE STAFF SECRETARY

DUE: Date:

Monday, April 26

Time:

4 P.M.

SUBJECT:

James T. Lynn memo (undated) re U.S. Postal Service Financial Problem

ACTION REQUESTED:

- |   |  |
|---|--|
| <input type="checkbox"/> For Necessary Action         | <input checked="" type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply                         |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks                       |

REMARKS:

Jim Lynn will be meeting with the President early on Tuesday morning on this subject -- for that reason we must have your comments at the time requested. Thank you.

*4/20/76*  
*Recommendation*  
*option #2*  
*[Signature]*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor  
For the President



## THE WHITE HOUSE

ACTION

WASHINGTON

April 26, 1976

MEMORANDUM FOR JIM CANNON

FROM:

LYNN MAY *Lynn May*

SUBJECT:

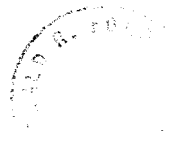
Jim Lynn's Memo Regarding Postal Service

The attached memorandum purports to lay out three short-term options to deal with the Postal Service's fiscal crisis. Basically they all do the same thing - offer incentives to the Postal Service to call off its current campaign for increased public service subsidies until after the election. While not an immediate danger of fiscal collapse, the Postal Service is putting pressure on both the Administration and the Congress to come up with funds to avert politically harmful curtailment of service in an election year. The President has received over 300 telegrams and letters urging his support for additional public service subsidies.

Lynn's ploy is to offer the Postal Service temporary relief on the promise of either a debt cancellation (options 1 & 2) or grudging acceptance of a one shot subsidy (option 3). There is no guarantee that any of the above will mollify the Postal Service or get the Congress and the Administration off the hook this year.

None of the options provide a long-term solution to the Postal Services long term difficulties, although option 2 would provide a postal study commission to develop long-term solutions.

Of all the options possible, #2 allows the Administration the best opportunity to maintain a consistent approach to postal financing - that users should pay for mail services. It would allow the Congress to participate in solution finding without taking the step of overturning the current independence of the Postal Service. I recommend that you endorse option 2.



THE WHITE HOUSE

WASHINGTON

May 8, 1976

MEMORANDUM FOR: JIM CANNON

FROM: LYNN MAY

SUBJECT: Jim Lynn Memo on Postal Service  
Legislation

The attached memorandum outlines three options for the President to govern the Administration's short-range tactics in dealing with the fiscal crisis of the U.S. Postal Service. They are:

1. Stand pat until the proposed commission completes its study;
2. Support the \$500 million appropriation per year for 2-3 years;
3. Permit some cancellation of the U.S. Postal Service debt.

The main point of contention between the Administration, Congress, and the Postal Service is over additional Federal subsidies to ease the Postal Service's cash flow shortage. The Postal Service and leading Democrats in the Post Office Committees want additional Postal Service subsidies.

As I indicated in an information memorandum to you yesterday (also attached), this initiative will not solve any of the basic questions facing the Postal Service, but may diffuse the issue this year. Since Jim Lynn has been the lead in conducting the Administration negotiations, I suggest that we endorse his recommendation of Option 3--cancelling part of the Postal Service debt, and also endorse his fallback position of Option 2 if the Congress is adamant about increased subsidies.

Attachments

THE WHITE HOUSE

WASHINGTON

INFORMATION

May 7, 1976

MEMORANDUM FOR JIM CANNON

FROM: LYNN MAY *Lynn May*

SUBJECT: Postal Service

Following their meeting with the President last Saturday, Jim Lynn and Postmaster Ben Bailar met with the Committee Chairmen and Minority Leaders of the Post Office and Civil Service Committees of both houses this week. The result of these meetings may be a quick-fix piece of postal legislation which may defuse the issue for awhile. Some of the major proposals resulting from these meetings are:

1. Increased borrowing authority for the Postal Service.
2. A ten month time limit on the decision process of the Postal Rate Commission, which rules on postal rate increases.
3. A study of Postal Service subsidies and other postal problems by an independent commission.
4. A return to the former, less stringent post office closing regulations by the Postal Service.

It is clear that each one of these proposals has less than satisfactory aspects for the parties involved - the Administration, the Congress and the Postal Service. As a package, they do not solve any of the long-term fiscal difficulties of the Postal Service (i.e., declining volume, increased expenses, competition from private firms, etc.) but they do offer some temporary respite, particularly the increased borrowing authority. It is possible that all three sides might adopt them in the interest of cooling an issue that helps no one.

Date: May 8, 1976

Time:

FOR ACTION:

cc (for information):

Jim Cannon

Max Friedersdorf

Bill Seidman

Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

QUICK TURNAROUND

Time:

SUBJECT:

Jim Lynn memo 5/7/76 re:  
Postal Service Legislation

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

You will note from Jim Lynn's cover memo to Jim Connor the urgency of this matter

*Jim Connor*  
*Support OM B*  
*on Apr 3, 2*  
*Feedback to Jim*

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.

Jim Connor  
For the President



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 7, 1976

MEMORANDUM FOR DR. CONNOR

FROM: JAMES *L* LYNN

SUBJECT: Postal Service

The President requested that the attached memo be sent to him as soon as possible. Would you please ensure that he receives it quickly. I need to know if he wants us to come in to discuss it on Sunday. If the President wants us in, please call Dan Kearney at home, 548-6350.

The President should be reminded that we promised to get back to Senator McGee no later than Monday morning.

If you have additional questions, please call Dan or call me at home on Saturday.



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

May 7, 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES T. LYNN  
SUBJECT: Postal Service Legislation

A meeting was held on Wednesday, May 5 with the key members of the House and Senate Committees with jurisdiction over the United States Postal Service. In attendance were: Senators McGee and Fong; Congressmen Derwinski, Henderson, Albert Johnson and Hanley; Postmaster General Bailar, Dan Kearney and myself.

I outlined the following "OMB" position previously reflected to you:

1. A 7 month Study Commission, broadened in membership and in scope from that proposed in Senator McGee's pending bill.
2. Support for increased United States Postal Service borrowing authority for operating expenses thus providing assurance to Postmaster General Bailar of adequate funds during the pendency of the Study.

There appeared to be general agreement with our suggestion for a broadened Commission; in addition, it appears that certain changes in the Postal Rate Commission are desired by the members. We interposed no objection.

Two issues of substance remain:

- whether an appropriation is necessary to assist the Postal Service during this interim period.
- what form of "moratorium" in service reduction and rate increases will be acceptable to Postmaster General Bailar.



Two other points of background are worthy of note:

1. The Senate must take action on authorizing legislation by May 15 under the terms of the new budget procedures.
2. The Senate Budget Resolution contained \$1.0 billion for Postal Service operating subsidies; the House Budget Resolution contained no authorization. In conference on Wednesday, May 5, the Senate receded to the House position. The House argued that the President's budget contained no subsidy for United States Postal Service, and that the Senate should "trade off" this authorization in return for House agreement. However, we understand that the Conference Report will have language to the effect that some authorization may turn out to be needed.

With respect to the question of appropriation, Congressman Hanley strongly advocated \$1.5 billion for the United States Postal Service over the next two fiscal years. Senator McGee suggested \$500 million for FY 1977. He argued that the Congress made a "mistake" in the 1971 Postal reorganization legislation. The bill fixed the annual "public service" subsidy at 10 percent of the then budget of the Post Office, i.e. \$920 million. The Congress, he argued did not anticipate the inflation experienced during the ensuing 5 years. Senator McGee did agree that it was undesirable to appropriate funds that might signal to interested parties the availability of taxpayer funds as an alternative to needed economies in Postal Service operations.

Your funding options are as follows:

Option #1 - Reaffirm your opposition to any appropriation until the Study Commission is finished.

Pro:

- . Given the time constraint and the diverse positions of the various parties, there is an even chance that no legislation will emerge from the Congress during this session.
- . Interested parties receive no "signal" which might encourage them to resist necessary economies in the United States Postal Service when the Study Commission reports.

- . Consistent with exclusion of \$1.0 billion by Congressional conference on the budget resolution.

Con:

- . It is possible that legislation including an appropriation of up to \$500 million per year for two or three years will pass the Congress. If you then veto the legislation, you are sure to receive the blame for the continuing woes of the United States Postal Service (including blame for a very possible 2¢ rate increase effective October 1 if there is no financial relief by legislation).

Option #2 - Support an appropriation of up to \$500 million for each of two years (or possibly three).

Pro:

- . The Congress is almost certain to support you and thus the possibility of an election year battle is averted and a Commission Study of the totality of the postal situation is launched.
- . Although not necessarily so, it is probable the Service would defer rate increases and severe service cut backs until the Commission makes its recommendations in 1977 on the proper use of these types of economies.

Con:

- . Depending on the wording of the legislation and, more importantly, depending how the appropriation is perceived by the interested parties, may set an undesirable "precedent" for future service/rate economies. (However, it is likely that the appropriation would be characterized in the legislation as steps toward cleaning up the accumulated deficit, not as an operating subsidy for the current periods.)
- . May not satisfy Postmaster General Bailar, who continues to maintain that cost reductions and rate increases will be necessary unless United States Postal Service receives at least \$1.0 billion a year for two or three years.
- . Inconsistent with Conference Budget Resolution.

Option #3 - Support a legislative provision expressing the intent of the Congress that a stated portion (probably \$1.0 billion) of the accumulated deficit be cancelled and requiring the Commission to report how much more, if any, should be cancelled, and how cancellations are to be effected, e.g., on-budget, off-budget, etc.

Sub Option A - Cancel \$1 billion.

Sub Option B - Cancel the full amount of accumulated debt attributable to operating expenses as of July 1, 1976 = \$1.5 billion.

Pro:

- . No appropriation is necessary - thus an increase in the FY 1977 budget deficit is averted. The potential budget impact is deferred until FY 1978 at least.
- . No potentially undesirable precedent of appropriation for operating subsidies is created at this time (although the Commission may recommend it later).
- . Consistent with Budget Resolution.

Con:

- . Postmaster General Bailar may not be satisfied. He may still insist on service reductions and an increase of 2¢ in the postage stamp in October.
- . No assurance Committee leadership will support it and even if it does, that the Congress as a whole will.

OMB recommendation: Support Option 3 (A) -- Support a legislative provision expressing the intent of Congress that a minimum specified amount of the accumulated operating deficit be cancelled upon recommendation of the Study Commission.

Should the Committee leaders be unwilling to defer the question to the Study Commission, support Option 2 as an alternative, taking care to characterize the appropriation as a debt reduction measure, not an operating subsidy.

Decision

- \_\_\_\_\_ Option #1. Support a Study Commission only.
- \_\_\_\_\_ Option #2. Support a Study Commission and in addition an appropriation of up to \$500 million for up to three years.
- \_\_\_\_\_ Option #3. Support a Study Commission with a provision that expresses Congressional intent to cancel \$1.0 billion after consideration of the Report of the Study Commission.

If you choose Option #3, we may be unsuccessful in obtaining Congressional acceptance. If so, the OMB recommended fall back position is Option #2.

\_\_\_\_\_ Agree (Option #2)

\_\_\_\_\_ Disagree

\_\_\_\_\_ See Me

file  
Postal Service

THE WHITE HOUSE  
WASHINGTON

Date 10-19-76

TO: Jim Cannon | CC

FROM: Max L. Friedersdorf

For Your Information

Please Handle \_\_\_\_\_

Please See Me \_\_\_\_\_

Comments, Please

Other will you recommend

Taft-Hartley to  
Pres.? yes Jim  
10/19/76

THE WHITE HOUSE  
WASHINGTON

1976 OCT 18 PM 2 49

October 18, 1976

MEMORANDUM FOR:

JIM CANNON

FROM:

MAX FRIEDERSDORF *MF*

SUBJECT:

M.C. J. Kenneth Robinson

On October 14th, Congressman Robinson wrote to the President concerning the United Parcel Service strike, urging the President to invoke the Taft/Hartley Act.

Attached please find a memo from Jim Connor concerning the President's notation on the Congressional Log.

Please advise as to your recommendation.

*max*

*I'm for invoking*

*T/H.*

*I'm for invoking  
Taft/Hartley*

*Jim*



*1/18/3*

THE WHITE HOUSE  
WASHINGTON  
October 18, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: MAX FRIEDERSDORF  
FROM: JIM CONNOR *jet*  
SUBJECT: Congressional Mail

The President has reviewed your memorandum of October 15 concerning Congressional Mail received on October 14 and made the following notation:

House #2 from J. Kenneth Robinson "Why not T/H? "

Please follow-up with appropriate action.

cc: Dick Cheney

*Postal*

THE WHITE HOUSE  
WASHINGTON

October 26, 1976  
7:50 PM '76

MEMORANDUM FOR:

~~JIM CONNOR~~

*The President*

THROUGH:

JIM CANNON

FROM:

LYNN MAY

*Lynn May*

SUBJECT:

Letter to Mr. Roy F. Lewis for  
the President's signature

Attached at Tab A is a prepared letter for the President's signature. At Tab B is a copy of Doug Smith's editing and at Tab C is the incoming letter to the President.

*begin*

*OMB approval?*

*1) This is not a letter that will help the President when he reads it.*

*3) pls see me*

Attachments



## ARKANSAS BAPTIST STATE CONVENTION

525 WEST CAPITOL AVENUE TELEPHONE (501) 376-4791  
P. O. BOX 552, LITTLE ROCK, ARKANSAS 72203

CHARLES H. ASHCRAFT  
EXECUTIVE SECRETARY

ROY F. LEWIS  
ASSOCIATE EXECUTIVE SECRETARY-TREASURER  
SECRETARY OF STEWARDSHIP-COOPERATIVE PROGRAM

September 27, 1976

LM  
President Gerald Ford  
The White House  
Washington, D. C. 20500

Dear Mr. President:

Let me begin by stating that at this point I am tentatively planning to cast my vote for your re-election as President. However, before finalizing that decision, there are several questions which I would like to have answered, one of which I have not seen covered in any of your press releases or campaign statements.

I am interested very much in knowing what plans you have for dealing with the U. S. Post Office and the many problems related to mail handling and costs. During the past few years the service has deteriorated rapidly, the costs have escalated enormously, and the problem seems to be growing impossible. I have personally documented numerous cases of gross inefficiency and inconsistency. On one occasion I had to solicit the assistance of one of our senators to resolve a rather ridiculous problem.

It is my understanding that one or more persons have recently written to you asking a similar question about your plans for improving postal service and that in at least one instance the writer's letter was simply referred to the postal authorities. Please do not treat my letter in that manner; I already know what the postal employees will and won't do. What I would like to know is what personal leadership you will provide during the next four years in solving what has become a very practical problem for many of us.

Let me thank you in advance for your response and assure you of our prayers for your leadership as our chief executive. I would also respectfully request the privilege of sharing your reply publicly.

Respectfully yours,

*Roy F. Lewis*

Roy F. Lewis

RFL:eb

THE WHITE HOUSE

WASHINGTON

Dear Mr. Lewis:

Thank you for your letter of September 27, in which you asked my views on the United States Postal Service.

The Postal Service is the one institution of government which touches virtually every citizen each day. As such, it is an agency which receives much public attention and criticism.

As you probably know, the Postal Reorganization Act of 1970 was a major step in correcting decades of neglect and flagrant patronage which plagued the Old Post Office Department. As a member of Congress in 1970, I am aware of the broad bipartisan support that postal reorganization has from the Congress, the Administration, mail users, postal management and labor organizations.

I strongly support the fundamental principle of the Reorganization Act of 1970 that mail users should pay for the service they receive. I do not believe that the citizen should pay hidden costs in his taxes to support mail service.

The United States Postal Service should have the best management and best service possible to insure that mail users get their money's worth. To facilitate this, I asked the Director of the Office of Management and Budget to head an Administration Task Force to work with the Postal Service to effect improvements in the finances and management of the Postal Service.

My Administration has also worked closely with the Congress to resolve the difficulties facing the Postal Service. This cooperative effort resulted in the passage of the Postal Reorganization Act Amendments of 1976, which I recently signed into law. This legislation provided funds for the cancellation of some of the Postal Service debts, a temporary moratorium on service reductions and post office closings, and the establishment of a study commission to examine and make recommendations for the improvement of the Postal Service by March 1977.

*Why write anyone who believes this?*

Despite some obvious problems, service is better than it has been in the last five years. Our postal system processes over half the world's mail, much of it over long distances. Our mail rates are cheaper than any major country in the world except Canada, where there is a substantial government subsidy. In the past five years, productivity has improved substantially. Over 95 per cent of our postal employees work in clean, well lighted, environmentally sound facilities. Modern management techniques have eradicated the system of political appointments and cronyism in the post office.

*But does the mail move faster*

I feel, however, that further improvements of service levels and efficiency is possible and at the same time hold down costs. The Postal Study Commission will report back to me by March 15 with the Commission's recommendations for further improvement. I fully expect that cooperation between the Commission and the ongoing OMB-led task force review of postal issues will produce viable solutions.

Thank you for expressing your interest in this matter of mutual concern.

Sincerely,

*Boren*

Mr. Roy F. Lewis  
Associate Executive Secretary-Treasurer  
Secretary of Stewardship-Cooperative Program  
Arkansas Baptist State Convention  
P.O. Box 552  
Little Rock, Arkansas 72203

THE WHITE HOUSE  
WASHINGTON  
November 2, 1976

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *Jai*

SUBJECT:

United Parcel Service Strike

You expressed interest recently in the United Parcel Service strike situation and in the question of invoking the Taft-Hartley Act.

The strike remains fairly static with little progress to report. Later this week the Federal Mediation and Conciliation Service will chair a meeting in Washington with the top-ranking national officials of both management and labor (including Frank Fitzsimmons).

The Labor Department legal office advises informally that the Taft-Hartley Act could not be invoked in this case, even if the strike should become nationwide rather than just limited to the eastern states. The legal test to be met before the Act could be invoked, is danger to the "public health and safety." Preliminary indications from the Department of Labor are that this test could not be met.

THE WHITE HOUSE  
WASHINGTON

November 1, 1976

MEMORANDUM FOR: JIM CANNON  
FROM: DAVID LISS



NOV 2 11 41

The attached is the memorandum you requested for your signature on the UPS strike.

110443

THE WHITE HOUSE  
WASHINGTON

Information

MEMORANDUM FOR: THE PRESIDENT  
FROM: JIM CANNON  
SUBJECT: UNITED PARCEL SERVICE STRIKE

You expressed interest recently in the United Parcel Service strike situation and in the question of invoking the Taft-Hartley Act.

The strike ~~situation~~ remains fairly static with little progress to report. Later this week the Federal Mediation and Conciliation Service will chair a meeting in Washington with the top-ranking national officials of both management and labor (including Frank Fitzsimmons).

*The Labor Department legal office advises informally*  
~~It is not likely~~ that the Taft-Hartley Act could ~~be~~ *not* invoked in this case, even if the strike should become nationwide rather than just limited to the eastern states. The legal test to be met before the Act could be invoked, is danger to the "public health and safety." ~~Informal~~ indications from the Department of Labor are that this test could not be met.

*(Preliminary  
Labor Dept  
Legal Office  
Substance (informally)  
Correct.)*



CLEARANCE SHEET

DATE: Nov. 1

JMC ACTION ASAP

976 1.31 2 AM 7 41

Required by: \_\_\_\_\_

STAFF RESPONSIBILITY Lissy

SUBJECT: UPS strike memorandum

RECEIVED FROM: \_\_\_\_\_ DATE RECEIVED: \_\_\_\_\_

STAFF COMMENTS:

QUERN/MOORE RECOMMENDATION:

- APPROVE
- REVIEW & COMMENT
- DISCUSS

CANNON ACTION:

DATE:

Material Has Been:

- Signed and forwarded
- Changed and signed
- Returned per conversation
- Noted

\_\_\_\_\_  
JIM CANNON

Comment: