

THE POSTAL REORGANIZATION ACT TWENTY- FIVE YEARS LATER: TIME FOR CHANGE?

HEARING

BEFORE THE

SUBCOMMITTEE ON THE POSTAL SERVICE

OF THE

COMMITTEE ON GOVERNMENT

REFORM AND OVERSIGHT

HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

ON

H.R. 210

TO PROVIDE FOR THE PRIVATIZATION OF THE UNITED STATES POSTAL
SERVICE

NOVEMBER 15, 1995

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THE POSTAL REORGANIZATION ACT TWENTY-FIVE YEARS LATER: TIME FOR CHANGE?

WEDNESDAY, NOVEMBER 15, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE POSTAL SERVICE,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 311, Cannon House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

Present: Representatives McHugh, Sanford, Ehrlich, Green, and Meek.

Staff present: Dan Blair, staff director; Jane Hatcherson, Robert Taub, Heea Vazirani-Fales, and Steve Williams, professional staff members; Jennifer Tracey, clerk; Denise Wilson, minority professional staff member; and Jean Gosa, minority staff assistant.

Mr. MCHUGH. Good morning. If we could call the hearing to order.

We're still waiting for some Members to arrive and are hopeful that will soon occur. But given the pressing legislative schedule and the fact that we have two of the more senior Members of the House here to present testimony, I wanted to begin, so as to not disrupt their schedule any more than is necessary. And later as we get into the various panels, we're hopeful that we can be joined by other members of the subcommittee.

But let me begin by making what I hope will not be too long a statement.

The purpose of today's session and those to follow is to systematically review the Postal Reorganization Act to determine whether and in what ways Congress should consider reforms. This subcommittee has traveled a considerable distance since last February when we first met to begin our review of postal operations. And, over the course of the ensuing 9 months, we have systematically reviewed virtually every aspect of postal operations during the conduct of our eight general oversight hearings.

We heard from nearly 40 witnesses who urged the subcommittee to consider reforms ranging from limited internal managerial changes to full-fledged privatization of a new corporate entity competing with the private sector in the delivery of mail.

It has been 25 years since Congress last comprehensively reformed the legislative infrastructure of the Postal Service. During this interim, the environment in which the Service finds itself operating has changed dramatically. I doubt that any successful busi-

ness entity could operate in a competitive climate under a corporate structure unrevised in the last quarter century.

Since 1970, the Postal Service has seen its operations tested by emerging communication technologies and the entry of private sector competitors in fields unprotected by the private express statutes. The purpose of this hearing and those to follow is to determine whether current postal customers benefit under the present statutory scheme or whether legislative changes should be considered in the light of the competitive business environment in which the Postal Service operates.

In reviewing the current structure, I think it necessary to remember the environment which led toward the enactment of the Postal Reorganization Act. The Postal Service replaced the former Post Office Department, which was beset with operational deficiencies, poor management and labor relations, increasing costs and skyrocketing deficits. Congressional appropriations accounted for approximately 20 percent of the Department's operating budget.

Congress has actively engaged in the day-to-day operational activities of the Department to the extent that individual postmasters owed their appointments to their respective partisan political affiliation. Today, we find a Postal Service markedly different in crucial ways from its predecessor. While operational costs and poor management relations still afflict postal operations, the Service finds itself on more stable financial grounds.

Despite uneven financial performances over the course of the last 25 years, the Service has not sought from Congress an operational appropriation since 1982, and no longer is Congress involved in day-to-day operations of the Service, since it established it as an independent agency, charged with overseeing its own operational activities. But despite these successes, future concerns regarding the viability of the Postal Service remain.

These hearings will explore those concerns with an eye toward reform initiatives which will respect the public service mandate of the Postal Service, yet improve its operating efficiencies. These mandates often find themselves in conflict and our inquiry will probe these sensitive issues in exploring Government's proper role in the facilitation of universal mail service.

And with that, I would submit a more complete opening statement for the record.

Without objection, hearing none, so ordered.

And as I mentioned, I would like to welcome for our first panel, two of our distinguished colleagues, both of whom have taken a very bold stance on the issue of postal reform and through their co-sponsorship, their introduction of bill H.R. 210, have called for some sweeping changes in the structure of the postal organization. And I want to welcome both of them here this morning, the gentleman from California, Mr. Dana Rohrabacher, and a gentleman who even to a greater extent than Mr. Rohrabacher has been dedicated to this issue and has long advanced this particular piece of legislation, the gentleman from Illinois, Mr. Phil Crane.

[The prepared statement of Hon. John M. McHugh, the text of H.R. 210, and the prepared statements of Hon. Cardiss Collins and Hon. Gene Green follow:]

Statement of the Honorable John M. McHugh
Chairman
Subcommittee on the Postal Service
"The Postal Reorganization Act twenty five years later: Time for Reform?"
November 15, 1995

Good morning. The Subcommittee will come to order. I want to welcome our witnesses here today as the Subcommittee begins its anticipated series of postal reform and privatization hearings. The purpose of today's hearing, and those to follow, is to systematically review the Postal Reorganization Act to determine whether, and in what ways, Congress should consider reforms.

Today, we are pleased to welcome before the Subcommittee Representatives Phil Crane and Dana Rohrabacher; Don Kiefer, Chief of the Economics Division and his colleagues at the Congressional Research Service; Anthony Frank, former Postmaster General; Patti Birge Tyson, former Postal Rate Commissioner; and Murray Comarow, former Senior Assistant Postmaster General and Executive Director of the Kappel Commission, whose recommendations served as the basis for the Postal Reorganization Act.

This Subcommittee has traveled a considerable distance since last February when we first met to begin our review of postal operations. Over the course of the last nine months, the Subcommittee systematically reviewed virtually every aspect of postal operations during the conduct of eight general oversight hearings. We heard from nearly 40 witnesses who urged the Subcommittee to consider reforms ranging from limited internal managerial changes within the Postal Service to full-fledged privatization of a new corporate entity competing with the private sector in the delivery of mail. While no unanimity was reached in support for any specific approach for improving mail service and delivery, an overwhelming majority of witnesses concurred that maintenance of universal service should serve as the foundation on which any legislative reform approach should be based.

It has been twenty five years since Congress last comprehensively reformed the legislative infrastructure of the Postal Service. During this interim, the environment in which the Service finds itself operating has changed dramatically. I doubt that any successful business entity could operate in a competitive climate under a corporate structure unrevised in the last quarter century. Since 1970, the Postal Service has seen its operations tested by emerging communication

technologies and the entry of private-sector competitors in fields unprotected by the Private Express Statutes.

The purpose of this hearing, and those to follow, is to determine whether current postal customers benefit under the current statutory scheme or whether legislative changes should be considered in light of the competitive business environment in which the Postal Service operates.

In reviewing the current structure, I think it necessary to remember the environment which lead toward the enactment of the Postal Reorganization Act. The Postal Service replaced the former Post Office Department which was beset with operational deficiencies, poor management and labor relations, increasing costs, and skyrocketing deficits. Congressional appropriations accounted for approximately 25 percent of the Department's operating budget. Congress was actively engaged in the day-to-day operational activities of the Department, to the extent that individual postmasters owed their appointments to their respective partisan political affiliation.

Today, we find a Postal Service markedly different in crucial ways from its predecessor. While operational costs and poor labor-management relations still afflict postal operations, the Postal Service finds itself on stable financial grounds. Despite uneven financial performances over the course of the last twenty five years, the Postal Service has not sought from Congress an operational appropriation since 1982. And no longer is Congress involved in day-to-day operations of the Postal Service since it established it as an independent agency charged with overseeing its own operational activities.

Despite these successes, future concerns regarding the viability of the Postal Service remain. These hearings will explore these concerns with an eye toward reform initiatives which will respect the public service mandate of the Postal Service yet improve its operating efficiencies. These mandates often find themselves in conflict. Yet our inquiry will probe these sensitive issues in exploring government's proper role in the facilitation of universal mail service.

At the onset of my chairmanship of this Subcommittee, I stated that we would review reform proposals with the burden of proof falling on those advancing the initiatives to show that such proposals would improve delivery and service for postal customers. And, I emphasized the Subcommittee's intentions to

scrutinize in depth all phases of postal operations and services. While our inquiries will undoubtedly lead into areas which have been ignored or rejected in the past - and our probing of postal operations might prove unsettling to some - I repeat that it is our duty to the people of this Nation to ensure that no legitimate question goes unasked and that no valid argument goes unheard or unheeded. That was our motto at the inception of the 104th Congress and it will be the guiding principle of the Subcommittee as it embarks on its historic review of postal operations.

Once again, I would like to thank our witnesses for appearing here today for the benefit of the Subcommittee. I particularly note the tenacity of Congressman Crane in his longtime support of his legislation, H.R. 210. I also want to compliment the Congressional Research Service on its comprehensive efforts in preparing its report for the Subcommittee and I look forward to the CRS representatives presenting their report.

Our panel of Congressional Research Representatives will include Don Kiefer who serves as Chief of the Economics Division. Accompanying Mr. Kiefer will be Mr. Bernard Gelb, specialist in Industry economics; Mr. Fred Kaiser, specialist in American National government; Ms. Bernevia McCalip, analyst in Business and Government Relations; Ms. Carolyn Merck, specialist in Social Legislation; and Mr. Tom Nicola, legislative attorney.

Our final panel here today is made up of former postal appointees and executives whose collective experience spans the quarter century of existence of the Postal Reorganization Act. The Subcommittee welcomes former Postmaster General Tony Frank, former Postal Rate Commissioner Patti Birge Tyson, and former assistant Postmaster General and Kappel Commission Executive Director Murray Comarow. I want to particularly thank Ms. Tyson and Mr. Frank for flying from Chicago and San Francisco, respectively, at their own expense, for the benefit of the Subcommittee. These three witnesses have seen the Postal Service operate from the "inside" and their testimony will prove valuable to the Subcommittee in its efforts to develop reform initiatives. Thank you all for appearing before us today and I look forward to your testimony.

104TH CONGRESS
1ST SESSION

H. R. 210

To provide for the privatization of the United States Postal Service.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. CRANE introduced the following bill; which was referred to the Committee on Government Reform and Oversight

A BILL

To provide for the privatization of the United States Postal Service.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TRANSFER TO A PRIVATE CORPORATION.**

4 (a) **IN GENERAL.**—In accordance with the plan pre-
5 scribed under section 3, all right, title, and interest of the
6 United States in and to all property of the Postal Service
7 shall be transferred to a corporation if, within 1 year after
8 the date of the enactment of this Act, such corporation
9 satisfies the requirements set forth in section 2.

10 (b) **SPECIFIC REQUIREMENT.**—The plan prescribed
11 under section 3 shall include such provisions as may be

1 necessary to ensure that no payment shall be required in
2 consideration for any rights or assets of the Postal Service
3 which are transferred pursuant to this Act.

4 **SEC. 2. REQUIREMENTS FOR THE CORPORATION.**

5 (a) IN GENERAL.—A corporation shall be considered
6 to satisfy the requirements of this section if such corpora-
7 tion—

8 (1) is incorporated under the laws of a State;
9 (2) is not a department, agency, or establish-
10 ment of the United States;

11 (3) is incorporated by not more than 9 individ-
12 uals who are especially qualified to establish and op-
13 erate an effective mail system by virtue of their edu-
14 cation, training, or experience, and who are chosen
15 by the employees of the Postal Service in an election
16 which shall be held at such time and in such manner
17 as the President shall by regulation prescribe;

18 (4) includes among its purposes the delivery of
19 postal services in a manner consistent with section
20 101(b) of title 39, United States Code, at rates es-
21 tablished in a manner consistent with section 101(d)
22 of such title;

23 (5) issues securities in a manner consistent
24 with subsection (b); and

1 (6) satisfies such other requirements as the
2 President may by regulation prescribe in order to
3 carry out the purposes of this Act.

4 (b) **SECURITIES.**—Any securities issued by the corpo-
5 ration—

6 (1) shall, during the 1-year period beginning on
7 the date of the enactment of this Act, be issued—

8 (A) only to employees of the Postal Serv-
9 ice;

10 (B) under a system (as developed under
11 section 4) which provides that securities shall
12 be issued to individuals based on their years of
13 service and levels of compensation; and

14 (C) subject to such terms and conditions,
15 including terms and conditions relating to the
16 sale, transfer, or other disposition of such secu-
17 rities following their issuance by the corpora-
18 tion, as may be necessary to promote the reten-
19 tion of well-qualified personnel; and

20 (2) may, after the end of that period, be offered
21 for sale to members of the general public under such
22 terms and conditions as the corporation considers
23 appropriate.

24 (c) **RETIREMENT BENEFITS.**—Retirement benefits
25 provided to employees of the corporation must be com-

1 parable to those which would have been afforded to those
2 individuals as employees of the Postal Service had this
3 Act not been enacted.

4 **SEC. 3. TRANSFER PLAN; PRESIDENTIAL DETERMINATION;**
5 **RATE-SETTING AUTHORITY.**

6 (a) **TRANSFER PLAN.**—Not later than the sixtieth
7 day after the date on which a corporation first satisfies
8 the requirements of section 2, as determined under sub-
9 section (b), the President shall, in conformance with the
10 requirements of section 1, and after consultation with the
11 commission under section 4, transmit to Congress—

12 (1) a comprehensive plan providing for the or-
13 derly transfer of all property subject to this Act, in-
14 cluding a timetable under which such transfer is
15 completed not later than 180 days after the date on
16 which such corporation first satisfies such require-
17 ments; and

18 (2) such recommendations for legislation as the
19 President considers necessary in order to carry out
20 the plan described in paragraph (1), including
21 recommendations—

22 (A) for the abolishment of the Postal Serv-
23 ice;

5

1 (B) for the continuation of the private ex-
2 press statutes with respect to the corporation
3 during the first 5 years of its existence; and

4 (C) for the repeal or modification of appro-
5 priate Federal statutes.

6 (b) **PRESIDENTIAL DETERMINATION.**—The Presi-
7 dent shall, for purposes of this section, determine the date
8 on which a corporation first satisfies the requirements of
9 section 2.

10 (c) **RATE-SETTING AUTHORITY.**—After consulting
11 with the Postal Rate Commission, the President shall de-
12 velop and include as part of the recommendations submit-
13 ted under subsection (a) proposals relating to the means
14 by which rates of postage would be established during the
15 5-year period referred to in subsection (a)(2)(B). Such
16 recommendations may include continuing any operations
17 of the Postal Rate Commission (whether on a modified
18 basis or otherwise) which may be appropriate.

19 **SEC. 4. POSTAL PRIVATIZATION COMMISSION.**

20 (a) **ESTABLISHMENT.**—In order to carry out the
21 functions set forth in sections 2(b)(1)(B) and 3(a), there
22 is established a commission to be known as the “Postal
23 Privatization Commission”.

24 (b) **MEMBERSHIP.**—The Commission shall consist of
25 12 members, to be selected by the President, of whom—

1 (1) 3 shall be selected from among individuals
2 recommended jointly by the Speaker of the House of
3 Representatives and the President pro tempore of
4 the Senate;

5 (2) 3 shall be selected to represent the interests
6 of employees of the Postal Service;

7 (3) 3 shall be selected to represent the interests
8 of postal management; and

9 (4) 3 shall be selected from such other postal
10 experts as the President considers appropriate.

11 (c) COMPENSATION.—

12 (1) IN GENERAL.—Except as provided in para-
13 graph (2), members of the Commission shall be paid
14 at the daily equivalent of a rate, not to exceed the
15 rate of basic pay payable for level IV of the Execu-
16 tive Schedule, for each day (including travel time)
17 during which they are engaged in the performance
18 of duties of the Commission.

19 (2) EXCEPTION.—Members of the Commission
20 who are full-time officers or employees of the United
21 States shall receive no additional pay by reason of
22 their service on the Commission.

23 (d) TERMINATION.—The Commission shall cease to
24 exist as of the date on which the work of the Commission
25 has been completed.

1 **SEC. 5. DEFINITIONS.**

2 For purposes of this Act—

3 (1) the term "Postal Service" means the United
4 States Postal Service and the Postal Rate Commis-
5 sion;

6 (2) the term "property", when used with re-
7 spect to the Postal Service, means all assets and
8 rights, and all liabilities and obligations, of the Pos-
9 al Service; and

10 (3) the term "State" means each of the several
11 States, the District of Columbia, and the Common-
12 wealth of Puerto Rico.

○

**Statement of the Honorable Cardiss Collins
Ranking Minority Member
Committee on Government Reform and Oversight**

**Hearing on Postal Reform
Subcommittee on the Postal Service
Wednesday, November 15, 1995**

Mr. Chairman, today marks an historic occasion. For the first time in 25 years, Congress will examine whether and to what extent change is needed to bring the Postal Service into the 21st Century. The momentum for Postal reform debate begins with today's hearing to determine whether the Postal Service and its customers benefit from a statutory structure unchanged since 1970, the Postal Reorganization Act.

Since its enactment and in the current competitive atmosphere, the Reorganization Act has been witness to a host of changes, both good and bad. First and foremost, the Postal Service has moved from being a recipient of Federal funds to using no Federal tax dollars. The Postal Service has undergone six major restructurings and seen the cost of a postage stamp increase from 8 cents to the current price of 32 cents. Of late, the Postal Service has been faced with increased competition due to FAX service and other electronic communicative means and competition from other forms of mail delivery service such as UPS, FEDEX and the like. These competitive changes are occurring in the midst of pressure to maintain high standards for delivery, utilize automated postal equipment and improve labor management relations.

To date, this Subcommittee has held eight oversight hearings. We have carefully and thoughtfully examined the structure and operations of the U.S. Postal Service. We have become knowledgeable on the major issues facing the Postal Service, postal employees and consumers --issues, aptly categorized by Postmaster General Marvin Runyon as "people, prices and products."

It is now time to build upon that education process and begin to look for ways in which we might truly improve the Postal Service, place it on sounder financial footing and enable it to become more efficient and competitive.

We do this not in a vacuum and not as an aside; rather as a deliberative body dedicated to preserving universal mail service while exploring and pursuing ways which will allow the Postal Service to better control its operations, improve its financial position and meet competitive challenges.

Whether we undertake mild reform such as granting the Postal Service greater rate making flexibility or focus on more radical change like privatization remains to be seen.

And so, as we mark this historic occasion, I urge my colleagues to utilize the same careful and thoughtful examination of postal reform as we have of postal

operations and issues. There are many areas in need of reform. Accordingly we must craft a sound response for change and refrain from knee-jerk, pot shot, ill-founded solutions.

With that, I join my colleagues in welcoming our witnesses and look forward to your testimony.

DW

Congressman Gene Green
Opening Statement
Postal Hearing, November 15, 1995

I would like to thank and commend Chairman McHugh for having the insight to hold these much needed hearings on the reorganization of the U.S. Postal Service. In this time of massive reorganization throughout the federal government it is definitely timely to hold discussions on how the postal service could better service its customers and look at ways in which it might become competitive in the market in which it operates. As always I look forward to hearing from the various witnesses who will testify this morning on how we can make the postal service more responsive to the needs of its customers and more competitive in this world of ever increasing technology. Again thank you Mr. Chairman.

Mr. MCHUGH. Gentlemen, thank you for being here.

I turn the microphones and the attention of all of us toward you. Please proceed in whichever way you deem appropriate.

**STATEMENT OF HON. PHILIP M. CRANE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF ILLINOIS**

Mr. CRANE. Thank you, Mr. Chairman.

This is déjà vu all over again, because the first time I pleaded the case for this legislation was 1970, before the committee. And this is my first return visit since then.

And I have a statement, a longer statement, I'd like to submit for the record, with your permission.

Mr. MCHUGH. Without objection, so ordered.

Mr. CRANE. Thank you.

I appreciate this opportunity, Mr. Chairman, and congratulate the subcommittee for looking into, and beyond, the current operations of the USPS. The need for such an examination is all too apparent. Times have changed since 1970 when Congress passed the Postal Reorganization Act of that year, creating the USPS.

The intervening years have witnessed a pair of technological revolutions having profound implications for mail delivery, one in computers and the other in telecommunications. As a recent MicroSoft white-paper points out, computers can do in 30 seconds today what it took them a year to accomplish back then. Modems can transmit their work product 1,000 times faster now than they could just 10 short years ago, and the traditional telephone line, which limits the amount of data that can be transmitted electronically, has been superseded by coaxial and fiberoptic cable.

Already these technological advances have had an impact on the USPS. As the Postmaster General has observed in just the past year, e-mail volume has increased by 122 percent and nearly 8 million new addresses have been added to the Internet. By 1998, at least 38 million people are expected to be on line, 10 times more than 5 years ago. All of this suggests that the day when most Americans do much of their banking, shopping, travel planning, and corresponding on the computer is not very far away.

At present, total USPS mail volume is still growing, having increased 3.1 percent over the last year, to more than 177 billion pieces. But, with the rise in electronic communications, the USPS has seen its financial and business mail deliveries drop substantially, by 35 percent over the past 5 years in the case of the former, and approximately 33 percent over the past 6 years in the case of the latter.

In fact, the USPS has suffered losses of market share in four of its six business categories, according to the Postmaster General, who's also on record as predicting that USPS delivery of financial mail will drop by another 35 percent over the next 5 years.

What these figures suggest is this: As computer usage accelerates, so too will the decline in business mail being delivered by the USPS. Before long, that drop plus the loss of other First-Class mail deliveries to electronic competition will more than offset any growth in bulk mail business. At that point, postal revenues will begin to shrink, triggering a vicious cycle of postal rate increases, followed by further losses of business.

Absent a change in its basic structure, the only other alternatives would be to increase taxpayer subsidies to the USPS or to reduce the services it offers, either of which would be equally counterproductive. True, there will be those who would rather not use a computer or feel they cannot afford one, just like there were when the car first came out. But just as laser printers cost no more than dot matrix printers 5 years ago, so will computer systems become increasingly sophisticated and affordable.

At the same time, today's computer holdouts will be prompted to reverse their stance by their children and grandchildren, each of whom is being exposed to computers at school, in the library, at friends' homes and wherever video games are played. Sooner or later most of these holdouts will do so after coming to the realization that development of computer skills is a must for the youngsters of today and tomorrow. That many have done so already is evidenced by the rapid growth in precomputer toy sales of recent years.

While I can understand why postal workers might not want to concede the effect of the computer revolution on today's USPS, for us to deny it would be an exercise in self-delusion.

We can argue over how long it will be before computer-fax-modem-TV-telephone-cable-copier combinations cost no more than a fancy color TV did just a few years ago. But there's no denying that the day will come when such systems are found in almost every American home. And when it does come, the USPS must be able to compete with the new technologies, otherwise it will be relegated to the very role its employees fear the most, handling an ever-declining amount of rural, high-crime area, and junk mail deliveries.

Nor is the computer revolution the only reason today's USPS needs restructuring. Thanks to its First-Class mail monopoly and to the regulatory regime governing its operations for the past quarter century, the USPS is not in a position to offer new products and services in a timely fashion. Nor is it able or inclined to keep all its outlets open evenings and weekends like other retailers. Neither is it as sensitive to the provision of customer service as it could be.

Currently, it takes months for the USPS to get permission to make price, product or labor adjustments, whereas its private sector parcel delivery competition can respond far more quickly to the demands of the postal delivery marketplace.

The ability to make these adjustments when needed is essential if the USPS is to counter that competition. Right now, it's lacking in that area, but the bill I've introduced, H.R. 210, would correct that deficiency. To that end, H.R. 210 would replace the current USPS with a totally private, employee-owned postal corporation over the course of the 5-year period, after which the USPS's First-Class mail monopoly would end and the new outfit would be able to compete with all customers as it saw fit—or all comers, rather, as it saw fit. So that it can better raise operating capital more easily, cover existing USPS debt and fully meet the pension obligations incurred by the USPS, H.R. 210 also provides for the cost-free transfer of all USPS assets to this new private sector operation.

In addition to enabling postal workers to become owners of their business, the bill specifies that their pension benefits shall be com-

parable to those previously provided by the USPS. Many other aspects of this transfer are left to a Presidentially appointed Postal Privatization Commission to determine. But the bottom line is this, enactment of H.R. 210 would benefit postal workers and consumers alike. Not only would the latter reap price and service benefits, but postal workers would have an opportunity to add a share of company profits to their regular paychecks.

Were H.R. 210 to become law, the USPS would be the largest Government-run mail service to become either a totally private firm or a Government-owned, for-profit corporation. But it would not be the first to move in one of those two directions.

In recent years, Holland and to a lesser extent Germany, have taken steps toward postal privatization, while Sweden, Canada, Australia, and New Zealand have converted their postal services into autonomous Government-owned, for-profit firms that operate under varying degrees of regulation.

For instance, the Swedish Post, has given up its subsidy in its First-Class mail monopoly in exchange for a greater degree of regulatory freedom that enabled it to get heavily into e-mail. Then, there's the case of Argentina where deregulation reportedly has enabled over 250 delivery firms to compete with the Government mail, the result being lower postal cost, faster mail delivery and a profit for what was once a deficit-plagued Government postal operation.

Granted, none of these Government-owned postal firms serve anywhere near as many people as the USPS. But they have been known to make money at times, to break the Government subsidy habit on occasion, and to provide quality service quite frequently. One thus may wonder whether such an approach would work better in the United States than total privatization.

However, if the Government owns the business, it's not likely to treat competitors as favorably or as fairly as its own enterprise, especially if it's counting upon the latter for revenues. Also, private corporations, including employer-owned ones, such as United Airlines, are more in tune with the times and free enterprise spirit of America.

All that being the case, I hope Congress will soon consider and then adopt legislation such as H.R. 210 that will bring the prospect of postal employee entrepreneurship to life. As we look to the future, privatization of the Postal Service makes sense not just philosophically but as a practical matter as well.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Philip M. Crane follows:]

TESTIMONY OF PHILIP M. CRANE, M.C.
TO THE SUBCOMMITTEE ON POSTAL SERVICE
ON PRIVATIZATION OF THE U.S. POSTAL SERVICE
WASHINGTON D.C.
NOVEMBER 15, 1995

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, LADIES AND GENTLEMEN:

Thank you for giving me the opportunity to testify today on a subject in which I have long been interested; the privatization of the U.S. Postal Service (USPS). The subcommittee is to be commended for its willingness to explore a concept that is admittedly controversial but entirely relevant to the new era of communications into which we are so rapidly entering.

Ever since Ben Franklin became the first Postmaster General in 1775, the USPS has been responsible for delivering first class mail in the U.S., first as a department of the federal government and then, for the last 25 years, as a quasi-governmental firm which now has some 40,000 outlets nationwide. Over that time, it has touched the life of almost every American, bringing good news, bad news, more bills and what is commonly known as "junk" mail.

However, times are changing rapidly and in ways Congress could not have imagined when it crafted the Postal Reorganization Act of 1970 that created the current USPS. The past two decades have witnessed a pair of technological revolutions having profound implications for mail delivery, one in computers and the other in telecommunications. As a recent Microsoft White Paper points out, computers can do in 30 seconds today what it took them a year to accomplish back then. Modems can transmit their work product 1,000 times faster now than they could just ten short years ago. And the traditional telephone line, which severely limits the amount of data that can be transmitted electronically, has been superseded by coaxial and/or fiber optic cable.

As these advances in computer and telecommunications technology have taken place, so too have they merged to form what is known as the information superhighway. As a result, people are now able, and will be increasingly able, to exchange information in ways that raise fundamental questions about the long term viability of the USPS as we know it. According to some estimates, not only will computing power increase 100 fold over the next decade but bandwidth, which relates to the speed and quantity of mail that can be electronically transmitted, will increase 1,000 fold during that same period.

Unlike the telephone or the telegraph, neither of which bore out earlier prophets of postal service doom, modems, E-mail, FAX machines, and various online services utilizing the Internet are making it possible for people to quickly transmit high quality hard copy without gracing a modern day post office. More so every day, in fact. As Postmaster General Runyan has pointed

out, in just the past year, E-mail volume has increased by 122% (to just under five billion messages) and nearly eight million new addresses have been added to the Internet. By 1998, if not sooner, at least 38 million people are expected to be on line, a ten fold increase in the short space of five years.

Nor do those figures tell the whole story. Because computer technology is advancing so rapidly, banking by computer, shopping by computer, making reservations by computer, taking courses online, and video teleconferencing will be the rule rather than the exception in the months and years to come. Even bulk mailers, who are responsible for roughly 38% of the mail the USPS handles today, will be able to deliver to you electronically once most American families have availed themselves of computer technology. All of which spells trouble for the USPS unless it is in a position to respond. As a matter of fact, the warning signals are flashing already.

According to the Postmaster General, total USPS mail volume is still on the rise, having increased 3.1% over last year to a level in excess of 177 billion pieces delivered. But, thanks to the increased usage of E-mail, fax machines, modems and the like, the USPS has seen both its financial and business mail volumes drop substantially in recent years, 35% over the past five years in the case of financial mail and approximately 33% over the past six years in the case of business mail. Not only that, but the USPS has suffered a loss of market share in four of its six business categories according to the Postmaster General, who is also on record as predicting that USPS delivery of financial mail will decline by another 35% over the next five years. Nor has the USPS been able to compensate by increasing its market share of overnight delivery mail. Despite lower than average rates, the USPS reportedly has only 10% or so of that market.

What all those negative numbers suggest is this. As computer usage accelerates, so too will the decline in business mail being delivered by the USPS. Before long, that decline, plus the loss of other first class mail deliveries to electronic competition, will more than offset the increase in bulk mail deliveries. When that time arrives, postal revenues will begin to shrink, at which point the vicious cycle of postal rate increases followed by further losses of business will begin in earnest. Absent a change in its basic structure, the only other alternatives would be to increase taxpayer subsidies to the USPS or to reduce the services it offers, either of which would be equally counterproductive.

Not everyone agrees with this pessimistic assessment, of course. The computer revolution notwithstanding, critics claim there will always be a need for "to-the-mailbox" postal service which, they say, can only be provided by the USPS in rural and high crime areas. But what those critics forget is that the computer is to

20th century mail delivery what the automobile was to the 19th century horse and buggy; a much quicker and more convenient means of transport.

True, there will be some people who would rather not use a computer or who may not be able to afford one right now, just like there were with the car when it first came out. But just as laser printers cost no more than dot matrix printers did five years ago, so too will computer systems become increasingly sophisticated and affordable. At the same time, today's computer holdouts will be encouraged to rethink their position by their children and grandchildren who are being introduced to computers at school, at the library, at friends houses and wherever video games are played. Sooner or later, most of those holdouts will realize that the development of computer skills is a must for the children of today and tomorrow. That many have already come to that realization is evidenced by the rapid growth in pre-computer toy sales in recent years.

While I can certainly understand why postal workers might not want to concede the effect the computer revolution is likely to have on the USPS as it is currently constituted, for us to do likewise would be an exercise in self-delusion. We can argue over how long it will be before computer-FAX-modem-TV-telephone-cable-copier combinations cost no more than did a fancy color TV of recent vintage, but there is no denying that the day will come when such systems are found in almost every American home. And when that day does come, the USPS must be able to compete with these new technologies, otherwise it will be relegated to the very role its employees fear the most: handling an ever declining number of rural, high crime area and "junk" mail deliveries.

Nor is the telecomputer revolution the only reason today's USPS is ill equipped to meet the marketing challenges of the 21st Century. Having had a monopoly over first class mail delivery but not the ability to offer the latest communications products or services, the USPS and/or its workers are not in tune with the requirements of modern day retailing. To put it bluntly, they are not able to offer new products and services in a timely fashion, not in a position to serve the millions of Americans who work from 7 a.m. to 7, 7:30 or even 10 p.m. five days a week and from 8 till 5 on Saturdays, and not as sensitive to the concept of customer service as they should be. Currently, it takes months for the USPS to get permission to make price, product or labor adjustments, whereas its private sector parcel delivery competition can respond far more quickly to the demands of the postal delivery marketplace.

Like it or not, the ability to make those adjustments in a timely fashion is essential if the USPS is to counter what the competition is doing (in fact, more and more retailers are switching to round-the-clock hours in response to changes in

working patterns), which prompts one to conclude that, for the USPS to be successful in the future, it must be at liberty to meet and beat that competition. Put simply, the USPS must be set free of the institutional strictures that have fostered a reverence for the good old days and ways at the expense of a truly competitive free market approach and outlook.

Chief among those strictures has been the organizational structure under which the USPS currently operates. So long as it has a monopoly over first class mail delivery, receives federal payments to cover the discounts it provides on the delivery of other mail, has special borrowing privileges at the U.S. Treasury and cannot change prices, products or services without a long, drawn out regulatory hassle, the USPS will never have either the ability or the inclination to make the kinds of market-driven adjustments just mentioned. Only if the USPS becomes a truly private corporation, preferably one owned by its own employees, will the performance and profit incentives necessary to make those adjustments come into play.

If enacted into law, H.R. 210, which I have sponsored, will bring into being just such a corporation over a five year period, after which the first class mail monopoly will end and the new employee-owned corporation will be on its own to compete with all comers as it sees fit. To make it easier for this new postal firm to raise operating capital, assume a cumulative USPS debt that exceeds \$8 billion, and cover existing USPS pension obligations, H.R. 210 also provides for the cost-free transfer of all USPS assets (the value of which is nearing \$50 billion) to the new all-private corporation.

In addition, the measure not only allows postal workers to become owners of their business, but it specifies that their pension benefits shall be comparable to those previously provided by the USPS. Many other aspects of this transfer to private, employee-owned status are left to the President and a specially appointed Postal Privatization Commission to determine, but the bottom line is this: enactment of H.R. 210 would be a good deal for postal workers and consumers alike. Not only would postal customers reap the price and service benefits of free market competition, but USPS workers would have a great opportunity not just to preserve their jobs in the 21st century but to share the profits as well.

That such would, in fact, occur is reinforced by what is happening to postal delivery services in other nations. Holland has already begun the process of privatizing its postal service (by selling 30% of it to postal workers among others) and Germany has taken the first small step in that direction. In addition, Sweden, Canada, Australia, and New Zealand have all converted their postal services into autonomous, government-owned firms that operate under varying degrees of regulation with the aim of

making a profit. The Sweden Post, for instance, surrendered its subsidy and its first class letter monopoly in exchange for a greater degree of regulatory freedom that has helped it get heavily involved in electronic mail. And in Argentina, deregulation has permitted over 250 postal delivery companies to compete with the government mail, with the result reportedly being a speedup of mail delivery, a reduction in postal costs and a profit for what was previously a deficit-plagued government postal operation.

Granted, none of these postal firms serve anywhere near as many people as does the USPS, which carries approximately 40% of the world's mail, but they have been known to make profits at times, to break the government subsidy habit on occasion, and to provide quality service quite frequently. Which is more than can be said for the USPS on occasion, despite the fact that a vast majority of its managers and employees are honest, hard working people who try the best they can under the circumstances to do a good job.

Given the relative success some of these for-profit, government postal corporations have enjoyed, one may wonder whether such an approach would work better in the U.S. than total privatization. That is a good question, to which there are two equally good answers. The first is that when government owns the business, it is not likely to view, or treat, competitors as favorably or fairly as its own enterprise, especially if it is dependent on the latter for revenues. And the second is that private corporations, including employee owned ones, are more in tune with the times and the free enterprise spirit of America. Just ask the friendly skies folks at United Airlines or the employees of Avis what they think of being able to run their own firms. Or you might want read the article in the May, 1995 issue of the IBEW Journal which describes the purchase, by International Brotherhood of Electrical Workers Local 111, of Mobile Tool International by means of an Employee Stock Ownership Plan.

All that being the case, I hope Congress will soon consider, and then adopt, legislation such as H.R. 210 that will bring the prospect of postal employee entrepreneurship to life. As we look ahead to the 21st Century, privatization of the Postal Service makes sense, not just philosophically but as a practical matter as well.

Mr. MCHUGH. Thank the gentleman for his comments.

Before we proceed, I'd like to welcome and gratefully acknowledge the presence of the gentlelady from Florida, Carrie Meek.

Mrs. Meek, any opening comments you'd like to make at this time?

Mrs. MEEK. Not at this time, Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady.

The gentleman from California has the floor, Mr. Rohrabacher.

STATEMENT OF HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ROHRABACHER. Mr. Chairman, thank you very much, I appreciate the opportunity to testify here before your committee.

First, let me state that I am not here to bad-mouth postal employees. In general, I think most postal employees are good, hard-working individuals, patriotic Americans. I am here to discuss the Postal Service's status as a protected Government enterprise which adversely affects its ability to adapt to the needs of a changing and increasingly competitive market.

The Postal Service's ability to compete in our ever-changing world is constrained by laws and regulations that dictate its organization and operation as a Government Agency. Unfortunately, many of the criticisms we hear of the Post Office and postal employees, quite frankly, the individuals involved are getting a bum rap, because it's the structure we're talking about, not the individuals.

The Federal Government originally established the Postal Service over 200 years ago as a means of keeping in contact with remote areas of a still developing United States. At that time, there was no communications network in place.

Today, it's an entirely different story, as Mr. Crane has just suggested; telephones, fax machines, cable, satellites, computers, television, radio, are all methods used by people to instantaneously communicate around the world.

In comparison, it takes an average of 2 or 3 days for the Postal Service to deliver a First-Class letter. That's not an attack on the Postal Service, it's just a difference in the times. And today, that is not good enough and, in the future, is going to lead to repercussions on the Postal Service and on the 750,000 people who work for the Postal Service.

As the level of service provided by the Postal Service continues to decline in comparison to the other alternatives, and postal rates continue to rise, more and more consumers will be turning to alternative communication methods, and this will create a cycle, which Mr. Crane spoke about.

Over the past 5 years, the Postal Service has lost 35 percent of its First-Class business to business mail, and expects to lose another 35 percent in the next 5 years. Furthermore, declining cost of these new technologies will soon change the way that many households conduct their own business transactions.

If this trend continues, and we certainly expect it to, the Postal Service will be little more than a delivery agent for Third-Class mail. And while there is certainly a need for this type of delivery

in the United States, it is not necessary for the Federal Government to be the only provider of such a service.

In an effort to improve efficiency and to keep up with technological change, the Postal Service has tried various solutions, from new management to a complete reorganization, and most of these reforms have been to no avail in terms of the long-run problem. Today's fast-paced business environment demands that service providers adapt quickly or fall by the wayside, surpassed by more innovative competitors with better ideas. A Government-run Postal Service will soon be rendered irrelevant by its inability to adapt in a dynamic and swiftly changing marketplace.

Mr. Chairman, now is the time to act before the Postal Service totally flounders, leaving hundreds of thousands of good Americans unemployed, and leaving the U.S. Government with a crisis on its hands. Mr. Crane's bill, H.R. 210, provides an excellent framework to keep the Postal Service competitive and postal workers employed and able to meet the needs of the American public well into the future. It does this by creating one of the largest employee-owned corporations in the world.

Now, you heard me, and as Congressman Crane mentioned, we want to give the Postal Service to its employees, who I think would do a tremendous job of running the organization if freed from bureaucratic constraints. As we have seen with companies owned by their employees, such as United Airlines, Avis, Weirton Steel, employee owners approach their job with a far different attitude than most working people. They feel personally responsible and thus are loyal, hard-working and responsive to the needs of their company and the consumer. This, in turn, creates a productive sense of teamwork between management and Federal employee owners, formerly called labor.

I do not support the idea—let me underscore this—I do not support the idea of selling the Postal Service to the highest bidder. And I understand why Postal Service employees would be concerned about that.

As I said, H.R. 210 will turn the U.S. Postal Service into the world's largest employee-owned company by transferring the entire corporation, lock, stock and mail truck, to its 750,000 employees.

The value of the stock provided to each employee will be based on the years of service and levels of compensation and on average would be worth tens of thousands of dollars. And that's when the company first starts out. If this company succeeds, which I have every reason to believe it will succeed, that stock will be worth hundreds of thousands of dollars.

The retirement of existing Postal Service employees will be guaranteed. The new employee-owned company will determine the retirement provisions of new employees. The employee-owned Postal Service will be run by individuals who are elected by the employees and it will be given a 5-year grace period, as Congressman Crane suggested, before the private express statutes are lifted and competition is allowed.

Competition gives managers and workers the incentive to provide customers with the services they want. Employees understand that their jobs depend on customer satisfaction. Without competition, employees have few incentives to provide the exceptional service

that's required in this competitive market, and the Postal Service lacks those incentives to control the cost and maintain high quality as it stands today, but will have those incentives under the system we are proposing.

Postal unions fear H.R. 210. They believe it's just going to be a ploy to sell off the Postal Service to outside investors. Let me emphatically state, this is not true. During the first year as an employee-owned company, Postal Service stock will be issued only to postal service employees. After this period, the bill allows for the stock to be issued to the public only—and again let me stress this—only if the employees decide to do so.

Let me repeat, if the employee-owned Postal Service does not want to issue stock to the public, it does not have to, it is not required to. This should put an end to the claim that Mr. Crane and I have some sort of ulterior motive to sell the Post Office to outsiders.

I personally identify with working people. I'm not a wealthy man, I don't even own stock. I have been an employee all my life, and I think that employee ownership is an idea whose time is rapidly coming to the United States of America, and the Postal Service can be one of the best examples of how it can work.

Employee ownership will bring together higher-quality service at competitive rates to this Nation's postal customers. Freed from its regulatory constraints, the Postal Service will be able to adapt to the many technological changes taking place in the communications arena. Employee owners will be empowered, they will be empowered with the means to control their own future, and will bring to play all the incentives and profit motives inherent in a competitive free enterprise system.

With privatization, postal employees will find themselves profiting directly from being more responsive to customers' needs. Most importantly, this bill will save postal employees' jobs and improve their lives by making them, as I say, part of the largest employee-owned companies, if not the largest employee-owned corporation, in the world.

In conclusion, I would like to tell the subcommittee members that H.R. 210 should not be considered as the last and only word on how to bring about fundamental reform that is necessary to save the Postal Service. Mr. Crane and I are totally open to suggestions on the details of how to achieve the goal that this bill lays out.

And I will just close by saying this: Now is the time for us to act and to act boldly, when the Postal Service is not in the midst of a deep crisis. There are 750,000 people who work for the Post Office. If we wait for the crisis to happen, if we wait for the impact of technology to put the Postal Service in a bad situation, it makes it dramatically more difficult to have the reforms that are necessary, I believe, to conduct the necessary reform of privatizing by giving this over to the employees.

Let's give it to the employees now, while we can provide the employees a substantial chance to profit and to start out and to actually make this a success. If we wait until there's a crisis, it's going to be much more difficult to do, and the livelihood and retirements

of all of these employees will be at stake. And the Federal Government will be stuck with a much higher bill.

We could do this now at relatively small cost and it's something we should move forward with. It's an idea whose time has come.

Thank you very much, Mr. Chairman.

[The prepared statement of Hon. Dana Rohrabacher follows:]

Testimony of
The Honorable Dana Rohrabacher
Hearing on the United States Postal Service

Subcommittee on Postal Service
Committee on Government Reform and Oversight

November 15, 1995

Mr. Chairman, Members of the Subcommittee, thank you for this opportunity to testify today. I commend your decision to hold a hearing on the future of the United States Postal Service and specifically, on the topic of privatization, which to my knowledge has never been discussed in a forum such as this.

Let me start by saying that I am not here to attack Postal Service employees. In general, I think most Postal employees are good, hard-working, individuals. I am here to discuss the Postal Service's status as a protected government enterprise which adversely affects its ability to adapt to the needs of a changing and increasingly competitive market. The Postal Service's ability to compete in our ever-changing world is constrained by the laws and regulations that dictate its organization and operation as a government agency. Postal Service customers face inconvenient hours, poor customer service and decreasing worker productivity. Again, blame should not rest with postal employees. The blame, instead, should rest with a protected Postal Service which perpetuates inefficiency and non-responsiveness to consumers.

The federal government originally established the Postal Service over 200 years ago as a means of keeping in contact with remote areas of the still-developing United States. At that time, there was no other communications network in place. Today is an entirely different story. Telephones, fax machines, cable, satellites, computers, television and radio are all methods used by people to communicate around the world. As the level of service provided by the Postal Service continues to decline and postal rates continue to rise, more and more consumers are turning toward these alternative communication methods.

Over the past five years, the Postal Service has lost 35% of its first class business-to-business mail and expects to lose another 35% over the next five years. If this trend continues, the Postal Service will be little more than a delivery agent for third class mail. While there is certainly a need for this type of delivery, it is not necessary for the federal government to be the only provider of such service. Declining costs for new technology will soon change the way many households conduct their business transactions.

In an effort to improve efficiency and keep up with technological changes, the Postal Service has tried various solutions from new management to complete reorganization to no avail. It is obvious that without fundamental reform that will transform it into a true competitive, commercial enterprise, the Postal Service will not have the freedom and flexibility necessary to adapt to this changing marketplace. Today's fast-paced business environment demands that service providers adapt quickly or fall by the way side surpassed by more innovative competitors with better ideas. A government-run postal service will soon be rendered irrelevant by its inability to adapt in a dynamic and changing swiftly marketplace. Mr. Chairman, the Postal Service as we know it may soon be extinct and that means unemployed Americans -- something that no one wants.

Mr. Crane's bill, H.R. 210, provides an excellent framework to keep the Postal Service competitive and postal workers employed and able to meet the needs of the American public well into the future. It does this by creating one of the largest employee-owned corporations in the world. You heard me right, I want to give (yes, give) the Postal Service to its employees, who I think could do a tremendous job of running the organization if freed from bureaucratic constraints. As we've seen with companies owned by their employees such as United Airlines, Avis and Weirton Steel, employee owners approach their jobs with a far different attitude than most working people. They feel personally responsible, and thus are loyal, hard working and responsive to the needs of their company and customer. This, in turn, creates a productive sense of teamwork between management and their fellow employee-owners (formerly called "labor").

I do not support the idea of selling off the Postal Service to the highest bidder. As I said, H.R. 210 will turn the United States Postal Service into the world's largest employee-owned company by transferring the entire corporation, lock, stock and mail truck, to its almost 750,000 employees. The value of stock provided to each employee will be based on their years of service and levels of compensation, and on average, would be worth tens of thousands of dollars. The retirement benefits provided to employees of the new employee-owned Postal Service will be preserved. The new company will determine retirement provisions for new employees. The employee-owned Postal Service will be run by individuals who are elected by the employees and it will be given a five-year grace period before the private express statutes are lifted and competition is allowed. Competition gives managers and workers the incentive to provide customers with the services they want. Employees understand that their jobs depend on customer satisfaction. Without competition, employees have few incentives to provide exceptional service and the Postal Service lacks incentives to control costs and maintain high quality.

Postal unions fear that H.R. 210 is just a ploy to sell off the Postal Service to outside investors. This is simply not

true. During its first year as an employee-owned company, Postal Service stock will be issued only to Postal Service employees. After this period, the bill allows for stock to be issued to the public only if the employees decide to do so. Let me repeat this: If the employee-owned Postal Service does not want to issue stock to the public, it does not have to do so. This should put an end to claims that Mr. Crane and I have an ulterior motive to sell off the Postal Service to outsiders.

Employee ownership will bring higher quality service at competitive rates to this nation's postal customers. Freed from its regulatory constraints, the Postal Service will be able to adapt to the many technological changes taking place in the communications arena. Employee ownership will empower postal employees with the means to control their own future and will bring into play all the incentives and profit motives inherent in the competitive free enterprise system. With privatization, postal employees will find themselves profiting directly from being more responsive to consumer needs. Most importantly, this bill will save postal employees' jobs and improve their lives by making them part of one of the largest employee-owned company in the world.

In conclusion, I would like to tell the Subcommittee members that H.R. 210 should not be considered the last or only word on how to bring about the fundamental reform necessary to save the Postal Service. Mr. Crane and I are certainly open to suggestions on the details of how the goals of our bill should be carried out. Thank you.

Mr. MCHUGH. I thank the gentleman for his comments.

I would also like to acknowledge the presence of the vice chairman of the subcommittee, the gentleman from South Carolina, Mr. Mark Sanford.

Mark, any opening comments?

Mr. SANFORD. No, thank you.

Mr. MCHUGH. OK.

I know you two gentlemen, like everyone in the House, have very busy schedules. If you could stay with us, perhaps we could have a little exchange.

Would that be agreeable?

Mr. ROHRBACHER. Sure.

Mr. CRANE. Yes.

Mr. MCHUGH. I would defer to either of the two Members.

The gentleman from South Carolina.

Mr. SANFORD. I have a question for my colleague from California. Some people have objected to the idea of selling off public lands in the West to westerners because these lands are public assets owned by everybody in the country, all 260 million of us. I suppose some people would also say that Postal Service assets being sold to any particular group, especially the employees themselves, would be taking a public asset and boiling it down to a fairly small vested group. What would be your counterpoint to that?

Mr. ROHRBACHER. Well, when you're talking about Government assets, what you want to do is determine what is the use of those assets which will be of most benefit to the public. And my suggestion is, is that unless we act now and follow the course of action that we are suggesting, that we will find that these assets that we're talking about within a very short period of time, perhaps in 10 years, will become an incredible liability. And now that the organization, the structure, is there and we're not in the midst of a crisis, those assets would be best used to bring about this new organization and relieve the general public from the liabilities they face by having a Postal Service associated with the Government of the United States, as compared to all kinds of other services we have in our society.

So the benefit for the people of preventing this potential liability, of course, disastrous liability in the future, if technology turns this 750,000-employee organization it has now into irrelevance and into a major liability, the benefit of getting rid of that now benefits the entire public.

So this is the course that although it will cost some in terms of assets, by giving this to the employees, in the long run it will be to the benefit of the entire country, not just the employees.

Mrs. MEEK. Mr. Chairman.

Mr. MCHUGH. The gentlelady from Florida.

Mrs. MEEK. This question is for my colleague.

If this bill were to pass, when would it become effective?

Mr. CRANE. Oh, when would it become effective? That would be up to the committee to determine. My personal predilection would be sooner rather than later. But that would be up to the discretion of the committee and the Congress finally in creating this ESOP.

Mrs. MEEK. The reason I ask that question is you already have a structure that exists in the postal operations, which has been

there for quite some time. And of course, in my opinion, you would need to do some significant impact studies to see whether or not this new change will be effective to the public and to the people it serves. Wherein if you were to restructure your current system, you know where the problems are there.

I have seen it in much of the dialog and what I read here this morning, that you have pretty much identified where most of the problems are. It would appear to me that some method toward restructuring would be another option to be looked at as well as to redo the whole system.

Mr. CRANE. Well, I agree with you and I think that's going to inevitably occur, out of necessity, with the changing times we're experiencing. But my personal predilection again goes to the idea of empowering those people who have faithfully served our Postal Service, and when I say empowering them, I mean that transfer of all of the postal assets to those employees which works out to about \$65,000 per employee. I mean, that's the average benefit. And I think once they had that kind of stake, you're going to see times change because I think they are as in tune as anybody with what needs to be done to remain competitive. And it would be ownership that motivates the employees intensely.

So I think, based on private sector comparisons, you could anticipate a changing delivery system. I think you could anticipate postal employees being more acutely conscious of this whole thing. They would make those adaptations and guarantee that we have an entity that can survive in a changing world. And, as I said, it's a personal benefit to each and every one of them.

Mr. ROHRABACHER. If I could add something to my colleague's answer?

Mrs. MEEK. Yes.

Mr. ROHRABACHER. Any restructuring of the current system that keeps it under the current framework within the context of the Government and within the context of no competition in First-Class mail, it will not result in the type of changes that will in the long run be successful. The reason the Post Office is not successful and will not be successful, is because unlike all the other services and goods that are provided in our society by the private sector, there's no competition and profit motive at work. And the only way to do that is some type of privatization.

And, as I say, the only thing that makes sense to me to be a fair privatization, especially fair to those 750,000 people who made their lives building this organization, and as I say, they get a bum rap half the time because they're being blamed for the deficiencies of the structure, the only way to be fair to them is to make it an employee-owned corporation. But if you try to just restructure what you've got, you're just, of course, basically changing—again, this is a cliché, but you're rearranging the chairs on the deck of the *Titanic*.

The *Titanic* is going to go down because it's got a gaping hole in its side, and in this case the gaping hole in the side of postal delivery is the incredible change of technology that's taking place in our society. And you can't ignore that. You can't ignore the iceberg, especially after you've hit it.

Mr. MCHUGH. The gentleman from South Carolina has a follow-up question.

Mr. SANFORD. One last question, I promise. Some people have argued in favor of commercialization rather than privatization. Commercialization is privatization of certain components of the postal delivery system rather than privatization of the whole. The idea is that if you privatize the whole system, you're still handing over monopolistic control to that entity. Is that something we want to do with a private company?

Mr. ROHRABACHER. No, we're not advocating turning over monopolistic control. We believe that after 5 years, the Post Office, the new private employee-owned Post Office, would have to compete with outside companies like UPS or Federal Express or other people who would like to get in. But they will have an advantage, let me tell you, they will have an advantage in that we are giving them debt-free assets to modernize—if they want to modernize. After that, they could borrow against the property that's owned by the Post Office, et cetera. This gives them a tremendous possibility for success, especially if we act now before there's a crisis, before the technological hammer comes down on everybody's head.

Mr. SANFORD. Thank you, Mr. Chairman.

Mrs. MEEK. Mr. Chairman.

Mr. MCHUGH. The gentlelady from Florida.

Mrs. MEEK. When you are considering restructuring the management, I perceive that you're not that happy with the management of the current system. You're saying that it is, in some respects, ineffective in terms of reaching the goal. I am concerned about the 750,000 people who now work for the Post Office—

Mr. ROHRABACHER. That's my primary concern as well.

Mrs. MEEK. I am concerned about them, and my question is still has anyone thought about the impact of such a change, privatization, on those employees?

Mr. ROHRABACHER. Well, the 750,000 employees, I guess it's somewhat like Medicare, and I hate to bring that up because there is a difference between the parties on how we're approaching Medicare, but the fact is, in the long run, do we care more about those 750,000 employees by trying to basically entrench a status quo that in the long run is going to lead to a disaster for those people? And in the long run, we can see it as we've outlined, technology is making the system, the postal system, irrelevant. And as this technology comes more and more to play in our society, those 750,000 people are going to be more and more at risk. And believe me, everything that I'm advocating today comes from an employee's point of view and not, oh, we're just going to manage the system better.

I happen to believe in employee ownership and, by the way, I believe in employee ownership in the private sector as well. And I think that we should have incentives for that as well. And I think that these postal employees that we're talking about could do a good job, could do a very good job at running a company, if they had the ownership and had the power to do so.

Mrs. MEEK. Thank you.

Mr. MCHUGH. Before we proceed, I'd like to acknowledge the presence of the gentleman from Texas, Mr. Green.

If I could just ask a couple of questions, to followup.

The gentleman from Illinois mentioned that the value of each employee's portion of that ownership would be \$65,000?

Mr. CRANE. The average, that would be the average. There would be a variation, because that stock would be turned over to the employees based on your length of service and the position that you held.

Mr. MCHUGH. I assume you're computing that average based on some total value?

Mr. CRANE. The total value of all of the assets of the Post Office.

Mr. MCHUGH. And how was that computed?

Mr. CRANE. That total value is somewhere in the neighborhood of like \$46 billion.

Mr. MCHUGH. Right now, it's my understanding the Postal Service has a \$9 billion net equity. Has that been figured in to that?

Mr. CRANE. Well, I'm sure that is calculated in that figure, but I'm talking about all of the assets the Post Office has, that's property, buildings, vehicles.

Mr. MCHUGH. Minus the \$9 billion net equity?

Mr. CRANE. Well, I was told—I'd have to—

Mr. MCHUGH. I'm not challenging the gentleman's figures, I'm just trying to understand them.

Mr. CRANE. Wait a second, I think I've got the figure here.

All right. The assets of the USPS, and that's including deferred retirement costs, in 1994 were \$46.416 billion.

Mr. MCHUGH. So your calculation, \$65,000 per average, that was the—

Mr. CRANE. Well, actually, the average for every employee is worth about \$63,607.

Mr. MCHUGH. That's right in the same neighborhood. I thank you.

You will obviously be off doing other important work at the time, but it's expected that the subcommittee later this morning will hear from a number of other panelists who are going to point out, I think, a pretty significant dichotomy, if you will, as to the mandate that this Government has placed upon the Postal Service.

On the one hand, it is in selected areas required or at least expected it operate like a business. We judge its performance against UPS and DHL and others. And yet we have burdened it, if that's the proper phrase, with some responsibilities that decidedly inhibit its ability to operate like a private business.

I know you provide protections for 5 years on the mail monopoly, First-Class. Is my assumption that after that first 5 years there would be no requirement of universal service at a uniform price? And if I'm correct in that, the obvious question that I would ask and I think many others, including Senator Ted Stevens of Alaska, is what does it cost to deliver a piece of First-Class mail to Pierrepont Manor or to—

Mr. ROHRBACHER. By the time that happens, by the time we run our 5 years, you can imagine that electronically that would cost probably about 2 cents. Bottom line is that electronics are changing the whole nature of the transfer of information.

Now, this all made sense, not just for Alaska, but for—throughout the United States, it made sense for the Government to have a postal system to tie the country together 200 years ago. That's

why we have a U.S. Post Office. This makes no sense at all anymore. I mean, Alaska, believe me, the people in Alaska will be serviced and probably more effectively 10 years from now if we make this change than they are today, because the changes that are taking place in the electronic transmission of communications is upon us. And this idea that we have to have a universal, we have to have a Government body delivering some sort of an envelope to every address in the country, this is a totally antiquated idea. It's as antiquated as the Conestoga wagon, and it makes no sense anymore. And those people in Alaska will be serviced because you can service people over lines now, over electronic, over fiberoptic cable, or over satellite transmission. And, it is very cheap as compared to what it used to be. And, those costs are going to continue to go down.

So it's no longer just an idea that we have to deliver an envelope all over the country. I think First-Class mail is going to cost—or the equivalent of First-Class mail, if we open up the market, is going to be much, much cheaper in the future everywhere.

Mr. CRANE. Could I add one I think to that, Mr. Chairman?

Mr. MCHUGH. Absolutely, please.

Mr. CRANE. And that is that the Postal Service's least efficient performance is in rural delivery. And yet they have contracted out already to 5,000 private businesses to handle some of their rural deliveries. And these people are doing it for a profit. And I think that the postal system itself could just as easily take it all over and make a profit just as private enterprise is doing in delivery of part of the Postal Service, A; but B, I think it's important to recognize that such businesses as United Parcel Service, they deliver to the most remote areas of the country. And I mean, they have no guidelines that if you live out in the boondocks, you've got to come into town to pick up your package. So there's evidence that the private sector can deal with these problems and I feel confident the Postal Service, if privatized, could do it also.

Mr. MCHUGH. I think some may say the reason in fact that the satisfaction rates are so high in rural areas, is because the Postal Service is contracting out and that the continuing of privatization may already show some benefits, just as a counterpoint, not necessarily as an endorsement of it.

So you two gentlemen have kind of different views, but they would tend to fill each other's spaces, and to the extent the gentleman from California says that's really not going to be a concern because electronic communications will be how virtually everyone communicates by the time this bill is fully effective, while the gentleman from Illinois says that may or may not be true, but even if it isn't, competition will fill the gaps and in fact will provide that service.

Am I being fair in that assessment?

Mr. CRANE. Well, I think, I'm inclined to agree with Dan, but I don't think in 5 years you're going to see that as a universal system, you know, with various forms of telecommunication. But, it is escalating astronomically, and frankly, I can't figure those things out. My kids can, my grandchildren can. And we're living in a different era than the one I grew up in or you grew up in.

And so it is coming, unquestionably. But to give you a timeframe for it, I couldn't project that. I'd say it will be a generation, at least.

Mr. MCHUGH. It's interesting, as you two read your statements and as I was reading them over both last night and this morning, if you did some selective and creative editing, either of you could have been speaking for Marvin Runyon. Because you really have a lot of concerns in common about that lack of flexibility, the constraints against their opportunities to compete and how they can't introduce products.

Mr. ROHRABACHER. That goes with Government. That is what happens when you have the Government—that's why you shouldn't have the Government involved in services or producing products or services that can be done in the private sector. Because the Government has natural inefficiency as part of it. It doesn't have a profit motive and there isn't competition. And you should only get the Government involved in those areas that it's absolutely necessary for the Government to be involved in. Now, in the past, postal delivery was necessary to hold our country together. It's not anymore.

Mr. MCHUGH. Well, you pick a particularly interesting week to make that charge, given all that's happened here. I say you'd have some who might fully agree with you. But I was going to play devil's advocate for a moment. Because for all of the inhibitions it might be suffering under for the moment, at least at this point in time, the Postal Service is showing about a \$1.8 billion profit. Some have suggested that for all of its faults, we should retain its structure and start to take those profits for a greater public good, whatever that might be. I would suspect what your answer might be, but we've heard that kind of claim, I'd like to hear your comments on the record.

Mr. CRANE. Deficit reduction, you mean?

Mr. ROHRABACHER. Well, now is the time.

Mr. MCHUGH. Depends on which side of the aisle deficit program.

Mr. ROHRABACHER. Now is the time to act, when the Post Office is not in the midst of a crisis, to have the real reform. In the private sector, many companies do their best—do their best in restructuring themselves not at the pit, but actually when they're doing well. And those are the companies that go on to even do better.

But this is the time to have some fundamental reform to do this, because we can see that those 750,000 people, the Post Office right now, is making a profit, but those 750,000 people are in jeopardy in the long run. You can see it, and anybody who refuses to see it is what we call "in denial."

The bottom line is those 750,000 people can be assured their pensions, they can be assured assets beyond anything they could ever believe before, assured control of their own destiny as never before, and assured a decent job in the future, if we act now. But if you wait until the Post Office goes into a crisis because several companies have found a way through electronic mail to outcompete the Post Office—and I don't think it's going to happen in another generation, I think this is coming in the next 5 years, people who think about cellular phones and fax machines, how did we run our lives without cellular phones and fax machines? And that's just

something that's happened in the last 10 years, really. And this is coming, so we should move quickly.

Mr. MCHUGH. The gentlelady from Florida has indicated she has another question.

Mrs. MEEK. I've tried to—it's a short-term kind of thing, but I'm trying to get an idea of the structure of what you're perceiving.

What is your dream of how this will operate? It sounds a little amorphous as to how it's going to happen.

Who owns the company?

Mr. ROHRABACHER. There will be a corporation that will be—

Mrs. MEEK. Who's obligated, to whom are they obligated?

Mr. ROHRABACHER. The employees themselves are the stockholders, they own the company. They elect the people who manage the system.

Mrs. MEEK. Hold on just a moment, I haven't quite finished yet. Just like to ask you a series of things so you can tell me how they operate, to whom are they obligated, how will it be handled, that kind of thing. I think I'm getting an idea of what you're talking about, and I'm sure privatization has quite a few assets. But I'd like to know in terms of who's responsible.

Mr. ROHRABACHER. Well, it's just like any other who's responsible to the United Parcel Service or Federal Express, except the difference is the stockholders in this new corporation will be the employees. The people hiring the management will be the employees.

Mrs. MEEK. Will they have a contract with anybody?

Mr. ROHRABACHER. Contract with—

Mrs. MEEK. Yes. Will there be a contract that the people who work in the Postal Authority or the management and the workers, since I don't seem to get a feel from the resolution as to who is responsible for what? That's my main concern.

Mr. ROHRABACHER. Well, Phil, would you like to—

Mr. CRANE. Well, for example, if you were a postal worker and these assets are transferred over to you and the other members of the committee, you could in turn negotiate with someone that you elected to hire to serve as Postmaster General. And there you could give him a contract. But it's your business and you decide what kind of an offer you want to make, what responsibilities he is supposed to take on, what compensation he could get. And that is a determination, as Dana was mentioning, made exclusively by you as a current owner of that entire postal system.

Mr. ROHRABACHER. We've eliminated—

Mr. CRANE. Or stockholders.

Mr. ROHRABACHER. We eliminate the dichotomy between labor and management, which has basically, I believe, not served this country well. What we have now are a lot of people who think of themselves as adversaries, and in reality the American people who are working for various economic enterprises should be thinking of themselves as a team. And employee ownership, especially in terms of the Postal Service, would create a team of people that have a profit motive and competition, and you would see a dramatic increase in productivity and such, because they now are a team rather than spending time fighting one another. They're going to find ways to try and improve the service of the Postal System.

Mrs. MEEK. This is my last question. This corporation, as you perceive it, would have no obligation to the Government or would it have any obligation to the Government, and to be guided by some of the broad kinds of things that Government does to protect its citizens?

Mr. ROHRBACHER. I don't foresee that—I see the company—now Phil and I may differ on this, and there are some things in the bill—by the way, the bill, as far as I am concerned, is a blueprint—but both Phil and I are very happy to work and make it better with suggestions, people might have suggestions on how to improve it. I foresee the company after 5 years as being just like United Airlines, and there would be no reason why—let's say the Government, let's say the U.S. Government, all of these years had run an airline, and they run it, you know, and that airline was not in bad condition but you could see that the competition was coming in with other airlines.

Well, if we gave the airline over to its employees, as United Airlines right now is owned by its employees, well, it would be very similar. Because United Airlines is operating just like all the other airlines, and all we're saying is that the employees now will be the owners of a large corporation in competition with Federal Express, UPS, and others.

Mr. CRANE. I think another parallel you can draw is renting a car versus owning a car. With a rental car, you don't tend to be as concerned as you do your own automobile.

Mrs. MEEK. Thank you.

Mr. MCHUGH. You two have been very generous with your time and the subcommittee and I personally appreciate it. And we welcome the opportunity to review your thoughts and share your insights.

As I tried to indicate in my opening remarks, this is the first step in the next series of steps that this subcommittee intends to take on what we think, and I know you've raised very important issues. So we look forward to having your input and your assistance as we go along that path.

Thank you for being here this morning.

Mr. CRANE. Thank you, Mr. Chairman.

And let me just add one thing. The language in H.R. 210, I believe, and correct me if I'm wrong, Pete, I think that language is about 8 years old now. And there have been revolutionary changes that have occurred in means of communication during that intervening time. So I'm not saying that language is sacrosanct and that's why we need your expertise.

Mr. MCHUGH. Well, thank you for that. And things do change, there's no question.

Mr. CRANE. Thank you.

Mr. MCHUGH. We thank our colleagues for joining us.

The second panel this morning will include a number of representatives from the Congressional Research Service. They will include Mr. Don Kiefer, who represents or serves as Chief of the Economics Division; accompanying Mr. Kiefer will be Mr. Bernard Gelb who is a Specialist in Industry Economics; also Mr. Fred Kaiser, who is a Specialist in American National Government; Ms. Bernevia McCalip, Analyst in Business and Government Relations;

and Ms. Carolyn Merck, Specialist in Social Legislation; and Mr. Tom Nicola, legislative attorney. If we can find seats for everyone.

There are many quirks and probably reverse appropriate features of the U.S. Government. One is that when Members of Congress appear before our committee they're not sworn in, but strangely, good people like yourselves must be. I hope you take no offense to that, but it is according to the committee rules, so if you would all rise, please, and raise your hands, right hands and affirm to me.

[Witnesses sworn]

Mr. MCHUGH. Thank you.

The record will show that all of the witnesses affirmed and responded in the affirmative.

And with that, I would turn the dais over to Mr. Kiefer for his comments and for how he would like to direct the panel.

We are at your service, sir. Welcome.

STATEMENTS OF DONALD KIEFER, CHIEF, ECONOMICS DIVISION, CONGRESSIONAL RESEARCH SERVICE, ACCOMPANIED BY BERNARD A. GELB, SPECIALIST IN INDUSTRY ECONOMICS, ECONOMICS DIVISION, CRS; BERNEVIA McCALIP, ANALYST IN BUSINESS AND GOVERNMENT RELATIONS, ECONOMICS DIVISION, CRS; FREDERICK M. KAISER, SPECIALIST IN AMERICAN NATIONAL GOVERNMENT, GOVERNMENT DIVISION, CRS; CAROLYN L. MERCK, SPECIALIST IN SOCIAL LEGISLATION, EDUCATION AND PUBLIC WELFARE DIVISION, CRS; AND THOMAS NICOLA, LEGISLATIVE ATTORNEY, CRS

Mr. KIEFER. Thank you, Mr. Chairman, and members of the subcommittee. My name is Donald Kiefer. I am the Chief of the Economics Division of the Congressional Research Service.

The Congressional Research Service would like to thank you for the opportunity to assist you in identifying issues for consideration in your review of possible changes in the structure of the U.S. Postal Service. Our report, prepared at your request, analyzes in an economic framework the performance of the U.S. Postal Service in the context of its mandates, its rules of operation, and developments in the private sector.

The report defines and describes concepts of privatization and other alternative structures that could be used to provide postal service in the United States. It looks at changes that have been implemented in a number of other industrial countries as they have tried to improve the performance of their postal systems.

Finally, the report analyzes the likely effectiveness of selected alternative structures in providing mail service in the United States and their likely effects on postal markets.

Now, as you indicated, Mr. Chairman, I'm joined by several other analysts from the Congressional Research Service who actually prepared this report. The analysts in turn are Bernard Gelb, to my immediate left, who served as the overall coordinator and editor of the project; Frederick Kaiser, Bernevia McCalip, Carolyn Merck, and Thomas Nicola. Each one of the first four will provide brief remarks, summarizing important points and sections of the report, and then we will all be available for your questions.

At this time, I'd like to turn it over to Bernard Gelb to begin the summary of the report.

Mr. GELB. Good morning. I will summarize the entire report. My colleagues will each focus on an aspect in which the subcommittee has expressed particular interest.

Congress established the U.S. Postal Service in 1970 to convert the Post Office Department into an entity that would provide mail service on a businesslike self-sustaining basis. The Postal Service improved enough so that it has not received or requested a subsidy in a number of years.

However, the USPS has come under stress as a result of new technology and competition in mail service in particular, and communications in general, and it has had difficulty adjusting. This has contributed to reported shortcomings in and dissatisfaction with its service.

The Postal Service has lost large portions of some of its markets to competitors whose names we know well. Both an effect and a cause of these losses has been the Postal Service's ceding of part of its monopoly.

Shortcomings in Postal Service performance appear to stem from both conceptual and operational causes. Conceptually, while the Postal Service is to operate on a businesslike basis, it also has a public service mission, "to bind the Nation together."

Postal Service competitors can tailor their capital and labor resources to narrow markets, but the Postal Service has to have a broad infrastructure in order to meet its obligation of universal service. And whereas private firms set prices based upon their costs, including return on investment and upon competitors' prices, the Postal Service must take account of social externalities, equity and political considerations.

Operational problems result partly from the law governing Postal Service operations and dealings with its employees and partly from shortcomings in the way both managers and rank and file workers run the organization.

A major impediment to the Service's ability to compete is the cumbersome process of setting rates and introducing new services. The multiplicity of USPS services combined with broad, multiple, and conflicting rate-setting criteria, pose challenges in the pricing of services. And USPS costs are higher than they might be otherwise.

A range of types of options are possible to restructure the postal system to deal with perceived problems. As it has with other agencies providing services to the public or to specific sectors of the economy, Congress could custom design a modified or new postal entity to suit its particular objectives. Actual options that have been proposed in the public arena range from modest changes in governing laws and management structure, to complete privatization of the Postal Service and total deregulation of postal markets.

The report analyzes how well four hypothetical alternative structures would do the job of providing mail service to the Nation, and what their effects on postal markets might be. The hypothetical alternatives, which vary in terms of departure from the present system, are based mainly upon actual proposals.

Our analysis finds that as one moves away from the present system, the altered entity would be able to operate more efficiently and compete better. At the same time, in moving toward a totally deregulated and less integrated system, the character of mail service probably would tend to move away from the present levels of universality, regularity, and uniformity.

The question of what combination of organizational, institutional, and mail service attributes would be best ultimately is an issue for political resolution. CRS assumes neither that the Government should nor that it should not be involved in providing postal service. Furthermore, our analysis of possible alternatives does not necessarily indicate a belief that change is advisable.

Bernevica McCalip will discuss the evolution of the Government's monopoly.

Ms. MCCALIP. Mr. Chairman, members of the committee, good morning. Since 1792 the U.S. mail monopoly has undergone numerous changes and now applies to "letter mail" only.

Controversy over the mail monopoly began when the framers departed from the English precedent of a totally monopolistic approach to Government-run postal service. This raised questions about whether they really intended to establish a postal system as a Federal monopoly.

Nevertheless, the first of the mail monopoly laws, referred to as the private express statutes, was passed. The initial legislation prohibited the private carriage of letters and packets, but exempted newspapers.

By 1845, private express companies had proliferated and violations of the private express statutes were rampant. To curb these acts, Congress made it unlawful to establish any "private express" for the conveyance of "letters, packets or packages of letters or other mailable matter," but exempted newspapers, magazines, pamphlets and periodicals.

In response to complaints from businessmen and merchants, another Federal law was enacted, permitting private carriage of mail if postage was prepaid and letters were dated and sealed.

The last major changes in the mail monopoly occurred administratively in 1978 and 1986. In 1978, the Postal Service exempted "extremely urgent letters" that met either a time of delivery or price test. In 1986, private mail companies were allowed to provide international mail delivery through a service called "Remail." The Postal Service retains, however, exclusive use of mailboxes.

Despite the erosion of the mail monopoly over the past century, letter mail presently generates more than 60 percent of the Postal Service's revenue. Due to the large volume of First- and Third-Class mail, the Postal Service still holds considerable clout in the mail marketplace. However, the future viability of the mail monopoly is considerably blurred by the increasing use of electronic messaging and advances in telecommunications.

Now I turn to Fred Kaiser who will discuss alternative types of structures that might be considered for the Postal Service.

Mr. KAISER. Mr. Chairman and subcommittee members, thank you for the invitation to put our 2 cents' worth into this consideration of the restructuring of the U.S. Postal Service. My focus is on the conceptualization of alternative structures. It emphasizes

some of the major types of institutional, organizational and structural options available to change the postal system. These range from far-reaching comprehensive privatization proposals such as creating a private corporation, about which we just heard at some length, to modest adjustments within an organization.

While it is possible to combine some of the options or alternatives, others are quite simply incompatible with one another. That is because these are based on different and even competing assumptions, understandings, objectives and values related to Government and governance.

Privatization has gained prominence recently as a means of cutting Government spending, eliminating operational inefficiencies, improving performance and providing goods and services, and reducing the role of Government in society. Four basic types or methods of privatization have the most relevance as alternatives for structures in a postal system. Contracting out is perhaps the most frequent, and probably the oldest form of privatization.

Divestment or divestiture is the clearest type of privatization. That is the sale or transfer of a Government agency, corporation, service or asset to private ownership.

Franchising, through this method the Government awards a private operator the right to sell a certain product or provide a service to the public, often through concessions or lease arrangements.

Finally, displacement. Under this approach, the Government relinquishes its control over a good, service or activity, or even a function, by default, withdrawal or deregulation.

Besides these, there are many other varied options to restructure the Postal Service. These tend to emphasize or have a focus on agency management. And their objectives are to improve internal management controls and capacity building, eliminate or modify competing objectives and support cost-saving goals, reduce outside interference with internal managerial decisions, or alternatively enhance management guidance from relevant outside entities.

We've identified nine prominent options among a wide variety. Two of them, for instance, are to centralize all management powers in the head of the operation and chief executive officer. A second would be to grant the Postmaster General or Board of Governors greater authority and flexibility over the work force and workplace matters. And these again are just illustrations.

Now, our colleague, Carolyn Merck, will conclude our prepared remarks by discussing issues pertaining to postal worker fringe benefits.

Ms. MERCK. Good morning, Mr. Chairman, and members of the subcommittee. I will address some issues concerning what changing the relationship of the Postal Service to the Federal Government could mean with regard to postal employee benefits, particularly health insurance and retirement.

As long as postal workers are defined as Federal employees, they have access to Federal employee health insurance and retirement coverage. This access would cease if postal workers lose their Federal jobs or if postal employment were redefined or redesigned as nonpostal—excuse me, non-Federal.

Postal workers currently participate in the Federal employees' health benefits program, although unlike other Federal workers,

their share of the cost of the insurance premiums is collectively bargained and they currently pay a lower share of the premiums than other Federal workers. Presumably, under any change in the status of the Postal Service, postal workers would be offered health insurance by their employer, although they could be excluded from the FEHBP if they are no longer Federal employees.

Should there be a change in the status of the Postal Service, the most difficult issues the Congress would face with regard to postal employee benefits pertain to retirement. Postal workers participate in the Federal Civil Service Retirement programs under the same terms and conditions as nonpostal Federal workers. Under Postal Service redesign options that would shrink the number of postal workers due to assumption by private enterprise of certain services, some postal workers might lose their jobs and, hence, would no longer be entitled to Federal retirement system coverage.

Alternatively, if the entire Postal Service were converted into a non-Federal entity in which the employees retained their jobs but were no longer defined as Federal personnel, they would lose Federal retirement coverage just as if they had lost their jobs.

Workers with at least 5 years of Federal service would continue to be vested in the benefits earned as of the termination of their Federal status, but they would receive no credit toward their Federal pension after that time and would be eligible only for a deferred Federal pension starting at age 62, a pension that could lose significant value during the intervening years.

As a result, there would probably be considerable pressure for Congress to intervene to protect the retirement benefits of postal workers who make the transition from Federal to non-Federal status. However, there are no rules and limited precedents for such a situation. In those rare instances in which a Federal entity has been defederalized, Congress has made different pension arrangements.

If Congress were to cover all postal workers under a new retirement system, or if Congress were to permit the Postal Service to be credited to a non-Federal retirement plan, complex issues would need to be addressed regarding how vested benefits and service credits under the old Federal system would be treated and financed.

Thank you, Mr. Chairman. This concludes our prepared statements, and we would be happy to address any questions you might have.

[Note.—The committee print report prepared by the CRS for this subcommittee entitled, "Mail Service in the United States: Exploring Options for Improvement" is available through the subcommittee office.]

[The prepared statement of Mr. Kiefer, Mr. Gelb, Ms. McCalip, Mr. Kaiser, and Ms. Merck follows:]



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Statements by

Donald W. Kiefer, Bernard A. Gelb, Bernevia M. McCalip,
Frederick M. Kaiser, and Carolyn L. Merck
Congressional Research Service
Library of Congress

before the

Subcommittee on Postal Service
Committee on Government Reform and Oversight
U.S. House of Representatives

November 15, 1995

Dr. Donald W. Kiefer, Chief of the Economics Division

Mr. Chairman and Members of the Subcommittee, the Congressional Research Service would like to thank you for the opportunity to assist you in identifying issues for consideration in your review of possible changes in the structure of the U.S. Postal Service.

Our report, prepared at your request, analyzes in an economic framework the performance of the U.S. Postal Service in the context of its mandates, its rules of operation, and developments in the private sector. The report defines and describes concepts of privatization and other alternative structures that could be used to provide postal service in the United States. It looks at changes that have been implemented in a number of other industrial countries as they have tried to improve the performance of their postal systems. Finally, the report analyzes the likely effectiveness of selected alternative structures in providing mail service in the U.S. and their likely effects on postal markets.

I am joined today by several CRS analysts who were involved in the project and who will respond to your questions. The analysts are Bernard Gelb, Frederick Kaiser, Bernevia McCalip, Carolyn Merck, and Thomas Nicola. Four of these analysts will briefly summarize key points in sections of the report.

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**Bernard A. Gelb, Specialist in Industry Economics,
Economics Division**

Good morning. I am Bernard Gelb, an industry analyst in the Economics Division of CRS. As Don Kiefer said, our report aims to help the Subcommittee define the issues for its planned consideration of possible change in the Postal Service, and does so in an economic framework. I am going to summarize the findings of the report as a whole; each of three of my colleagues will focus on a specific aspect or issue in which the Subcommittee has expressed particular interest. Some important points in our report necessarily are omitted from our testimony because of time constraints.

The U.S. Postal Service (USPS) was established in 1970 to convert the then existing Post Office Department into an entity that, still under Government supervision, would provide mail service in the United States on a business-like self-sustaining basis. The USPS improved enough over its predecessor so that it has not received, or requested a subsidy in a number of years.

However, the USPS has come under stress as a result of new technology and competition in mail service in particular and communications in general; and it has had difficulty adjusting. This has contributed to reported shortcomings in and dissatisfaction with its service. There reportedly was a deterioration in mail service in the late 1980s — in terms of general consistency and in terms of extreme situations. Service appears to have recovered somewhat in recent years, however.

The USPS has lost substantial portions of some of its markets to competitors whose names we know well. Both an effect and a cause of these losses has been the Postal Service's ceding of part of its monopoly. Following my presentation, Bernevia McCalip will provide some details on the evolution of the Federal Government's monopoly on letter mail.

The shortcomings in Postal Service performance appear to stem from both conceptual and operational causes. Conceptually, while the USPS is to operate on a business-like basis, it also has been given a broad public service mission to be "a basic and fundamental service provided to the people by the Government...to bind the Nation together through the personal, educational, literary, and business correspondence of the people" (P.L. 91-375). Whereas Postal Service competitors can tailor their capital and labor resources to narrow markets, the Postal Service has to have a broad infrastructure in order to meet its obligation of universal service. And whereas private firms set prices based upon their costs (including return on investment) and competitors' prices, the Postal Service must take account of social externalities, equity, and political considerations. The Postal Service is explicitly required to provide universal service in every class of mail, and is required through interpretation to provide letter mail service at a uniform price.

Operational difficulties result partly from the more specific laws governing USPS operations and dealings with its employees, and partly from shortcomings in the way both management and rank-and-file workers "run" the organization. A major impediment to the USPS' ability to compete is the cumbersome process for setting prices and introducing new services imposed by the law. The Postal Service's multiplicity of services combined with broad, multiple, and conflicting rate-setting criteria pose difficult challenges to the USPS in pricing its services. And, for reasons detailed in our report, the Postal Service's costs are higher than they might be otherwise.

This country is not alone among nations in having a postal service that has come under the stress of new technologies and strong competitors in communications and in parcel delivery. A number of other industrial countries have moved to improve their postal systems through organizational and other changes. Actually, the United States was among the first of the industrial countries to reorganize its postal system.

A number of types of options are possible to "restructure" our postal system anew to deal with the perceived problems. As it has in other cases of agencies providing services to the public or specific sectors of the economy, Congress could custom-design a modified or new postal entity to suit its particular objectives. Fred Kaiser will discuss the generic types of alternative institutional arrangements that might be considered. Carolyn Merck then will discuss a few issues related to postal workforce benefits that might have to be addressed in a transition from the present to a reshaped postal structure.

Actual options proposed by a number of observers and mailing industry representatives range from modest modifications of USPS governing laws and management structure to complete "privatization" of the USPS and total deregulation of postal markets.

The report analyzes how well four hypothetical alternative structures that vary in terms of departure from the present Postal Service would do the job of providing mail service to the Nation, and what their effects on postal markets might be, including how competitors might respond. The hypothetical alternatives are based mainly upon actual proposals in the public arena; their "design" largely ignores the fine points of the legal form of the structure. (Key aspects of the *operating framework* of the system probably are much more important factors than the legal form of the organization in determining how the structure would do the job of providing mail service.)

Our analysis finds that, roughly speaking, as one moves away from the present system, the altered entity would be able to operate more efficiently and compete better. (In the present "system," we include the present conceptual and operational rules as well as the structure.) At the same time, in moving toward a totally deregulated and less integrated system, the character of mail service probably would tend to move away from the present levels of universality, regularity, and uniformity (including price in the case of first-class mail).

The question of what combination of organizational, institutional, and mail service attributes would be *best* ultimately is an issue for political resolution. CRS assumes neither that Government should nor that it should not be involved in providing postal service. Furthermore, the CRS analysis of possible alternatives to the present system does not indicate our belief that change necessarily is advisable.

**Bernevia McCalip, Analyst in Business and Government Relations,
Economics Division**

Since 1792, the U.S. mail monopoly has undergone numerous changes and now applies to "letter-mail" only.

Controversy over the mail monopoly began when the framers departed from the English precedent of a totally monopolistic approach to government-run postal service. This raised questions about whether they really intended to establish a postal system as a Federal monopoly. Nevertheless, the first of the mail monopoly laws, referred to as the Private Express Statutes, was passed. The initial legislation prohibited the private carriage of "letters and packets," but exempted newspapers.

By 1845, private express companies had proliferated and violations of the Private Express Statutes were rampant. To curb these acts, Congress made it unlawful to establish any "private express" for the conveyance of "letters, packets, or packages of letters, or other mailable matter," but exempted newspapers, magazines, pamphlets, and periodicals. In response to complaints from businessmen and merchants, another Federal law was enacted permitting private carriage of mail if postage was prepaid and letters were dated and sealed.

The last major changes in the mail monopoly occurred administratively in 1978 and 1986. In 1978, the Postal Service exempted "extremely urgent letters" that met either a "time of delivery" or "price" test. In 1986, private mail companies were allowed to provide international mail delivery through a service called "Remail." The Postal Service retains, however, exclusive use of mail boxes.

Despite the erosion of the mail monopoly over the past century, letter-mail presently generates more than 60 percent of the Postal Service's revenue. Due to the large volume of first and third class mail, the Postal Service still holds considerable clout in the mail marketplace. However, the future viability of the mail monopoly is considerably blurred by the increasing use of electronic messaging and advances in telecommunications.

Now I would like to turn to Fred Kaiser, who will discuss alternative types of structures that might be considered for the Postal Service.

**Frederick M. Kaiser, Specialist in American National Government,
Government Division**

Mr. Chairman and Subcommittee Members, thank you for the invitation to comment on this consideration of the restructuring of the United States postal system. My focus is on the conceptualization of alternative structures. It emphasizes some of the major types of institutional, organizational, and structural options available to change the postal system. These range from far-reaching, comprehensive privatization proposals, such as creating a private corporation, to modest adjustments within an organization. While it is possible to combine some of the options, others are incompatible with one another. That is because these are based on different and even competing assumptions, objectives, and values.

Privatization Concepts and Options

Privatization has gained recent prominence as a means of cutting government spending, eliminating operational inefficiencies, improving performance in providing goods and services, and reducing the role of government in society. Some privatization initiatives, however, have been criticized for not delivering on their promises, on the one hand, or going too far, on the other. Questions have been raised, moreover, about several key matters: what particular activity or function should be privatized (i.e., "commercial" activities but not "core" functions of government); which government office should implement the effort (i.e., the agency itself or another office with, perhaps, more experience or expertise in field); and how should costs, prices, and payments be determined.

Privatization is subject to different interpretations but is usually viewed as covering a wide and varied range of actions. Four broad types have the most relevance as alternative structures for a postal system.

1. **Contracting Out.** The most frequent and probably the oldest form of privatization is contracting out—a government's practice of entering into contracts with private businesses, firms, organizations, and individuals to perform a specific task or provide a good or service.
2. **Divestment or Divestiture.** The clearest type of privatization is divestment, sometimes referred to as divestiture, i.e., the sale or transfer of a government agency, corporation, service, or asset to private ownership.
3. **Franchising.** Through this method, the government awards a private operator the right to sell a certain product or provide a service to the public, often through concessions or lease arrangements. Usually, a fee is paid to the government for this right.

4. **Displacement.** Under this approach, the government relinquishes its control over a good, service, activity, or even function, by default, withdrawal, or deregulation. Such displacement may be limited to a narrow range of goods or services, resulting in selective "load shedding." Displacement may also be extensive, encompassing a wide range of interrelated services and activities, or even complete, if the government ends responsibility for a function or terminates the mission of an agency.

Management Restructuring Options

Many other varied options to restructure the U.S. Postal Service, with a focus on agency management, also exist. Their objectives are to: improve internal management controls and capacity building, eliminate or modify competing objectives and support cost-savings goals, reduce outside interference with internal managerial decisions, or, alternatively, enhance management guidance from relevant outside entities. Prominent among the wide range of management restructuring options are the following:

1. Centralize all management powers in the head of the operation and chief executive officer, i.e., the Postmaster General.
2. Grant the Postmaster General or Board of Governors greater authority and flexibility over the workforce and workplace matters.
3. Redefine the powers and reduce the staff of the Postal Rate Commission, in so far as they might intrude on the management decisions of the USPS.
4. Place the Postal Service under the Government Corporation Control Act.
5. Create a single-head agency, along the lines of other independent agencies within the executive, such as the Environmental Protection Agency.
6. Increase management controls or guidance by the Office of Management and Budget over the corporation.
7. Place the Postal Service under the 1990 Chief Financial Officers Act and ensure its compliance with the 1994 Government Management Reform Act, both of which are intended to improve financial management practices.
8. Insist on compliance by the Postal Service with the goals and objectives of the Government Performance and Results Act of 1993.
9. Follow up regularly and meaningfully on the findings and recommendations of the Inspector General, who is also the Chief Postal Inspector. Increase the status of the IG, by making the post a presidential appointment subject to Senate confirmation. Separate postal inspection operations from the other traditional IG activities that combat waste, fraud, and abuse.

**Carolyn L. Merck, Specialist in Social Legislation
Education and Public Welfare Division**

Good morning Mr. Chairman and members of the Subcommittee. I will address some issues concerning what changing the relationship of the Postal Service to the Federal Government could mean with regard to postal employee benefits, particularly health insurance and retirement. As long as postal workers are defined as Federal employees, they have access to Federal employee health insurance and retirement coverage. This access would cease if postal workers lose their Federal jobs or if postal employment were redefined or redesigned as non-Federal.

Health Insurance

Postal workers currently participate in the Federal Employees' Health Benefits Program (FEHBP), although, unlike other Federal workers, their share of the cost of the insurance premiums is collectively bargained, and they currently pay a lower share of the premiums than other Federal workers. Presumably, under any change in the status of the Postal Service, postal workers would be offered health insurance, although they could be excluded from the FEHBP if they are no longer Federal employees.

Retirement

Should there be a change in the status of the Postal Service, the most difficult issues the Congress would face with regard to postal employee benefits pertain to retirement. Postal workers participate in the Federal civil service retirement programs under the same terms and conditions as non-postal Federal workers. Under Postal Service redesign options that would shrink the number of postal workers due to assumption by private enterprise of certain services, some postal workers might lose their jobs and hence would no longer be entitled to Federal retirement system coverage.

Alternatively, if the entire Postal Service were converted into a non-Federal entity in which the employees retained their jobs but were no longer defined as Federal personnel, they would lose Federal retirement coverage just as if they had lost their jobs. Workers with at least 5 years of Federal service would continue to be vested in the benefits earned as of the termination of their Federal status, but they would receive no credit toward their Federal pension after that time and would be eligible only for a *deferred* Federal pension starting at age 62, a pension that could lose significant value during the intervening years. As a result, there would probably be considerable pressure for Congress to intervene to protect the retirement benefits of postal workers who make the transition from Federal to non-Federal status. However, there are no rules and limited precedents for such a situation. In those rare instances in which a Federal entity has been de-

federalized, Congress has made different pension arrangements. If Congress were to cover all postal workers under a new retirement system, or if Congress were to permit Federal postal service to be credited to a non-Federal retirement plan, complex issues would need to be addressed regarding how vested benefits and service credits under the old system would be treated and financed.

Thank you, Mr. Chairman. This concludes our prepared statements. We will be glad to address your questions.

**Economics Division**

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Memorandum

January 31, 1996

TO : Honorable John M. McHugh, Chairman
Subcommittee on the Postal Service
House Committee on Government Reform and Oversight
Attention: Dan Blair

FROM : Bernard A. Gelb, Specialist in Industry Economics

SUBJECT : Questions for the record of the Subcommittee hearing on possible reform of the Postal Service.

This memorandum and the attached materials respond to your letter of November 27, 1995, which requests answers to 10 questions to supplement the record of the hearing held on November 15, 1995. For ease of understanding our responses, the memorandum repeats the questions. In some cases, the responses refer to the CRS report requested by you and released at the hearing.¹

Please note that a number of CRS analysts have contributed to this memorandum. In alphabetical order, they are: Amy Abel, Environment and Natural Resources Policy Division; Bernard A. Gelb, Economics Division; Linda Levine, Economics Division; Bernevia M. McCalip, Economics Division; Carolyn L. Merck, Education and Public Welfare Division; Robert D. Poling, American Law Division; and Vince Treacy, American Law Division. The authors are identified with their responses. We trust that the following is responsive to your inquiry.

QUESTION #1²

Longstanding labor relations problems persist on the workroom floor of the Postal Service. Literature on the subject suggests that a unionized organization can make little progress in reinventing the organization or changing its culture if relations between management and labor leaders are adversarial.

¹ U.S. Library of Congress. Congressional Research Service. *Mail Service in the United States: Exploring Options for Improvement*. CRS Report 95-1105 E, coordinated by Bernard A. Gelb. Washington, November 13, 1995. 78 p.

² Vince Treacy, Legislative Attorney, prepared the response to both parts of this question.

A. To what extent has the Postal Reorganization Act's mandates on postal labor relations created challenges for improving labor-management relations in the Postal Service?

Response to A

Postal labor relations should be viewed in historical perspective.³ Postal employees engaged in extensive organizing from 1880 to 1900. From their earliest days, postal unions concentrated on achieving their goals by securing favorable legislation from Congress. In 1902, President Theodore Roosevelt issued a "gag order" to prohibit all employees of the executive departments from seeking to influence legislation in their behalf, either individually or through associations, except through the heads of departments.

After a long struggle, Congress repealed the gag order by means of the Lloyd-LaFollette Act of 1912,⁴ and recognized the right of postal employees to organize unions and to affiliate with outside organizations. The Lloyd-LaFollette Act was the primary statutory provision for postal labor relations until 1970. During those years, the Post Office continued to operate as a government agency, with the Postmaster General in the President's Cabinet. Collective bargaining, however, was limited to subjects not covered by law. Since the major topics of wages and hours were governed by statute, postal union efforts were concentrated on lobbying Congress for better pay and working conditions. In 1961, President Kennedy's executive order revamped Federal labor relations, and President Nixon set forth more reforms under E.O. 11491 in 1969. Neither of these Orders permitted bargaining over wages.

An accumulation of wage grievances and other labor-management problems triggered the major national postal strike of March 1970. The strike forced a reappraisal of the entire Post Office situation at the highest levels of authority. After postal operations were restored, negotiators hammered out a Memorandum of Agreement that formed the basis of statutory reform. The Postal Service was established as an independent establishment by the Postal Reorganization Act, and collective bargaining was instituted for determining all wages, hours, and other terms and conditions of employment under the National Labor Relations Act.

The policy of the Postal Reorganization Act was to provide tenured management free of political considerations. Postal operations were substantially removed from congressional and presidential control, with performance, not politics, to determine tenure.

³ See Nesbitt, Murray B. *Labor Relations in the Federal Government Service*. Washington, Bureau of National Affairs, 1976. 545 p.

⁴ 37 Stat. 555.

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The strike was prohibited. In lieu of strikes and lockouts, Congress mandated binding interest arbitration to resolve impasses in collective bargaining. From the perspective of 25 years of bargaining history, the Postal Reorganization Act has succeeded in several major respects:

- * Wages, hours, and working conditions have been eliminated as a matter of congressional concern, and are now covered by comprehensive collective bargaining agreements.

- * There have been no major postal strikes in the 25 year history of the Act. All outstanding issues have been resolved at the table, or through binding interest arbitration.

- * As noted in the CRS report, the Postal Service achieved financial self-sufficiency by 1985, and has operated without subsidies since then, while the price of first-class postage, corrected for inflation, has been stable.

B. How can Congress encourage and assist postal management and unions to address these problems?

Response to B

It is clear that labor relations could be better. The key question is how to achieve this goal. To begin with, Congress has adopted a settled hands-off policy for almost all private sector labor disputes, and has showed little desire to abandon this policy. Whether Congress would make an exception for postal labor relations is open to question. Moreover, it does not appear that Congress wants to get involved all over again in the day-to-day operations of the postal system.

It has been suggested that there would be far greater urgency to postal collective bargaining if the parties conferred under the threat of a strike or lockout. On the other hand, the potential damage from a national postal strike would be immeasurable. Congress does not seem ready to revisit the question of the right of postal employees to strike. If the ban on striking is continued, then the substitute for the strike, in some form of compulsory interest arbitration, must also continue, although the current format of that arbitration could be streamlined.

Postal management and some Postal Service observers often suggest that interest arbitration leads to costly settlements that favor the union, and that management might fare better if the unions were required to strike for higher wages, and if management could respond with private sector tactics, that is, using supervisory and management workers, contracting out, or hiring temporary or permanent replacements.

The notion that granting the right to strike to postal unions would strengthen the hand of *management* in labor bargaining is very questionable.

It would be far more likely to strengthen the unions by increasing their bargaining power and by escalating their demands. The Postal Service could attempt to operate through a strike, but the President or Congress would probably have to intervene quickly to prevent permanent economic damage.

In general, the historical record leads to several conclusions. First, the unions are likely here to stay in postal labor relations. Second, collective bargaining does, in fact, limit postal management's discretion in implementing changes, just as it does in any unionized enterprise. Third, both employees and management have a crucial stake in increasing productivity in postal operation through increased capital investment, improved employee training, and better management skills. Fourth, Congress has consistently treated postal labor relations on an equal footing with all competing private sector enterprises. Fifth, the basic policy in the private sector has been for the Federal Government to keep its hands off the bargaining process, and to restrict its control to setting the ground rules and resolving disputes over those rules; the Government requires the parties to come to the table, but does not dictate the result reached at that table.

Therefore, it is up to the parties to come up with ways to expedite change within the existing collective bargaining system. There are at least two avenues for improvement: (1) improved communications and (2) reform of the interest arbitration system.

(1) One approach is to bring the parties to a new table for frank and candid discussions outside the regular contract bargaining process. Congress could establish a permanent Presidential Commission on postal labor relations, composed of representatives of labor, management, and the public. The existing Postal Service Advisory Council, established by section 2(a) of the Postal Reorganization Act,⁶ might then be abolished. The Advisory Council lacks independence, because it is chaired by the Postmaster General and supported by the Postal Service. The Advisory Council has four labor union representatives, four management representatives, and four representatives of major mail users, but only three representatives of the public at large. Its mandate, which includes "all aspects of postal operations," is broad and unfocused.

If a Presidential Postal Labor Commission carried the prestige of a White House agency with a national agenda, it might help it to accomplish its mission. For the same reason, such a commission should be chaired by a senior, neutral public official nominated by the President. The Commission could be independent of the Postal Service, and could receive administrative support from the Federal Mediation and Conciliation Service to ensure its neutrality.

⁶ 39 U.S.C. § 206(a).

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The mission of the Commission would be to make recommendations to the Postal Service for improvement of labor-management relations in all respects. The Commission could report annually to the President and Congress on its recommendations for necessary legislative changes.

The effort would be to improve labor relations by mutual exchange of views outside the confrontational atmosphere of collective bargaining and grievance resolution. The Commission would focus on the labor-management process and seek innovative ways for the parties to resolve disputes and facilitate agreement.

(2) Given the unique role of interest arbitration in Postal Service labor relations, reform of the arbitration process might be considered. When it enacted the Postal Reorganization Act, Congress in effect delegated its former legislative responsibilities to the parties in the collective bargaining process, and, when they could not agree, ultimately to the arbitrators. The arbitrators, however, do not have the usual statutory standards to guide them in the exercise of this delegated legislative power.

Congress could enact standards for interest arbitrators to apply in resolving postal bargaining impasses. It could require arbitrators to heed comparable wages in competing private sector enterprises as well as traditional employee concerns. Congress recently enacted similar standards for public sector interest arbitration in the mass transit industry. Those standards, set forth in the Appendix at the end of this memorandum, could serve as a model for postal labor reform.

QUESTION #2

If the Postal Service or parts thereof are privatized, who would be responsible for paying pension and health benefits?

Response⁶

As far as *future* benefits are concerned, it is assumed that the employing entity issuing the payroll checks would also be responsible for financing and paying pension and health benefits. Responsibility for paying pensions for *past* service is more problematic.

When Congress established the U.S. Postal Service (USPS), it decided that postal employees would continue to be covered by the same retirement plans applicable to regular Federal employees. All Post Office Department employees whose service commenced before 1971 were covered by the same Federal Civil Service Retirement System (CSRS) applicable to all Federal employees. The cost of CSRS benefits for pre-1971 postal service is paid by

⁶ Prepared by Carolyn L. Merck, Specialist in Social Legislation.

the Federal Government. When Congress enacted legislation that placed workers entering Federal service on or after January 1, 1984, under Social Security and the Federal Employee Retirement System (FERS), new postal employees were included.

An important objective of the Congress in establishing the USPS was that it be totally self-financing. Thus, although the Office of Personnel Management (OPM) administers the retirement system for the USPS, the law requires the USPS to reimburse the Government for the cost of retirement benefits earned by postal workers since 1971. In 1995 the USPS paid the Federal Government about \$5 billion to finance future retirement costs for current employees and cost-of-living adjustments (COLAs) for current postal retirees. This amount includes (a) the agency "matching" share of contributions into the system on behalf of current workers, (b) amortization payments that finance future pension costs attributable to annual employee pay raises (amortized over 30 years), and (c) amortization payments that finance annual retiree COLAs (amortized over 15 years).

In general, if all postal operations were turned over to nonfederal entities, and if current postal workers were to lose the right to continue to participate in the Federal retirement programs, from the time of the conversion forward, the new employer would be responsible for all employee compensation, including pay, retirement, and health insurance. Under current law, USPS workers not eligible to retire when their jobs are privatized could leave their retirement contributions in CSRS or FERS and, beginning at age 62, draw a deferred annuity. Administered by OPM, benefits attributable to pre-1971 service would be paid by the Federal Government; and post-1971 service benefits would be financed by payments the USPS has made to the Government.

However, because part of the benefits earned after 1971 is financed over time through amortization payments, the benefits would not be fully financed when the privatization takes place. Either the USPS would have to pay off the remaining scheduled amortization payments in a lump sum (which would be many billions of dollars), or responsibility for the benefits could be assumed by the private entity, depending on the reorganization plan adopted. Alternatively, Congress could authorize the Federal Government to assume that obligation, as well as the obligation to finance past and future COLAs for postal retirees.

It is assumed that, if postal workers were to become private sector employees, they would be covered by a new retirement plan from which they would draw benefits based on service with the private entity, under the eligibility and benefit criteria of that plan, and paid for by that employer. Thus, when the workers retire from their postal jobs, they might receive two annuities: one from the Government for their pre-privatized postal employment, and one from the private firm inheriting the USPS employees.

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QUESTION #3

Could the Federal Government sever its pension commitments for benefits already earned?

Response⁷

When Congress established the USPS, it shifted financial responsibility for retirement benefits earned after 1971 from the Federal Government to the USPS, but the law obligated the Government to pay benefits earned before 1971. Presumably, this commitment would not change. The Government is not committed to pay for the benefits earned after 1971, however. Those benefits are financed through postal revenues collected by the USPS.

QUESTION #4

If the Federal Government is to honor its pension commitments, how could this be accomplished if the Postal Service were "privatized?" How much would the Federal pension obligation be?

Response⁸

Under current law, the Federal government is committed to pay annuities to postal workers with pre-1971 service, and the USPS is required to reimburse the Government for the cost of annuities for service after 1971. Assuming that, under a partial privatization scheme, the USPS would no longer be responsible for retirement benefits earned after affected postal jobs are privatized, the USPS would realize reduced obligations. However, if USPS revenues were to decline significantly due to privatization of a major share of postal business, the USPS might not have the revenues necessary to complete the amortization payments to which it currently is obligated.

If the Congress wanted to "hold harmless" postal employees affected by privatization, it could enact legislation to provide postal workers with either (a) an *indexed* deferred annuity at age 62; or (b) continued coverage under the Federal retirement system. Under the first option, the value of a worker's earned benefits at the time the job is privatized would be protected from erosion by indexing the annuity to reflect either wage growth or inflation from the time of separation from the Federal system until age 62.

Under the second option, Congress could entitle private postal workers to continued coverage under the Federal retirement system.

⁷ Prepared by Carolyn L. Merck, Specialist in Social Legislation.

⁸ Prepared by Carolyn L. Merck, Specialist in Social Legislation.

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However, workers participating in the pre-1984 retirement plan are not covered by Social Security. Unless the law were changed to excuse them from Social Security, once they are private sector employees, they would be required to pay into both systems, requiring a combined employee payroll tax of 13.2%. The cost to the Federal Government of either option depends on the nature and extent of the privatization scheme adopted.

Alternatively, each worker whose job is privatized could be paid a cash lump sum equal to the present value of their deferred annuity. This could be rolled over into an individual retirement account (IRA). While this option would cost the same as paying deferred annuities, it would have a larger budget impact in the year the changeover occurred; this is because the payments would be scored as a one-time outlay in the year paid, rather than spread over the retiree's lifetime as monthly annuity payments.

QUESTION #5

Your report addresses the effects of technological changes on the future growth in mail volume. You quote the recent GAO report on automation regarding a potential decrease in future mail volumes. However, you further state that the impact of new technologies on mail diversion could be overstated and that "(s)uch new services and the additional economic activity they generate could, themselves, generate additional mail in the traditional sense."

Please explain this statement. Are you saying that even though the Postal Service's market share of communications may decrease, advances in communications technology will sufficiently increase total communications to the extent that the Postal Service will still see its overall increase?

Response⁹

We are saying that even though the Postal Service's market share of communications may decrease, advances in communications technology could sufficiently increase total communications to the extent that the Postal Service would see its overall (revenues) increase.

The suggestion that the impact of new technologies on diversion of communication from letter mail to electronic forms could be overstated is based on the possibility that some factors may not tend to reduce the volume of letter mail, or mail in general. For example, part of the growth of electronically transmitted messages may be substituting for person-to-person telephone calls or in-person transactions, rather than substituting for letter mail. Moreover, when electronically-transmitted business is transacted (e.g., purchases by fax or on-line services), the completion of such transactions

⁹ Prepared by Bernevia M. McCalip, Analyst in Business and Government Relations.

could result in the delivery of products or invoices sent via the mail, as well as a payment (check) mailed to the seller or credit card company to which the charge was made.

In addition, in order to reach potential customers, electronic services often advertise by sending literature through the mail. Consequently, the impact of new telecommunications technology on the volume of mail could be positive. For example, "USPS first class mail volume (excluding priority mail and mailgrams) increased 10 percent between FY1989 and FY 1994, despite the technological changes and incursions" occurring in communications in general and letter mail in particular.¹⁰

QUESTION #6

Your report states that the cost structure of Postal Service operations is very labor intensive, with employee pay and benefits accounting for more than 80 percent of expenses. For Federal Express and the United Parcel Service, these expenses account for 50 and 60 percent of operating expenses, respectively.

A. How can the Postal Service bring these costs more in line with similarly situated businesses and companies?

Response to A¹¹

The report discusses a few factors that appear to account for the labor-intensiveness of the Postal Service's cost structure. (1) Postal Service employees earn relatively high *wages*.¹² (The response to Part B of this question addresses the extent to which Postal Service employee *benefits* may contribute to higher compensation costs.) (2) Physical capital per employee in the Postal Service is relatively low.¹³ (3) The Postal Service has more constraints in managing its workforce compared with its competitors.¹⁴ For example, the requirement that the USPS be able to deliver to every address every day probably tends to make the Postal Service more labor intensive. To lower employee compensation costs relative to those of similarly situated

¹⁰ *Mail Service in the United States*, p. 24.

¹¹ Prepared by Bernard A. Gelb, Specialist in Industry Economics, and Linda Levine, Specialist in Labor Economics.

¹² *Mail Service in the United States*, p. 29.

¹³ *Mail Service in the United States*, p. 30.

¹⁴ *Mail Service in the United States*, pp. 30-31.

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businesses, the cited factors (and any others) would have to be addressed where possible.¹⁶

In theory, the following approaches are possible options that could be used to adjust labor costs. (1) Compensate newly-hired employees less than current employees doing the same work. (2) Restrain pay increases of current employees. (3) Seek more ways of using equipment (mechanical and/or electronic) to do work (i.e., substitute capital for labor) or to help workers do their jobs (i.e., improve productivity), and invest in such equipment. (4) Contract out work where contracting out is cost-effective.

In practice, the implementation of these options could have unanticipated consequences that might affect the fulfillment of the objective. For example, adoption of a two-tier pay structure, which has been used to some extent in private industry, may risk impairment of morale. Moreover, as the CRS report notes,¹⁶ the General Accounting Office has found that some past automation efforts by the Postal Service were not very productive.¹⁷

In addition, the extent to which such actions may be taken is limited in at least two broad respects. Firstly, because all four options relate in some way to terms of employment, they may be partly or fully governed by provisions in existing collective bargaining agreements. To the extent that this is true, changes in those employment conditions would have to be negotiated when the contracts are up for renewal. Secondly, as indicated in the CRS report, the general mission and specific services required of the USPS probably limit the Postal Service's flexibility in allocating its financial resources to labor and capital in the same manner as competitors such as Federal Express and the United Parcel Service.

B. To what extent do employee "fringe benefits" such as retirement and health benefits contribute to higher Postal Service compensation costs?

Response to B¹⁸

Although comparisons between the fringe benefits of postal employees and those of workers in the private sector doing comparable work are difficult to make definitively, postal employees' benefits may not be significantly higher than those received by private sector workers. A CRS

¹⁶ This does not imply that the USPS is not making or has not already made such efforts.

¹⁶ *op. cit.* p. 28.

¹⁷ U.S. General Accounting Office. *Postal Service: Automation is Taking Longer and Producing Less Than Expected.* Wash., DC. Feb. 1995.

¹⁸ Prepared by Carolyn L. Merck, Specialist in Social Legislation.

analysis of private and Federal sector *retirement plan* benefits showed mixed results. An analysis by the Hay/Huggins Company found that Federal *health insurance* benefits may be nearly comparable to those received in the private sector.¹⁹

Whether current postal fringe benefits are higher than those costs would be under a private postal service provider would depend on the compensation structure of the private service provider. And, given the differences between the range of services and service mix provided by Federal Express and the United Parcel Service in particular, and those provided by the Postal Service, it would be difficult to make a fair comparison between the respective fringe benefit structures.

C. Does the current (use of) interest arbitration affect these costs?

Response to C²⁰

Yes, it probably affects almost all aspects of employee costs.

A large proportion of Postal Service collective bargaining negotiations have ended in arbitration.²¹ Because arbitrators sometimes split the difference between the offers of the parties, compulsory arbitration can have a chilling effect on negotiations. Unions and management may be motivated to avoid good-faith bargaining, maintain extreme positions, and hope to get a good arbitration award.²²

It is likely that the fairly frequent use of interest arbitration benefits the unions and the employees they represent, more than it benefits the Postal Service, tending to raise USPS costs. Because the contracts must be ratified by union membership, and union officials are subject to membership elections, union negotiators are arguably more motivated than USPS management to obtain the best possible award. Management negotiators,

¹⁹ U.S. Library of Congress. Congressional Research Service. *Federal Civil Service Retirement: Comparing the Generosity of Federal and Private-Sector Retirement Systems*. Report No. 95-687 EPW, by Income Maintenance Section, Education and Public Welfare Div. Washington, June 5, 1995. 17 p. The report found that the multitude of private sector retirement plans makes conclusive comparisons difficult, and its analysis showed mixed results. The Hay/Huggins data, reported in the CRS report, show that Federal worker health insurance is less valuable than private sector plans for four different salary levels.

²⁰ Prepared by Bernard A. Gelb, Specialist in Industry Economics.

²¹ *Mail Service in the United States*. p. 31.

²² See, for example, Sauer, Robert L., and Keith E. Voelker. *Labor Relations: Structure and Process*. New York, Macmillan Publishing Co., 1993. p. 247; and Lowenberg, J. Joseph, and Michael H. Moskow. *Collective Bargaining in Government, Readings and Cases*. Englewood Cliffs, NJ, Prentice-Hall, Inc. 1972. p. 315.

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under less direct threat to their jobs, might tend to be more restrained in their positions.

QUESTION #7²³

The Kappel Commission recommended that labor-management impasses over contracts or pay be referred to the President who would be free to establish whatever ad hoc methods he chooses to resolve the matter.²⁴ The Commission asserted that such a procedure would create uncertainties for both parties and make for more meaningful bargaining, thereby strengthening the process.

A. How would an exercise of Presidential authority in this area affect overall Service operations?

Response to A

It need not have any effect on operations.²⁵

In a report in which Robert R. Nathan Associates wrote about personnel and labor relations for the Commission in 1968, the contractor suggested development of a bargaining impasse procedure "which would freeze a deadlocked situation long enough to permit the President to invoke one or more of several means available to him...[emphasis added]."²⁶ A "freeze" would mean that employees come to work as usual, are supervised as usual, and are governed by the terms and conditions of employment that prevailed before the impasse occurred (i.e., those in the expired contracts).

However, when it passed the Postal Reorganization Act of 1970, Congress chose neither to involve the President in postal labor-management relations nor to require that the U.S. Postal Service maintain "status quo" conditions during the arbitration of contract impasses. Section 1207 of Title 39 of the U.S. Code of Federal Regulations, which covers postal impasse procedures (including arbitration), does not explicitly state that wages and other terms and conditions of employment must be continued beyond a

²³ The response to both parts of this question was prepared by Linda Levine, Specialist in Labor Economics.

²⁴ The Commission's report actually stated that if there were a bargaining impasse "which the parties are unwilling to submit to binding arbitration or to resolve by some other agreed-upon means, the issue would be referred to the President of the United States." (p. 60)

²⁵ The asserted uncertainties and possible effects on bargaining are discussed in the response to part B of this question.

²⁶ *The Report of the President's Commission on Postal Organization, Annex (Contractors Reports)*, vol. 1. Wash., U.S. Govt. Print. Off., June 1968. p. 89.

contract's expiration date, until such time as an impasse is resolved. The National Labor Relations Act, which governs labor-management relations involving the U.S. Postal Service (USPS) consistent with the provisions of the Postal Reorganization Act, allows an employer to make some unilateral changes in wages and terms of employment after an impasse is reached and the collective bargaining agreement has expired.²⁷

Nonetheless, according to USPS labor-management staff, the Postal Service has adhered to the provisions of expired collective bargaining agreements while unresolved issues were being arbitrated.²⁸ Most recently, postal employees performed their usual duties under the terms of expired contracts for 19 months in the case of those represented by the National Association of Letter Carriers (NALC) and a little over 20 months in the case of those represented by the American Postal Workers Union (APWU), before arbitration panels issued their decisions on August 19, 1995 and October 1, 1995, respectively. During the immediately preceding round of bargaining, postal workers represented by both the NALC and the APWU continued to perform their duties, as usual, for almost 6 months under the terms of contracts that had expired on November 20, 1990.

Despite this pattern and the legislation referenced in footnote 4, Congress might consider whether to enact a provision explicitly requiring the parties to maintain status quo conditions to ensure that they are not diverted from focusing on day-to-day operations under either the current or a revised impasse resolution procedure.²⁹

²⁷ There are limits to the changes permitted. For more information, see: U.S. Library of Congress, Congressional Research Service. *Mail Service in the United States: Exploring Options for Improvement*. CRS Report 95-1105 E, coordinated by Bernard A. Gelb. Wash., Nov. 13, 1995. p. 73.

²⁸ An exception to this pattern almost occurred in Summer 1984. After contracts had expired with many issues still unresolved, the USPS announced that it planned to implement terms from its last pre-impasse offer concerning wage and benefit levels of newly hired workers. Congress responded by adopting an amendment (H.Amdt. 1028, Conte) to a supplemental appropriations bill (H.R. 6040/P.L. 98-396) that prevented the USPS from using any appropriated funds for this purpose. According to Title III, section 303 of the legislation:

None of the funds made available to the United States Postal Service under this Act or any other Act may be used to restructure employee compensation practices as in effect under the most recently effective collective bargaining agreement under section 1206 of title 39, United States Code, except in accordance with the results of procedures set forth in section 1207 of such title.

See material accompanying this memo for pro/con statements on this issue that congressional representatives made at the time.

²⁹ For example, if the USPS announced its intention to implement new contract terms before completion of the dispute resolution procedure, the unions representing its employees might expend their energies lobbying Congress to prevent such an action. (See footnote 4.) In addition, if the USPS did put new contract terms into place, employees' morale and performance might be adversely affected, and they might engage in a work slowdown or an illegal strike. Moreover, *(continued)*

A potentially analogous situation involves the contract impasse procedure in the railroad industry. The Railway Labor Act expressly states that while a presidentially appointed fact-finding board is investigating an impasse involving the Nation's largest railroads, employers must maintain prior wages and working conditions and employees must perform their duties. Freight thus continues to be hauled across the country, usually without interruption, while status quo conditions prevail during the industry's lengthy impasse process.³⁰

B. Is this recommendation consistent with other Kappel Commission recommendations which sought to remove political considerations from the administration of the Postal Service?

Response to B

No. This recommendation would appear to make the President the ultimate broker of postal contract disputes. The recommendation stemmed from the Commission's belief that providing the President leeway in deciding upon particular dispute resolution procedures would "make for more meaningful bargaining." Experience in the railroad industry, however, suggests that this might not be the actual outcome.

While employees at the Nation's largest railroads worked under the terms of expired contracts, negotiations sometimes have lasted for years -- partly because the potential for presidential (and on occasion congressional)³¹ involvement discouraged unions and management from engaging in a truly serious give-and-take of proposals. Rail labor and management have, in several instances, been willing to see if they could get more from a presidential emergency board than they had achieved at the

(continued) the USPS' action could be for naught: after spending time and energy implementing the new terms, the arbitration panel or President ultimately might impose different contract provisions.

³⁰ Under the Railway Labor Act, the National Mediation Board (NMB) first decides if and when negotiations have reached an impasse; it then proffers arbitration to the parties. If either declines, a 30-day cooling off period begins, after which the parties can engage in "self-help" activities (e.g., a strike or lockout). If, however, the NMB believes that a dispute will substantially disrupt interstate commerce, it can recommend to the President that he appoint a presidential emergency board (PEB). If the President agrees with the NMB's recommendation, he then selects three members from a list of arbitrators provided by the NMB. The fact-finding board typically has 30 days to issue a recommended settlement. While the recommendations of PEBs usually have been accepted by the parties or have served as a basis for the parties to settle the outstanding issues, either party can reject a PEB's recommendations. If the latter occurs, the parties again are allowed to take self-help measures following another 30-day cooling off period. During each of the cooling off periods, status quo conditions must be maintained.

³¹ The Railway Labor Act does not specifically mention congressional involvement in contract dispute resolution. Nonetheless, Congress has intervened in several instances. Congressional action usually occurred after strikes led to the disruption of rail service. Because postal workers -- unlike railroad workers -- are barred from striking, congressional involvement might be less likely in postal compared to rail impasses.

bargaining table. And, if either of the parties did not like a board's recommended settlement of outstanding issues, they have gone so far as to prevail upon Congress to settle the dispute -- despite the fact that Congress has crafted several different dispute resolution procedures over the years.³² As exemplified by the collective bargaining process in the rail industry, the possibility that a variety of means might be used to resolve an impasse does not appear to have promoted genuine bargaining.

QUESTION #8

Some postal critics argue the Postal Service's financial outlook is perched precipitously on the assumption of increases in mail volume. What would happen to postal finances should mail volume go flat or actually decrease? Is one class of mail any more important than another in terms of protecting volume growth?

Response³³

Under current law, Section 3621 of the 1970 Postal Reorganization Act mandates that the Postal Service first determine what level of services it must provide to carry out its statutory functions and then set its rates to fund those activities. This section also requires the USPS Board of Governors to establish reasonable and equitable classes of mail and reasonable and equitable rates of postage and fees. When the USPS estimates that its expenditures (reflecting estimated savings from more efficient operations and/or new technologies) for a forthcoming fiscal year will be higher than estimated revenues, the Service can and usually does request an increase in postal rates to meet such expenditures.³⁴

To the degree that prices (postage) and customer services or programs do not appeal to customers or are not generally perceived as competitive, and postal business consequently goes elsewhere in the marketplace, USPS mail volume would suffer and revenue from mail services probably would decrease. Postal operations then would have to adjust to the smaller market share to avoid expenses exceeding revenues. However, as suggested in the CRS report, the USPS's ability to make such adjustments may be limited by the

³² Congressional actions have included: appointment of arbitration boards; imposition of all the terms of a PEB's recommendation; imposition of part of a PEB's recommendations while extending the status quo period to allow the President, in one instance, and several Cabinet departments, in another, time to recommend their own solutions if the parties didn't reach agreements in the interim; and, extension of the status quo period to give the parties more time to negotiate a settlement.

³³ Prepared by Bernevia M. McCalip, Analyst in Business and Government Relations.

³⁴ As discussed on pages 7-9 of the CRS report, the Postal Service's rate-setting process (including changes in postage rates) is complex, and requires participation by the Postal Rate Commission.

mandates and regulatory framework under which the Postal Service currently operates.

Of the different classes of mail, first- and third-class appear to be very important to the Postal Service. Based upon revenue per unit delivered, it would appear that first-class mail is most important; this class accounted for 53 percent of total USPS mail volume but 62 percent of total revenue in FY1994. However, rapid growth of third-class mail volume suggests that this class also is very attractive, even though it accounted for only 22 percent of revenues in FY1994, compared with 39 percent of volume. Both of these classes are covered by the mail monopoly.

According to the USPS, "all mail is important and plays a vital role in the overall rise in mail volume." The USPS further notes that when customer satisfaction is high, volume will either increase or remain at sufficient levels to allow it to meet costs.³⁶

QUESTION #9

Our Postal Service is the only postal administration required to submit its rate structure before an independent rate-making body. How do other countries assure that their postal administrations do not abuse their monopoly status by overcharging postal customers?

Response³⁶

Among a group of 10 countries whose postal administrations were studied by Price Waterhouse, the U.S. Postal Service is the only postal administration required to submit its proposals for rate changes or rate structure changes to an *independent* rate-making body.³⁷

Nearly all of the countries in the group, however, have a means of trying to prevent "excessive" rate increases. All but one of the postal administrations are required to either get approval for letter mail rate changes from a supervising government ministry or their rates are subject to a cap based upon a price or a wage index.³⁸ But the postal administrations of these countries have greater freedom in the pricing of *nonmonopoly* services, as compared with the U.S. Postal Service.

³⁶ Telephone conversation with U.S. Postal Service spokesperson on December 22, 1995.

³⁶ Prepared by Bernard A. Gelb, Specialist in Industry Economics.

³⁷ Price Waterhouse LLP. *A Strategic Review of Progressive Postal Administrations — Competition, Commercialization, and Deregulation*. prepared for the U.S. Postal Service, Feb. 1995. 52 p.

³⁸ See table 5 in *Mail Service in the United States*, p. 41-44.

QUESTION #10

In your report you propose a "flexified USPS" alternative which maintains the monopoly and decreased rate regulation. One of the criticisms of the current system is the length of time for deciding a rate case. How long would an Administrative Law Judge panel take in deciding a rate case? Are there any analogous Federal or State regulatory proceedings? How long do they take in deciding rate cases?

Response³⁹

It is difficult to speculate about the amount of time that would be required for the conduct of a complete postal rate case under the "flexified USPS" reform option. This is so for several reasons.

First, the "flexified USPS" alternative is not currently described in proposed legislative language. Therefore, it is not possible to conduct a comparative analysis of the length of current rate proceedings relative to the length of proceedings conducted under the "flexified" approach. As we observed in our report, replacement of the Postal Rate Commission (PRC) with administrative law judges and simplification of the Board of Governors' rate approval process should facilitate rate and classification changes. These yet-to-be-defined modifications could result, for example, in several "smaller" proceedings involving classification issues and the rates and fees for various classes of service, rather than a single comprehensive rate proceeding encompassing a wide range of of classifications and rates as under the current system.

Second, the statutory procedures presently impose a formalized process for the establishment of postal rates and classifications in a two-stage process that permits the Postal Rate Commission, an independent regulatory body, to make recommendations to the Board of Governors of the Postal Service. The decision-making process requires that a formal public hearing be conducted on the record with rights of participation of interested parties. Among other things, these steps were intended to assure independent and responsible deliberations on rate matters. Obviously, under other regimes, the formality and the extensiveness of the rate hearing process could be simplified. Simplifications in the scope of the rate proceeding, limitations on the nature of evidence and submissions in support of and opposing particular rate proposals, circumscription of the amount of testimony or number of witnesses heard, and other similar procedural modifications could reduce the time required for rate proceedings.

Finally, one of the principal objectives of the "flexified" approach is to provide a more responsive rate classification and rate setting process so that

³⁹ Prepared by Robert D. Poling, Specialist in American Public Law, and Amy Abel, Specialist in Energy Policy.

greater flexibility would be created to respond to the market. Expedited decision-making would seem to be an important element in achieving the flexibility offered by this approach.

As the foregoing observations imply, there is nothing inherent in the use of a panel of Administrative Law Judges, as opposed to the Postal Rate Commission, that would necessarily expedite postal rate proceedings. Instead, modifications of the procedures used by the decision-making panel, however it may be constituted, would have a more determinative effect on the length of the proceedings.

Many Federal and State rate-making procedures might be considered analogous to the postal rate process. Public utility rate regulation offers many similarities to the purpose and process of postal rate-making. Electricity, natural gas, telephone, water, and other utilities that are rate regulated might be considered relevant to the Postal Service. The origin of the current Postal Rate Commission was modeled after the rate-making process used by the Federal Power Commission (now the Federal Energy Regulatory Commission). However valuable the broad analogies to the rate regulation in those areas may be, the nature of the proceedings at the Postal Rate Commission and, say, the Federal Energy Regulatory Commission are difficult to compare. The substantive decisions made by these agencies in rate proceedings involve very different considerations. These substantive differences may help explain time differences in the two types of proceedings. In any event, we are unaware of any scholarly effort to analyze the length of rate proceedings based upon the use of Administrative Law Judges.

APPENDIX TO RESPONSE TO QUESTION #1

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS ACT, 1986

TITLE IV: Providing for the Adoption of Mandatory Standards and Procedures Governing the Actions of Arbitrators in the Arbitration of Labor Disputes Involving Transit Agencies Operating in the National Capital Area

Section. 401. Short Title . - This title may be cited as the 'National Capital Area Interest Arbitration Standards Act of 1995'.

Sec. 402. Findings and Purposes.

(a) Findings. - The Congress finds that -

(1) affordable public transportation is essential to the economic vitality of the national capital area and is an essential component of regional efforts to improve air quality to meet environmental requirements and to improve

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the health of both residents of and visitors to the national capital area as well as to preserve the beauty and dignity of the Nation's capital;

(2) use of mass transit by both residents of and visitors to the national capital area is substantially affected by the prices charged for such mass transit services, prices that are substantially affected by labor costs, since more than 2/3 of operating costs are attributable to labor costs;

(3) labor costs incurred in providing mass transit in the national capital area have increased at an alarming rate and wages and benefits of operators and mechanics currently are among the highest in the Nation;

(4) higher operating costs incurred for public transit in the national capital area cannot be offset by increasing costs to patrons, since this often discourages ridership and thus undermines the public interest in promoting the use of public transit;

(5) spiraling labor costs cannot be offset by the governmental entities that are responsible for subsidy payments for public transit services since local governments generally, and the District of Columbia government in particular, are operating under severe fiscal constraints;

(6) imposition of mandatory standards applicable to arbitrators resolving arbitration disputes involving interstate compact agencies operating in the national capital area will ensure that wage increases are justified and do not exceed the ability of transit patrons and taxpayers to fund the increase; and

(7) Federal legislation is necessary under Article I of section 8 of the United States Constitution to balance the need to moderate and lower labor costs while maintaining industrial peace.

(b) Purpose. - It is therefore the purpose of this Act to adopt standards governing arbitration which must be applied by arbitrators resolving disputes involving interstate compact agencies operating in the national capital area in order to lower operating costs for public transportation in the Washington metropolitan area.

Sec. 403. Definitions. - As used in this title -

(1) the term 'arbitration' means - (A) the arbitration of disputes, regarding the terms and conditions of employment, that is required under an interstate compact governing an interstate compact agency operating in the national capital area; and (B) does not include the interpretation and application of rights arising from an existing collective bargaining agreement;

(2) the term 'arbitrator' refers to either a single arbitrator, or a board of arbitrators, chosen under applicable procedures;

(3) an interstate compact agency's 'funding ability' is the ability of the interstate compact agency, or of any governmental jurisdiction which provides subsidy payments or budgetary assistance to the interstate compact agency, to obtain the necessary financial resources to pay for wage and benefit increases for employees of the interstate compact agency;

(4) the term 'interstate compact agency operating in the national capital area' means any interstate compact agency which provides public transit services;

(5) the term 'interstate compact agency' means any agency established by an interstate compact to which the District of Columbia is a signatory; and

(6) the term 'public welfare' includes, with respect to arbitration under an interstate compact - (A) the financial ability of the individual jurisdictions participating in the compact to pay for the costs of providing public transit services; and (B) the average per capita tax burden, during the term of the collective bargaining agreement to which the arbitration relates, of the residents of the Washington, D.C. metropolitan area, and the effect of an arbitration award rendered pursuant to such arbitration on the respective income or property tax rates of the jurisdictions which provide subsidy payments to the interstate compact agency established under the compact.

Sec. 404. Standards for Arbitrators. —

(a) **Factors in Making Arbitration Award.** - An arbitrator rendering an arbitration award involving the employees of an interstate compact agency operating in the national capital area may not make a finding or a decision for inclusion in a collective bargaining agreement governing conditions of employment without considering the following factors:

(1) The existing terms and conditions of employment of the employees in the bargaining unit.

(2) All available financial resources of the interstate compact agency.

(3) The annual increase or decrease in consumer prices for goods and services as reflected in the most recent consumer price index for the Washington, D.C. metropolitan area, published by the Bureau of Labor Statistics of the United States Department of Labor.

(4) The wages, benefits, and terms and conditions of the employment of other employees who perform, in other jurisdictions in the Washington, D.C. standard metropolitan statistical area, services similar to those in the bargaining unit.

(5) The special nature of the work performed by the employees in the bargaining unit, including any hazards or the relative ease of employment, physical requirements, educational qualifications, job training and skills, shift assignments, and the demands placed upon the employees as compared to other employees of the interstate compact agency.

(6) The interests and welfare of the employees in the bargaining unit, including - (A) the overall compensation presently received by the employees, having regard not only for wage rates but also for wages for time not worked, including vacations, holidays, and other excused absences; (B) all benefits received by the employees, including previous bonuses, insurance, and pensions; and (C) the continuity and stability of employment.

(7) The public welfare.

(b) **Compact Agency's Funding Ability.** - An arbitrator rendering an arbitration award involving the employees of an interstate compact agency operating in the national capital area may not, with respect to a collective bargaining agreement governing conditions of employment, provide for salaries and other benefits that exceed the interstate compact agency's funding ability.

(c) Requirements for Final Award. - In resolving a dispute submitted to arbitration involving the employees of an interstate compact agency operating in the national capital area, the arbitrator shall issue a written award that demonstrates that all the factors set forth in subsections (a) and (b) have been considered and applied. An award may grant an increase in pay rates or benefits (including insurance and pension benefits), or reduce hours of work, only if the arbitrator concludes that any costs to the agency do not adversely affect the public welfare. The arbitrator's conclusion regarding the public welfare must be supported by substantial evidence.

Sec. 405. Procedures for Enforcement of Awards. — (a) Modifications and Finality of Award. — In the case of an arbitration award to which section 404 applies, the interstate compact agency and the employees in the bargaining unit, through their representative, may agree in writing upon any modifications to the award within 10 days after the award is received by the parties. After the end of that 10-day period, the award, with any such modifications, shall become binding upon the interstate compact agency, the employees in the bargaining unit, and the employees' representative.

(b) Implementation. - Each party to an award that becomes binding under subsection (a) shall take all actions necessary to implement the award.

(c) Judicial Review. - Within 60 days after an award becomes binding under subsection (a), the interstate compact agency or the exclusive representative of the employees concerned may file a civil action in a court which has jurisdiction over the interstate compact agency for review of the award. The court shall review the award on the record, and shall vacate the award or any part of the award, after notice and a hearing, if -

- (1) the award is in violation of applicable law;
- (2) the arbitrator exceeded the arbitrator's powers;
- (3) the decision by the arbitrator is arbitrary or capricious;
- (4) the arbitrator conducted the hearing contrary to the provisions of this title or other statutes or rules that apply to the arbitration so as to substantially prejudice the rights of a party;
- (5) there was partiality or misconduct by the arbitrator prejudicing the rights of a party;
- (6) the award was procured by corruption, fraud, or bias on the part of the arbitrator; or
- (7) the arbitrator did not comply with the provisions of section 404.

SECURITIES AND EXCHANGE COMMISSION

"Salaries and expenses", \$1,000,000;

SELECTIVE SERVICE SYSTEM

"Salaries and expenses", \$369,000;

SMITHSONIAN INSTITUTION

"Salaries and expenses", \$1,420,000;

"Salaries and expenses, Woodrow Wilson International Center for Scholars", \$18,000;

OTHER TEMPORARY COMMISSIONS

NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

"Salaries and expenses", \$22,000;

UNITED STATES HOLOCAUST MEMORIAL COUNCIL

"United States Holocaust Memorial Council", \$11,000;

UNITED STATES INFORMATION AGENCY

"Salaries and expenses", \$3,160,000;

UNITED STATES TAX COURT

"Salaries and expenses", \$400,000.

TITLE III

GENERAL PROVISIONS

SEC. 301. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 302. Except where specifically increased or decreased elsewhere in this Act, the restrictions contained within appropriations, or provisions affecting appropriations or other funds, available during the fiscal year 1984, limiting the amount which may be expended for personal services, or for purposes involving personal services, or amounts which may be transferred between appropriations or authorizations available for or involving such services, are hereby increased to the extent necessary to meet increased pay costs authorized by or pursuant to law.

SEC. 303. None of the funds made available to the United States Postal Service under this Act or any other Act may be used to restructure employee compensation practices as in effect under the most recently effective collective bargaining agreement under section 1206 of title 39, United States Code, except in accordance with the results of procedures set forth in section 1207 of such title.

SEC. 303a. The project for Bonneville Lock and Dam, Second Powerhouse, Washington and Oregon, is hereby modified to authorize the Secretary of the Army, acting through the Chief of Engineers, to acquire in the Steigerwald Lake Wetlands Area, Clark

Postal Service
employee
compensation.
39 USC 1206
note.

Bonneville Lock
and Dam, Wash.
and Ore.
Fish and wildlife
project.

Second Supplemental Appropriations Act, 1984

August 22, 1984

Public Law

- 1.1 Public Law 98-396, approved Aug. 22, 1984. (H.R. 6040)

"Making supplemental appropriations for the fiscal year ending September 30, 1984, and for other purposes."
Provides for various Federal departments and agencies, and legislative branch programs.

(CIS84:PL98-396 57 p.)

P.L. 98-396 Reports

98th Congress

- 2.1 H. Rpt. 98-474 on H.R. 4293, "Second Supplemental Appropriations Bill, 1984," Nov. 3, 1983.
(CIS83:H183-44 22 p.)
(Y1.1/8:98-474.)
- 2.2 H. Rpt. 98-916 on H.R. 6040, "Second Supplemental Appropriations Bill, 1984," July 27, 1984.
(CIS84:H183-22 169 p. il.)
(Y1.1/8:98-916.)
- 2.3 S. Rpt. 98-570 on H.R. 6040, "Supplemental Appropriations Bill, 1984," Aug. 2, 1984.
(CIS84:S183-13 191 p. il.)
(Y1.1/5:98-570.)
- 2.4 "H. Rpt. 98-977," conference report on H.R. 6040, "Making Supplemental Appropriations for the Fiscal Year Ending Sept. 30, 1984," Aug. 10, 1984.
(CIS84:H183-24 35 p.)
(Y1.1/8:98-977.)

P.L. 98-396 Debate

130 Congressional Record
98th Congress, 2nd Session - 1984

- 4.1 Aug. 1, H.R. 6040 considered and passed House.
- 4.2 Aug. 7, 8, H.R. 6040 considered and passed Senate, amended.

98th Congress, 2nd Session

- 4.3 Aug. 10, House agreed to conference report, receded and concurred in certain Senate amendments, and in others with amendments. Senate agreed to conference report, receded and concurred in House amendments.

P.L. 98-396 Hearings

98th Congress

- 5.1 "Supplemental Appropriations for 1984, Part 1," hearings before the Subcommittee on Treasury, U.S. Postal Service, and General Government Appropriations, the Subcommittee on Legislative Appropriations, the Subcommittee on Defense Appropriations, and the Subcommittee on Energy and Water Development Appropriations, House Appropriations Committee, Feb. 1, 2, 6, 8, 22-24, 28, 29, Mar. 22, 1984.
(CIS84:H181-51 ii+467+vi p. il. Index.)
(Y4.Ap6/1:Ap6/2/984/pt.1.)
- 5.2 "Supplemental Appropriations for 1984, Part 2," hearings before the Subcommittee on Labor, HHS, and Education Appropriations, the Subcommittee on Commerce, Justice, State, and the Judiciary Appropriations, and the Subcommittee on Transportation Appropriations, House Appropriations Committee, Feb. 23, 28, 29, Mar. 6-8, 12-16, 19, 20, 23, 28, 29, Apr. 12, 1984.
(CIS84:H181-52 ii+680+x p. il. Index.)
(Y4.Ap6/1:Ap6/2/984/pt.2.)

P.L. 98-396 Documents

98th Congress

- 7.1 H. Doc. 98-127, "Supplemental Appropriations, Communication from the President," Nov. 2, 1983.
(CIS83:H180-53 7 p. no paging.)
(Y1.1/7:98-127.)

July 31, 1984

CONGRESSIONAL RECORD—HOUSE

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The party platform talks a lot about fighting drug abuse and again we would all agree that that is something we want to do, but there is no language whatsoever in the platform about locking up drug traffickers. It goes into a lot of statistics and so on about how bad the problem is, but when you get down to what we are going to do, how are we going to get tough on crime, there is nothing in the platform to suggest that one of the things we ought to be doing is locking away people who traffic in drugs, not one line saying that.

Well, then, we look to find out what it is they are willing to do about crime. As I say, we have programs against drunk drivers, again very meritorious kinds of things, but what about the criminals that are raping, robbing, murdering, and so on out in the streets?

You cannot have a crime program. It seems to me, without addressing that. It is not addressed, but they do say that we ought to restore the credibility of our criminal courts. Interesting enough, when you read that section, what it turns out that they are talking about doing is not making the courts tougher. Most of the section is a section looking for more ways to put criminals back out on the streets after we have caught them. That is the restoration of credibility in the court system.

What I am saying, this platform is a blueprint of why we are not acting on the President's crime control package here in the House of Representatives. The fact is that the President's crime control package is aimed at getting tough on crime. It is aimed at making some changes in Federal law that hopefully then would be reflected in State and local laws that are aimed at doing one thing, getting criminals off the streets, getting tough.

This House is not about to consider a tough anticrime program because the party that controls this House has already made it clear in their platform that they do not want a tough anticrime program.

Madam Speaker, I yield back the balance of my time.

□ 1910

PENTAGON PROVIDES OLYMPIC PROTECTION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. ALVAREZ) is recognized for 5 minutes.

Mr. ANNUNZIO. Madam Speaker, no one is more proud of our Olympic athletes than I am. The individual accomplishments of each participant is surely worthy of recognition. Yet, there is an invisible partner working

alongside the Olympians. That partner is the United States of America. That's right, our country and our Government. Despite all claims that the Los Angeles Olympics is truly a "private" affair, the United States is contributing resources, in the form of helicopters and security equipment, to the tune of \$50 million.

The Department of Defense alone already has spent \$35 million, just to provide added security to the Olympic games, and to insure that all proceedings go off according to plan. The Department of Defense is contributing 77 helicopters, 330 M-16 rifles and 395,000 rounds of ammunition to help the Los Angeles Police prepare for the possibility of a mishap at the games.

This is all well and good, the United States is the host country for these games, and should take all possible steps to guarantee the safety of all nations' delegations. What I cannot understand is how this is not regarded as a public act in support of the Olympics. Congress authorized the money and Congress appropriated the money. I have no quarrel with this country chipping in for the Olympics. But it is quite another matter to lend a hand and not receive at least a token acknowledgment.

The Pentagon is also aiding California law enforcement agencies by calling on the Air Force and the Army; 14 explosive-detecting dogs were flown to Los Angeles and made available to help with security arrangements, courtesy of Uncle Sam. In case an emergency situation arises, the Pentagon is providing blankets, cots, night vision goggles, splints, bandages, buses, and even four airplanes.

The largest single equipment expense to the Pentagon is \$12 million for communication devices and radios. The radios alone are a substantial U.S. Government contribution. I'm glad to help the athletes, and the city of Los Angeles. But when they use those radios, I hope they don't attribute the usefulness of those items to private sources. The source is a very public one—the American taxpayer.

Not only has the U.S. Government contributed actual material goods, but it has provided manpower as well. For almost 2 years, 10 Pentagon employees have been working full time, trying to anticipate different emergency situations and figuring out how to respond to those situations. Those 10 people are paid with salary checks issued by the U.S. Government. If you still think the United States is not providing assistance to the Olympics in a real and meaningful manner, you may be interested to know that our Government is sending more than 100 employees to Los Angeles to help the city cope with the influx of visitors during the games.

If the Olympics is conducted as planned, there will be no need to highlight the high quality of the security arrangements. But the high quality security arrangements are in place. The United States has spent \$10 million on the design, production, and maintenance of the intrusion detection system and the security fence that will surround the Olympic villages.

If this is not public support of the Olympics, I do not know what is. I am glad that the Los Angeles Olympic Committee has been successful in attracting private contributions. But it is important that they do not forget the public commitment. I am proud to live in the host country of this year's Olympiad, and I am especially proud of the American athletes who qualified to represent the United States. They should feel the support of their country behind them. They already know the country backs them emotionally. Let them know the country backs them financially as well.

POSTAL LABOR CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. FORD) is recognized for 10 minutes.

Mr. FORD of Michigan. Madam Speaker, with the breakup of AT&T, the Nation's largest civilian employer is now the U.S. Postal Service. The negotiations for new collective bargaining agreements between the Postal Service and the unions representing over a half-million postal employees are the single largest set of labor negotiations in the United States this year.

As we all know, these negotiations have been troubled from the start, and the existing contracts expired at midnight on July 20 with no new agreement having been reached and numerous controversial issues outstanding.

Title 39 of the United States Code prescribes an orderly, fair, and peaceful process for resolving postal bargaining disputes such as this. I regret to report, however, that one party to the dispute—Postal Service management—is not adhering to this process.

Instead of pursuing its goals peacefully, through the statutory factfinding and arbitration process, Postal Service management on July 25 unilaterally implemented a new pay and benefits system for incoming employees. Whatever the ultimate outcome, I now fear for the short-term and long-term impact of this action on postal employees and on the Postal Service itself.

I have expressed my dismay in a letter to the Postmaster General. I wish to share that letter with the House:

COMMITTEE ON POST OFFICE
AND CIVIL SERVICE,

Washington, DC, July 26, 1984.

Hon. WILLIAM F. BOLGER,
Postmaster General, U.S. Postal Service,
Washington, DC.

DEAR MR. POSTMASTER GENERAL: I have been notified of your unilateral implementation of the pay and benefit levels for new hires contained in the Postal Service's final, pre-impasse offer.

It now seems clear to me that the ill-advised unit consolidation attempt in relation to the 1981 contract negotiations was not an isolated instance of short-sighted, reactionary, and unlawful labor relations policy.

The damage to labor-management relations within the Postal Service is likely to be permanent. I have watched and listened patiently for months as Postal Service management and the Board of Governors issued inflammatory and provocative statements about postal employees' pay and benefit levels—and, by implication, about the collective bargaining process which resulted in those levels. I have remained silent because of my belief that the bargaining process which we included in the Postal Reorganization Act of 1970 ultimately would result in a fair agreement for both sides. But this unilateral action now raises the question of whether the Postal Service shares my faith in the collective bargaining process.

Private sector labor law is clear: when impasse is reached, management may implement its final offer. The union, however, has the concomitant right to strike, thus ensuring parity of bargaining power. In this case, though, the unilateral action destroys parity. The postal unions are barred from striking. The Act's factfinding and arbitration procedures exist not merely as a substitute for private sector labor's right to strike, but also as a substitute for private sector management's right to unilateral implementation.

I believe that the unilateral changes that the Postal Service intends to implement are illegal under the Postal Reorganization Act. When the Act was passed, it was my understanding, the understanding of the Committee, and the understanding of the Congress that, if any disputes remained upon the expiration of any collective bargaining agreement, all parties would be required to respect the status quo pending exhaustion of the dispute resolution machinery established by section 1207.

Legalities aside, I sincerely am puzzled by this decision. The Postal Service apparently believes that this action makes it more likely that the arbitration board will impose the two-tier system which management could not gain through negotiations—perhaps not the 23% differential contained in its "final offer," but a two-tier system nonetheless. But, from your perspective, I would worry that the arbitration board is going to react unfavorably to this action, and view it as evidence of failure to bargain in good faith. Why the United States Postal Service could not have continued to advocate its contract offer peacefully, through the statutory dispute resolution process, is beyond my comprehension. Whatever is achieved by this action is being purchased at the cost of a generation of ill will and devastated morale.

Sincerely,

WILLIAM D. FORD,
Chairman. ●QUACKERY: THE NEED FOR A
FEDERAL RESPONSE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. PEPPER) is recognized for 5 minutes.

● Mr. PEPPER. Madam Speaker, quackery is an enormous problem with a severe impact on the health and well-being of our citizens. An intensive 4-year study conducted by the Subcommittee on Health and Long-Term Care of the House Select Committee on Aging, which culminated in a hearing and a report entitled "Quackery: A \$10 Billion Scandal," revealed that health fraud was the single most prevalent and damaging fraud perpetrated against the elderly. And the damaging effects are not limited to our Nation's senior citizens. Americans of all ages are being victimized.

The problem of medical quackery is growing at an alarming rate. In 1965, in hearings by the U.S. Senate Special Committee on Aging, it was estimated that quackery was costing the Nation \$1 billion a year. Today the Subcommittee on Health and Long-Term Care conservatively estimates that it costs the Nation more than \$10 billion. The cost in human terms, measured in disillusion, pain, and forsaken or postponed medical treatment because of reliance on unproven methods, is more difficult to measure, but nonetheless very real.

Nothing short of a full-scale, concerted effort involving all of the Federal, State, and local agencies responsible for controlling quackery will serve to have significant impact in reducing these reprehensible activities. The elements of this attack must include: the establishment of these activities as a priority commensurate with the potential harm; the development of educational activities to inform the public of the nature and degree of the hazards associated with unproven remedies; and increased enforcement activities, particularly the application of criminal sanctions.

I have introduced three bill today which will help us achieve these ends.

The first bill would amend the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, and title 18 of the United States Code to increase criminal penalties for those who knowingly sell or offer for sale unsafe or ineffective drugs, medical devices, and medical treatments. Minimum fines of \$1,000 will be increased to \$5,000 and minimum prison sentences of 6 months and 1 year will be increased to 5 years and 10 years respectively. This will serve to place penalties in proper relation to the potential harm posed by fraudulent health remedies.

Second, a clearinghouse for consumer health education and informa-

tion will be created within the National Library of Medicine. This clearinghouse will provide a data base on the efficacy, comparative cost, and possible side effects of drugs, medical devices, and treatments including both proven and unproven remedies, for American consumers.

Third, I am calling for the creation of a strike force on health quackery, to coordinate the efforts of those Federal agencies responsible for curbing the sale and promotion of fraudulent health remedies. The strike force would be established in the Department of Justice and composed of two representatives of the Department of Justice, the Food and Drug Administration, the Federal Trade Commission, and the U.S. Postal Service, selected by the head of each agency. The strike force will submit to Congress both a proposed plan of action and final report on progress made in combating health quackery.

I urge my colleagues to join me in support of this important and timely reform package.

Thank you. ●

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. NELSON) is recognized for 5 minutes.

● Mr. NELSON of Florida. Madam Speaker, due to official business, I was not recorded on several rollcalls earlier this year.

If I had been present, I would have voted "yes" on rollcalls 47, 79, and 148, all motions to approve the House Journal.

I also would have voted "yes" on rollcall 210, the Frenzel amendment to reduce funds for House of Representatives operations; "yes" on rollcall 301, adoption of the conference report on the Bankruptcy Amendments of 1984; "yes" on rollcall 303, the resolution providing for adjournment of the House and Senate from June 29 to July 23, 1984; and "yes" on rollcall 305, passage of the water resources development authorization. ●

THE HELSINKI FINAL ACT: 9
YEARS LATER

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. FASCELL) is recognized for 5 minutes.

● Mr. FASCELL. Madam Speaker, today marks the ninth anniversary of the signing of the Final Act of the Conference on Security and Cooperation in Europe (CSCE). The leaders of 35 sovereign states—all of Europe except Albania—plus the United States and Canada met in Helsinki and

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(4) Approximately one-third of the workers showed significant hearing loss since going to work at the facility.

The inspectors recommended citations but the agency eventually vacated all of the citations on the basis of an agreement with the company which not only waived possible fines, but also exempted the company from correcting conditions in the plant that were in violation of the law. The rationale given for exempting the company from the same law that other employers are expected to meet was that the facility could be used by the National Institute for Occupational Safety and Health to learn more about hearing loss in workplaces where Government standards for noise and hearing loss were being violated.

It is interesting however that OSHA reached this conclusion without contacting the National Institute for Occupational Safety and Health or seeking their scientific judgments as to whether they wished to conduct such research or whether this facility represented a useful or usable research opportunity.

NIOSH did finally visit the Coors facility in May of this year and stated that they would not participate in such a study.

Mr. Speaker, this is an example of another type of the gross abuse of the law that has been practiced at OSHA. Only 2 months ago we learned that the agency was promoting a scheme by which the Dan River Textile Co. could escape Federal requirements for cotton dust exposure by having another study of what breaking those rules would do to worker's lungs. NIOSH was also volunteered by the Labor Department for funding that research. In that instance, NIOSH also said they would not participate.

In another case, we learned that Gulf Coast Lead Co. in Tampa, FL, was given a variance from Federal lead level requirements. When one of the employees at the plant had to be carried off the job because of kidney failure linked to high levels of lead in his blood, the variance and experiment was finally terminated.

OSHA testified before the Appropriations Committee that the Gulf Coast Lead case and another case involving mechanical guarding were the only experimental variances that have been granted since January 1981. However, the situation at Coors demonstrates that the Department has been granting variances after the fact as well as before, and that experimentation on workers has been used as an excuse to provide selected employers an opportunity to avoid meeting the same worker protection standards that are required of most employers in more instances than have thus far been cited by the Department.

EXTENSIONS OF REMARKS

Mr. Speaker, we cannot let Occupational Safety and Health regulation require many employers to meet requirements from which others are exempted. Protecting worker health cannot be allowed to become another tool of political patronage. When Federal inspectors find a workplace that is particularly dirty, noisy, or unhealthy, they have not found an opportunity for long-term scientific inquiry on the human consequences of violating rules that have already met the test of science and the Federal regulatory process. They have rather found a problem that needs to be corrected.

In a nutshell, employees of this Government who are charged with protecting the health and lives of American workers at taxpayer expense are not there for the purpose of locating someone else's ears, lungs, or kidneys in order to conduct crude experiments on already established scientific findings—even if it may mean higher quarterly dividends for friends of the administration in power.

That is what equal justice under the law and equal enforcement of the law is all about. That is not just necessary to provide decent working conditions for workers; it is necessary to provide an equal playing field for employers who are engaged in stiff competition.

Following is the text of the settlement agreement between the Coors Co. and OSHA:

United States of America Occupational Safety and Health Review Commission
RAYMOND J. DONOVAN, SECRETARY OF LABOR,
UNITED STATES DEPARTMENT OF LABOR,
COMPLAINANT, V. ADOLPH COORS COMPANY,
RESPONDENT

OSHRIC DOCKET NO. 83-0884

STIPULATION AND NOTICE OF DISMISSAL

Come now complainant, Secretary of Labor, and respondent, Adolph Coors Company, and make the following stipulations and agreements:

1. In consideration of complainant's agreement to withdraw the citation hereinafter described, respondent, without admitting that it has violated any of the provisions of the Occupational Safety and Health Act, or any of the regulations and standards promulgated pursuant thereto, hereby agrees to cooperate in, and volunteer the use of, the "cold-end" of its glass plant for, a research study on the effect of occupational noise on the hearing of employees exposed thereto, and the relationship of the implementation of hearing conservation programs and personal protective equipment to said noise exposure.

2. It is agreed that the aforesaid research study is to be conducted by the National Institutes of Occupational Safety and Health as agent for, and pursuant to a memorandum of understanding with, the Occupational Safety and Health Administration. The specific protocol and procedures for the aforesaid research study will be agreed to separately and specifically between complainant and respondent prior to commencement of said study.

Wherefore, based on the aforesaid considerations, complainant hereby withdraws

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other than serious citation number 1 for alleged violation of 29 C.F.R. §1910.95(b)(1) issued on May 31, 1983.

Dated this 15th day of October, 1983.

FRANCIS X. LILLY,

Deputy Solicitor of Labor,

TEDRICK A. HOVSN, JR.,

Regional Solicitor,

Bradley, Campbell & Carney, P.C., by
Lawrence W. Marquess, 1717 Washington Avenue, Golden, Colorado 80401-1994 (303) 278-3300. Attorneys for Respondent.

Jaylynn K. Fortney, Attorney, 911 Walnut Street, Room 2106, Kansas City, Missouri 64106 (816) 374-4441. Attorneys for Raymond J. Donovan, Secretary of Labor, U.S. Department of Labor.

POSTAL NEGOTIATIONS

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 31, 1984

Mr. CLAY. Mr. Speaker, with contract negotiations now broken off, the Postal Service and the postal employee unions have entered the legally mandated factfinding process. Under the Postal Reorganization Act of 1970, a joint selected factfinding panel will have 45 days to report its findings. Then, assuming that both management and the unions still cannot agree, an impartial panel of arbitrators will conduct hearings and make a final and binding determination.

While it is regrettable that labor and management were unable to reach agreement, this dispute resolution process is rational and one of proven success.

What is most disturbing however is the decision of the Postal Service to unilaterally implement a 23-percent pay cut for all postal employees hired on or after August 4, 1984. This action is highly improper and inconsistent with the intent of Congress when it enacted the Postal Reorganization Act of 1970.

When I was privileged to chair the Subcommittee on Postal Personnel and Modernization and the Subcommittee on Postal Operations and Services, I had ample opportunity to understand the intricacies of the Postal Reorganization Act of 1970 which governs postal labor relations. That landmark legislation provided for binding arbitration to resolve contract disputes because postal employees were denied the fundamental right of most working people—the right to withhold their labors—the right to strike.

I was therefore shocked that postal management decided to escalate existing tensions by reducing the pay and benefits of new employees, particularly since Congress provided binding arbitration as a substitute for the right

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to strike. Congress intended that matters in dispute—pay and benefits particularly—would be maintained in the status quo until the arbitration panel had the opportunity to work its collective will.

I appreciate the fact that the Postal Service believes—erroneously, in my judgment—that they are acting in accordance with the law. Nevertheless,

their actions are not simply inconsistent with the intent of Congress, they are penny wise and pound foolish. For the relatively small amount that the Postal Service saves by this ill-advised action, they have pushed postal labor relations back many years. This action will irrevocably damage postal labor relations and exacerbate tensions in the workplace.

I urge the Reagan appointees who now control the Postal Board of Governors to reconsider this ill-advised action and to follow the independent panel of factfinders and others to work their collective will free of the antagonism which the Governors' actions have generated.®

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World War II. But somehow there seems to be an impression that something is wrong to give anything to a country in Central America.

Mr. LONG of Maryland. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I will be very happy to yield.

Mr. LONG of Maryland. Mr. Chairman, I think at the time the gentleman visited down there, it is quite possible that the Senate had not acted on the urgent supplemental conference bill. If that is true, since that time, the Senate has acted and El Salvador has been sent an additional \$62 million in military assistance.

There is no sense in providing this big increase with only 2 months remaining in the fiscal year.

Further, the subcommittee started marking-up the 1985 foreign aid bill this morning and it contains additional funds for El Salvador. A point of order has been raised on the proposed amendment already so we are really talking about a dead horse.

Mr. NICHOLS. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I yield to the gentleman from Alabama.

Mr. NICHOLS. Mr. Chairman, I just want to support what the gentleman from New York has said and what the other gentleman from New York is trying to do. I am not a great advocate of foreign aid, as this body knows, but I was persuaded that their cause is just and I hope that what we are sending them down there is needed.

Mr. Chairman, I support the amendment offered by my colleague, Mr. KESR, and urge my colleagues to do the same. This assistance, both military and economic, is desperately needed by El Salvador. We have nurtured this country, and just when it is beginning to develop the infrastructure necessary to support a democratic government responsive to the needs of its people, we are refusing to help them.

During a recent visit by Armed Services Committee members, both Salvadoran and U.S. officials agreed that significant progress toward creating a democracy in El Salvador is being realized. Earlier this year El Salvador held its first free presidential election in many years. Over 80 percent of the eligible population voted. Human rights violations appear to be on the decline, and the major opposition candidate, Roberto D'Aubuisson, told the delegation that he will support the new government within the framework of the Constitution.

President Duarte stressed, however, that "the honeymoon of his election was over after the first 12 hours." He noted that the elections created great expectations on the part of the Salvadoran people, as well as the United States and various European governments. If democracy is to flourish, the

country's economic and social conditions must improve; the agrarian reform must continue, and most importantly, the United States must continue its assistance to the people of El Salvador. He complained that the United States has not responded as expected and instead has essentially been "yes, in sentiment—no, in resources."

The Government and people of El Salvador were led to believe that if free elections were held and the Government took positive steps toward controlling human rights violations, that U.S. assistance would be forthcoming.

There was general agreement among the Embassy, church, and Salvadoran officials who met with the delegation that the human rights situation is improving. Significant progress has been made in preventing indiscriminate violence since President Duarte assumed office. He has taken several positive steps to ensure that human rights are not violated, including the removal of officials suspected of death-squad affiliations from Government positions. He has committed himself to the establishment of a commission to investigate human rights violations, and has addressed military units throughout the country on the need to stop such violations. Finally, to dramatize the firm stance of his administration against human rights violations, Duarte intends to supervise personally the investigation of the next documented case of abuse.

The Salvadoran military is also making progress and is struggling to train and equip its forces so that peace can be maintained. Without that peace and the elimination of guerrilla attacks, needed land reform and critical industrial and agrarian development cannot be accomplished.

El Salvador, of course, faces many problems in its quest to become a stable democracy. Reform will not be easy and will not come about as quickly as most would like. However, one thing is clear: without meaningful U.S. assistance, furnished in a timely manner, the Government of El Salvador will not be able to fulfill its commitment to its people.

Although El Salvador is fiercely independent and cherishes its sovereignty, it recognizes that it desperately needs the temporary assistance of other countries.

I urge my colleagues to support the amendment offered by Mr. KESR as a commitment to El Salvador's efforts to help itself, and to so ensure that U.S. troops will not be needed to assist that country.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from New York [Mr. STRATTON].

The preferential motion was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk proceeded to read title II. Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title II be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order?

Are there any amendments?

The Clerk will read.

The Clerk proceeded to read title III.

AMENDMENT OFFERED BY MR. CONTE

Mr. CONTE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CONTE. Page 68, after line 21, insert the following new section:

Sec. 303. None of the funds made available to the United States Postal Service under this Act or any other Act may be used to restructure employee compensation practices as in effect under the most recently effective collective bargaining agreement under section 1306 of title 39, United States Code, except in accordance with the results of procedures set forth in section 1207 of such title.

Mr. WHITTEN. Mr. Chairman, I reserve a point of order on the amendment.

The gentleman from California [Mr. ROYAL], chairman of the subcommittee, is not on the floor, so I reserve a point of order at this time.

The CHAIRMAN. The gentleman from Mississippi [Mr. WHITTEN] reserves a point of order on the amendment.

The gentleman from Massachusetts [Mr. CONTE] is recognized for 5 minutes in support of his amendment.

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Mr. CONTE. Mr. Chairman, I have spoken with the gentleman from California [Mr. ROYAL] and counsel in regards to this amendment.

The Chairman, this amendment is designed to send a clear and strong message to the negotiators—on both sides—of the current Postal Service employee contract talks. That message is fairness and negotiations in good faith.

I'm sure that Members are familiar with the current stalemate in employee contract negotiations. The latest union contract expired on July 20, 1984; 600,000 unionized employees are now working without a collective-bargaining agreement. At the end of the negotiation process, both sides were still miles apart from reaching common ground. However, the specific issues involved in the negotiations are not the reason for this amendment. In 1970, the Congress attempted to de-politicize, as much as possible, the work-

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ing of the Postal Service. The problem now is not with the particular issues or demands under negotiation, but with an abuse of the process as provided in the law.

The Postal Service Reorganization Act of 1970 grants the postal workers the right to bargain collectively. Designed to protect the public interest, the law provides for an orderly and fair process to negotiate union contract agreements: If an existing contract expires and the parties involved are at an impasse, then a 45-day fact-finding period begins. If the issues are still not resolved at this point, the negotiations are referred to a three-member arbitration board to conclude a binding agreement.

In return for this right to bargain collectively, we expect our postal employees to refrain from strikes or any job actions. The experience in 1970 should remind Members of the reason for this prohibition.

Recent news reports about unilateral moves by the U.S. Postal Service are disturbing to many Members of Congress, including myself. Last week, the Postal Service announced that new employees hired after August 4, 1984 would be paid about 23 percent less than current workers.

With the negotiations heading for the binding arbitration stage, the Postal Service has decided to impose one of its demands, subverting the process provided in the Reorganization Act. This is unfair and a breach of the agreement reached by Congress in the 1970 Reorganization Act.

This amendment is designed to prohibit the Postal Service from imposing this unfair, unilateral action before an agreement is reached. The amendment deals only with the process of negotiations, not the issues under consideration. It says that there can be no restructuring of the employee's compensation practices until there is a negotiated agreement as provided by the law. If there are changes to be made in employee compensation, let those changes develop as a result of the negotiation process designed by Congress and in effect for 14 years.

Let me emphasize to the House, the amendment is not an attempt to take sides in the dispute, but an effort to make sure that the procedures mandated by the Congress are followed during this negotiation.

The Congress has an obligation to insure that the spirit and intent of the law is fulfilled. Postal workers are Federal employees and should have all the rights and protections reserved for them by the law, nothing more or nothing less.

I urge my colleagues to support this amendment.

Mr. ROYBAL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, my understanding is that a point of order has been reserved.

I would like to ask some questions with regard to the subject matter to the author of the amendment.

It is my understanding that this amendment is one in which title 39 of the United States Code is affected, particularly with regard to the procedures set forth in section 207 of that title. Please explain to us what is contained in that section.

Mr. CONTE. Will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman from Massachusetts.

Mr. CONTE. Chapter 39, to which you referred, is the Postal Reorganization Act of 1970.

Mr. ROYBAL. In this Postal Reorganization Act, is what you are attempting to do in this instance is to modify that act or to put in place certain procedures that come under that act?

Mr. CONTE. Does the gentleman mean my amendment?

Mr. ROYBAL. By your amendment.

Mr. CONTE. No, it does not try to modify that act. It is just a straight funding prohibition which refers to chapter 39, the Postal Service Reorganization Act.

Mr. ROYBAL. Has any attempt been made to try to get this amendment also passed in the other body?

Mr. CONTE. Not at this point. But certainly, if this amendment is adopted today, there will be a lot of work done to get it adopted. I expect to talk to Mr. ANDERSON and other Members in the other body. I think many Members of Congress are very upset about this unilateral action by the Postal Service.

Mr. ROYBAL. May I say that I wholeheartedly agree with the gentleman from Massachusetts in the statements that he has made with regard to this matter. I think that it is a correct procedure to take in the absence of insisting on the point of order. We are not going to insist on that point of order. But I wanted to be sure that we had something in place in the other body that would complement what is being done here today so that when we go to conference we will have at least been able to present our subject matter on an equal basis.

Mr. CONTE. First of all, let me say, as I have said many, many times here on the floor, that I have the greatest respect for the gentleman from California (Mr. ROYBAL). He has done a great job as chairman of that subcommittee. It is a pleasure for me to work with him.

Let me say that if this amendment is adopted today the gentleman can be assured that starting tonight I will work with Members of the other body on this amendment, and I think we have a lot of support.

Mr. ROYBAL. I thank the gentleman.

The CHAIRMAN. Does the gentleman insist on his point of order?

Mr. WHITTEN. Mr. Chairman, I reserved the point of order until I could confer with the chairman of the subcommittee. It is his desire not to insist on it, as I understand it.

The CHAIRMAN. The gentleman does not insist on his point of order.

Mr. HOYER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from Massachusetts. I would bring to the attention of the committee that Chairman FORD, chairman of the authorizing committee of the Post Office and Civil Service Committee, on July 26, 1984, wrote to Postmaster Bolger with reference to the procedures to which this amendment speaks. In that letter the chairman of the authorizing committee essentially took the same position that the ranking minority member, the gentleman from Massachusetts (Mr. CONTE) takes in offering his amendment, which is to say to hold the parties in equal position until such time as the statutory arbitration procedure has an opportunity to work, so that none of the individuals involved will be prejudiced during the period of time during which the arbitrators consider this matter.

If that were not the case, as the gentleman from Massachusetts points out, unlike the private sector where in the private sector the employer would have the option of imposing his last offer, the employee would then have the alternative opportunity to go out on strike, in this instance, of course, the employees are precluded from taking that action as a strike is illegal. Therefore I think the actions of the gentleman from Massachusetts and the substance of this amendment are entirely appropriate and effect fairness for both sides without, as the gentleman has said, interjecting ourselves in and taking a position as to either issue.

□ 1600

In closing, Mr. Chairman, I would like to quote from the letter Mr. FORD sent to Postmaster General Bolger dated July 26, 1984, wherein he said, and I quote:

Why the United States Postal Service could not have continued to advocate its contract offer peacefully, through the statutory dispute resolution process, is beyond my comprehension. Whatever is achieved by this action is being purchased at the cost of a generation of ill will and devastated morale.

I think if we adopt the amendment of the gentleman from Massachusetts we will preclude that unwanted effect

and therefore I rise in strong support of the gentleman's amendment.

The CHAIRMAN. Is there further discussion on the amendment.

Mr. DAUB. Mr. Chairman, I wish to associate myself with the remarks of my colleague from Massachusetts, Mr. CONTE, and indicate my support for his amendment. He raises some excellent points with respect to the obligations we have to postal employees, and his amendment clarifies those obligations.

In a recent letter I sent to John McKean, the Chairman of the Board of Governors for the U.S. Postal Service, I urged him to keep in mind the important role that the mail sorters and handlers have played in achieving management's objectives. Their efforts have indeed been significant in bringing the Postal Service to a sound financial footing, a point that must be recognized in the negotiating process.

In addition, I encouraged good faith efforts to provide incentives for continued advances in productivity. A profitable Postal Service not only reflects well on the performance of postal employees but also underscores its ability to compete effectively with other mail deliveries.

We must assure that in the negotiating process the proper procedures are followed. A credible and competitive postal service is a vital asset to this Nation, and the concerns of postal workers and letter carriers must be addressed.

I commend my colleague from Massachusetts for introducing this amendment, and once again, voice my support for the measure.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. Cowrs). The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk concluded the reading of the bill.

AMENDMENT OFFERED BY MR. WALKER

Mr. WALKER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WALKER: On Page 69, after line 2, insert the following section:

Sec. 303: Notwithstanding any other provisions of this Act, each amount appropriated or otherwise made available in this Act is hereby reduced by one percent.

Mr. WALKER. Mr. Chairman, yesterday the Democratic candidate for President of the United States, Mr. Mondale, was quoted with regard to deficit and the Washington Times newspaper of this morning reports it this way:

Mr. Mondale attacked the administration's federal deficit as the cause of high interest rates, collapse of small businesses, unmanageable mortgage levels and out-of-reach educational costs.

"I have heard that the deficit is too difficult an issue for Americans to understand," he said. "I am told that the deficit is too

could a concept to move people. I don't believe it."

Now, if the version of this supplemental that the chairman of the Appropriations Committee rolled for us out here a little while ago is in fact a correct version of what we are considering here, I would suggest we might now have an opportunity to do something about that which Mr. Mondale spoke of yesterday.

Mr. Mondale was attacking the administration's high deficit, Federal deficit. Well, according to the chairman of the committee, what we have before us here today is a supplemental appropriation which was asked for by the administration, that we juggle the figures a bit to meet our own priorities but we are in fact acting on the administrator's request.

What I am suggesting is if we really are concerned about the same things Mr. Mondale is concerned about, here is a chance to do something about those concerns, at least reduce this supplemental appropriation by 1 percent.

Mr. YATES. Mr. Chairman, will the gentleman yield for a question?

Mr. WALKER. I would be glad to yield to the gentleman from Illinois.

Mr. YATES. Does the gentleman intend his amendment to be applicable to the pay increases that are provided in this bill for the Government employees?

Mr. WALKER. I would say to the gentleman that it is my intention to cover all aspects of the bill with a 1-percent cut in the total funding of the bill.

Mr. YATES. Will the gentleman yield for a further question?

Mr. WALKER. I would be glad to yield.

Mr. YATES. Are not the funds that are in this bill for the pay increases based upon request of the administration?

Mr. WALKER. The gentleman is absolutely correct. The point that I am making is the fact that it is your Presidential candidate who is telling us the administration has this high deficit problem which is causing untold problems across the country.

So if the gentleman is correct, these are administration requests, here is an opportunity offered by this gentleman on the Republican side to reduce the administration's request by a modest 1 percent.

And I would suggest to the gentleman that the administration claims that within this particular appropriations bill there are some things in there that they did not request. I would say to the gentleman that they claim that there are a little over \$1 billion of unrequested domestic add-ons.

All my amendment would do would be to get about half of that back. It would get \$640 million of that back. It would also, it seems to me, speak to

something that we have heard an awful lot on this floor. We have heard an awful lot of people who say that we cannot cut individual appropriation bills because there are good and proper reasons for those bills to be brought before us at the levels they are.

This is a general appropriations bill, this goes to all aspects of Government. Those of you who have told your constituency that you want to see something done in the defense area, here is your chance. My amendment would cut \$187 million, a fairly modest decrease, but nevertheless a decrease; \$187 million out of defense.

Are you going to go back and explain to those people that you have been telling that you are going to get at the deficit by cutting defense that you voted against doing something about defense? Or how about the \$240,000 in military foreign aid?

I say that if you vote against it, you are voting against those cuts. How about the \$1.8 million in economic foreign aid? Save that amount of money. I suggest there is a few other things you might want to consider, too.

Why, this is a very dangerous amendment; this saves \$25,000 of the money that is in here for restoring the Presidential yacht. Good heavens, you do not want to go back and tell your constituents that you actually saved \$25,000.

How about \$5,000 restoration of a golf course down here at East Potomac Park? My amendment actually cuts \$5,000 out of the restoration of a golf course. Or how about the \$6,000 of the upgrading of our own video recording system around here?

You know, it must be taxing on the video recording system to have those wide angle shots of the Chamber; we are having to upgrade it to the tune of \$600,000. Well, I save \$6,000 of that.

Or how about the \$5,000 for additional parking places out in San Francisco? It seems to me here is something we might want to consider doing.

In other words, you know, we are really not doing anything very drastic in this amendment. It is a 1-percent cut. It is a way of speaking to the deficit.

I would ask for its approval.

Mr. WHITTEN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, this type of amendment is troublesome to all Members. In my experience in Congress, I have seen two or three major programs or bills where the budget of the President and the Office of Management and Budget regularly sent down recommendations at a higher than necessary figure so that Members of Congress could show how much they cut the budget. Foreign aid has been handled many times that way.

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Democrats used this to accuse the Republicans of wanting to take a hatchet to Social Security.

There was a real problem. Social Security is the nation's biggest and most important domestic program; over 36 million people benefit from it. Moreover, the elderly much more likely to vote than the rest of the population. No politician in his right mind wants to be on the wrong side of

the counter the Democrats' charges. I suggested adjusting Social Security upward to match the modest increase in the consumer price index, an increase estimated at 2.9 percent. The change was necessary because a little-known law enacted in 1972 provided that the amount of living increase would be paid in the year when the inflation rate fell below the rate of the year before. (The provision was little noticed until an inflation of 3 percent was announced in the last decade.)

In 1984 it appears that the change in the consumer price index will fall below the rate of the year before. Politicians hate a benefit vacuum. President Reagan rushed to fill this vacuum in the Republican-controlled Senate, fearful of being tarred with the same brush the Democrats used on Reagan, voted to endorse the proposal.

Political analysts praised Reagan's initiative as a master stroke: in a single move he ended the Democratic criticism that he had raised Social Security.

The political analysts have not been so kind to point out the costs of this effort. First, of course, is money. It will take \$1 billion to finance this increase, a substantial amount even by federal standards when the deficit is estimated at \$170 billion.

Second, the increase claim that this is not as large as it seems because inflation is cumulative. That is, if the inflation rate were 4 percent, it would add to this year's 2.9 percent for a total increase of 6.9 percent. In 1984, this year's increase would be 4.9 percent.

Third, the provision limiting the long-term cost of spending \$5 billion more each year when inflation falls below the rate of the year before is a source of grave concern. To forget those provisions just as the election approaches is fiscally irresponsible.

The most important issue is whether this is a fair competition to provide more benefits. House Democrats are not likely to let Reagan take credit for increasing Social Security benefits. They may well demand a bigger increase. Since Reagan is unlikely to veto a change so close to the election, his proposal may provoke a bidding war, with parties scrambling to provide the most generous benefits.

The bigger question is whether these increases will lead us back to the old days of election year benefit increases were replaced. Such a system would help only in the short run—but probably not in the long run since it would increase the financial health of the government.

Moreover, the politicians derive some gain from this. They can accommodate an important interest that relies heavily on the federal government. And, since few members of Congress pay Social Security they can provide the benefits without having to foot the bill themselves.

EXTENSIONS OF REMARKS

POSTAL SERVICE CONTRACT NEGOTIATIONS

HON. MICKEY LELAND

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 1984

Mr. LELAND. Mr. Speaker, I rise today to decry the recent actions of the Reagan appointee dominated board of the U.S. Postal Service in making a unilateral decision on pay for future hires of the Postal Service. The Postal Service has decided that it is going to implement its most recent contract offer which would create a divisive two-tiered system of compensation distinguishing between current employees and new hires. Two-tiered employment systems are divisive, unfair, and extremely detrimental to employee morale. Rarely are contract negotiations pleasant affairs. But the Postal Service's actions go beyond the usual posturing of collective bargaining. With this act, the Postal Service is not conducting itself in a manner that conforms to the statutory standard of good faith, the standard in all collective bargaining sessions.

In 1982, as chair of the Subcommittee on Postal Personnel and Modernization, I conducted extensive joint hearings on the effectiveness of the Postal Reorganization Act of 1970. Mr. Speaker, at no time during that lengthy review of the act did we encounter, consider, or anticipate a situation such as this. The Postal Reorganization Act clearly states that collective bargaining is up to the Postal Service and the employee representatives. The act also clearly intends that these parties are to be equal partners in this process.

Postal employees were given the right to bargain collectively for labor contracts, but were not given the right to strike. The clear intention of the act was that the status quo—that is, the contract provisions that the employees are presently working under—should remain in effect until the parties have come to agreement on the terms of a new contract. The drafters of the Postal Reorganization Act did not envision a Postal Board of Governors with such audacious contempt for its employees that it would act in such a callous manner. If so, then certainly the act would have stated expressly, rather than by implication, that unilateral moves are against the policy of the act. The Postal Service alleges that its action does not violate the letter of the Postal Reorganization Act. But with 6 years as a member of the Committee on Post Office and Civil Service and 5 years as Chair of one of its subcommittees, it is my contention that the Postal Service's action is certainly violative of the spirit and policy of the act.

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The Postal Service has decided to make this move at a time when the Postal Service is experiencing a robust financial health. The Postal Service is doing so well financially they have postponed an expected first-class rate increase. The Postal Service is so pleased with itself that it is giving out bonuses to management to the tune of \$10,000 to \$20,000. The Postmaster General himself will get a bonus of \$62,000. The Postal Service has recently bought a jet for the use of the Postmaster General and other top officials. The reason why postal management is lavishing such generous rewards on itself is that the Postal Service is in the best financial health in its history with volume and revenues at all time highs.

That is why it is absolutely incomprehensible why the Postal Service is trying to freeze worker salaries and reduce pay for new hires. It is these very people, and not those who sit behind desks at postal headquarters, who are primarily responsible for the United States having the lowest postal rates in the free world.

What the Reagan dominated Postal Board of Governors is saying is clear, and that is that only those at the top of the Postal Service's massive bureaucracy should benefit from the dedicated efforts of its rank and file employees. These employees, the most productive postal employees in the world, are being told that they do not deserve to share in the fruits of their labor.

I urge my colleagues to join me in opposing this action by the Postal Service and speaking out to ensure that the intent of the Congress, in passing the Postal Reorganization Act of 1970, is not violated.

DISASTROUS IMPACT OF THE ADMINISTRATION'S TAX POLICIES ON BUSINESS AND THE CONSUMER

HON. JAMES J. FLORIO

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 1984

Mr. FLORIO. Mr. Speaker, yesterday I received a letter from Dr. Walter S. Mason, president of Best Western International, the Nation's largest association of independently owned and operated hotels, motels and resorts. The firm has 82,000 employees nationwide and is headquartered in Phoenix, AR.

Mr. Speaker, as the chairman of the Subcommittee on Commerce, Transportation and Tourism I have a direct concern for the lodging industry. I cite Dr. Mason's letter as irrefutable evidence of the artificially stimulated building boom which has swept this country since the passage of TEFRA

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**SERIOUS UNEMPLOYMENT IS
CAMOUFLAGED BY DEVIANT
STATISTICS**

HON. MAJOR R. OWENS

OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 1984

● Mr. OWENS. Mr. Speaker, there has been a great deal said about the unemployment rate, and particularly about the recent decline to pre-Reagan rates. In my district, which is in the heart of Brooklyn, the reality that I see is in no way consistent with the rosy rhetoric that I hear. The frustrations of my unemployed constituents have led me to probe this situation in greater depth. What I found should be of interest to all those who seek an accurate reading of the unemployment tragedy in our society.

The unemployment rate in June was 7 percent for the country and 15 percent for blacks in this country. The black rate was down from 20.3 percent last June. This seemed like good news until I found that the percentage of adults working, called the labor force participation rate, has remained constant at 62 percent for blacks. If the same percentage of blacks are working, how can the unemployment rate drop by 25 percent? The answer is relatively simple. The Department of Labor simply doesn't count everyone. This is a simple way to reduce unemployment—don't count all of those who are unemployed.

Looking at New York State and New York City, the picture is similar. In the State as a whole, the labor force participation rate remained constant at 50 percent while unemployment dropped from 9.1 to 7.2 percent. The State's black participation rate remained constant at 54.5 percent while unemployment dropped from 15.3 to 11.5 percent. In New York City the black participation rate remained at 53 percent while unemployment officially dropped from 14.7 to 10.7 percent. In each set of figures, significant drops in the unemployment rate were officially noted when there was no change in the percentage of people in the workforce. In short, undercounting the unemployed is a consistent practice which provides the basis for rosy rhetoric while unemployment and poverty continue unabated.●

**U.S. POSTAL SERVICE URGED TO
RESUME GOOD FAITH NEGOTIATIONS**

HON. JAMES L. OBERSTAR

OF MINNESOTA
IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 1984

● Mr. OBERSTAR. Mr. Speaker, I was astonished and greatly distressed

EXTENSIONS OF REMARKS

to learn that the management of the U.S. Postal Service, unilaterally and arbitrarily, in the course of contract negotiations had set up a two tier pay system. While the Postal Service contends that this action is based on law, I can't think of a worse tactic for an employer, particularly a public employer, to take than this one which has brought labor-management relations in the Postal Service to an all-time low.

This action can only have a negative impact on the current employees and on the bargaining team, serving not only to impair morale, but also to impede negotiations. It has created an atmosphere of distrust on the part of employees by giving the appearance that management is not negotiating in good faith.

I might remind my colleagues that postal workers are not in the same position as other employees, as the Postal Reorganization Act of 1970 denies postal workers the fundamental right of other working people, the right to strike, substituting for that right, binding arbitration. Certainly it was the intention of Congress in establishing this unique arrangement that matters under negotiation would be held in status quo until an arbitration panel, if ordered into the process, had concluded its work.

The Postal Service obviously believes otherwise and, in ordering a lower pay scale for new hires, is damaging labor relations and undermining the labor-management negotiation process in the U.S. Postal Service.

I urge the Board of Governors of the U.S. Postal Service to rescind their action as a step toward reestablishing a climate of good will and to enter upon good faith collective bargaining in order to resolve the present impasse.●

**THE HELSINKI FINAL ACT: A
PROMISE**

HON. TOM LANTOS

OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES

Wednesday, August 1, 1984

● Mr. LANTOS. Mr. Speaker, "the participating States will respect human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief, for all without distinction as to race, sex, language or religion."

These powerful words are found in the Final Act agreed to at Helsinki 9 years ago today. These words represent that which is good and wholesome in the human spirit, the quality which places man above the animals, the potential which points mankind to a future of cooperation and mutual respect.

These words are also a promise, made by all signatories of the treaty,

to fulfill the goal of human rights. Let us not deceive ourselves: Human rights do not arise inherently out of the good will of a community, but from the compliance by governments. Human rights are not protected by the shield of righteousness, but are nurtured and defended by governments which respect them. The promise inherent in the Helsinki Final Act, therefore, is one that has to be assiduously monitored.

To monitor the lofty ideals expressed in the Helsinki Final Act, groups were established throughout the signatory States, including important groups in Eastern Europe. Czechoslovakia saw the rise of the Charter 77 group, which has been continuously harassed by state officials. Anatoly Shcharansky and Andrei Sakharov became active and forceful activists in the Soviet Helsinki monitor group. Their fates at the hands of a merciless Soviet police are well known.

How has the promise of the Helsinki Final Act been upheld? "The States will recognize and respect the freedom of the individual to profess and practice . . . religion." That is impressive rhetoric. The reality is frighteningly different. Crosses are torn off school walls in Poland, causing students to boycott their classes. Local toughs are recruited into breaking up church-related peace demonstrations in East Germany. And anti-Semitic articles are officially sanctioned in the Soviet press.

"The State will respect the right of persons belonging to national minorities to equality before the law." That is inspiring rhetoric. The reality is to be found in Czechoslovakia, where Miklos Duray faces trial for defending the rights of the Hungarian minority living in predominantly Hungarian-speaking areas to receive instruction in Hungarian, or Erno Borbely, a high school history teacher in Romania, who was sentenced to 6 years in jail when he protested against state-sponsored pamphlets bearing the words "The Hungarians are traitors. Stop them! Beat them! Tear them asunder!"

"The participating states will deal in a positive and humanitarian spirit with the applications of persons who wish to be reunited with members of their family." That is beautiful rhetoric. The reality is more grim. Thousands wish to leave Romania to rejoin families in West Germany and Israel. In spite of some improvements in recent years, the waiting list is still long. Tens of thousands of Soviet Jews—the refuseniks—wish to leave Mother Russia to enjoy religious and personal freedom in Israel and the United States. Yet, currently only about 70 persons are allowed to emigrate each month. This is intolerable and unbearable.

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(b) The State educational agency shall establish procedures under which a merit scholar awarded a scholarship under this subpart establishes that the scholar is maintaining satisfactory proficiency and devoting full time to the course of study for which the scholarship was awarded.

"AWARDS CEREMONY"

Sec. 4191. (a) The State educational agency shall make arrangements to award merit scholarships under this subpart at a place in each State which is convenient to the individuals selected to receive such scholarships. To the extent possible, the award shall be made by Members of the Senate and Members of the House of Representatives (by the Delegate in the case of the District of Columbia and the Resident Commissioner in the case of the Commonwealth of Puerto Rico) who represent the State, Commonwealth, or District, as the case may be, from which the individuals are selected.

(b) The selection process shall be completed, and the awards made prior to August 1st of each year.

"CONSTRUCTION OF NEEDS PROVISIONS"

Sec. 4193. Nothing in this subpart, or any other Act, shall be construed to permit the receipt of a merit scholarship under this subpart to be counted for any needs test in connection with the awarding of any grant or the making of any loan under this Act or any other provision of Federal law relating to educational assistance.

"APPROPRIATION OF APPROPRIATIONS"

Sec. 4194. There are authorized to be appropriated \$8,000,000 for each of fiscal years 1984, 1987, and 1988 to carry out the provisions of this subpart.

(b)(1) Section 419 of the Act is redesignated section 420.

(2) Section 420 of the Act is redesignated section 420A.

Mr. KENNEDY. Mr. President, I am pleased to join Senator BYRD along with Senators CHILES and PELL in cosponsoring the Federal merit scholarship bill. I would also like to commend Senator BYRD for his continued efforts in support of our Nation's young people and higher education.

This bill will encourage students of academic achievement to further their education by providing individual \$1,500 scholarships for 1 academic year. It is most fitting that we recognize the academic strengths of our Nation's youth and reward their talents by promoting studies at institutions of higher learning. These intellectual endeavors of our young people are worthy of highest praise and encouragement for these individuals promise to be future leaders in our country.

While we continue to maintain our commitment to providing access to education for needy students, we could also use Federal resources to encourage excellence. In my judgment, this bill does an excellent job of achieving this objective. The Federal merit scholarship bill provides non-transferable scholarships based solely on merit. The recipients will be students from public or private secondary schools who have been admitted for enrollment at an institution of higher

learning. These awards which will be offered in each congressional district, the District of Columbia, and Puerto Rico, will be awarded based on criteria established by each State educational agency.

This idea of Federal merit scholarships is not a new one and has received much thoughtful attention by many educational organizations and congressional education experts. Provisions for such a scholarship program were contained in the Economic Competitiveness and Cooperation Act and we have incorporated many of the suggestions we received into the current bill.

I encourage my colleagues to join me in supporting this worthwhile endeavor.

POSTAL CONTRACT NEGOTIATIONS

Mr. DeCONCINI. Mr. President, I am concerned about recent actions by the U.S. Postal Service which appear to be inflammatory and provocative.

As we all know, the Postal Service and the Postal Unions are presently in the midst of contract negotiations. The 1979 Postal Service Reorganization Act spells out very clearly how these negotiations are to take place and in what context a decision is to be made. The Postal Service appears to be thwarting these procedures by recent announcements that it plans to reduce the pay of new hires before completing negotiation process set by law.

This is bad policy and sends a message to postal workers that the system doesn't work. Mr. President, I believe the system can work and must give it that opportunity. Therefore, I urge Postmaster General Bolger to withdraw his proposal for a pay cut for new hires.

At the same time, I caution postal workers to also abide by the rules as set out in the Postal Service Reorganization Act. The unions must discourage any talk of strikes and show good faith in the system. The system can work and all parties must give it that opportunity.

The House version of the supplemental appropriation bill contains an amendment prohibiting the Postal Service from making the changes proposed by Postmaster Bolger. I urge the Postmaster General to withdraw these proposals and prevent the necessity of congressional action.

DRUG ABUSE IN THE MILITARY

Mrs. HAWKINS. Mr. President, a recent Washington Post article points out, yet again, how prevalent drug abuse is within our military forces.

It is reported in this article that more than 70 military personnel and civilians were arrested by military authorities after a 3-month drug investigation at Fort Belvoir, VA, Fairfax

County police, and the FBI were also involved in this action. Called "Operation Clean Sweep," the charges resulting from these arrests ranged from possession of small amounts of marijuana to possession with intent to sell. This action was taken as part of a Defense Department effort to crack down on drug use among military personnel. This investigation, begun by the military in April, led as well to the arrest of a number of civilians who had been dealing both marijuana and cocaine. Quantities of LSD, Valium, and other drugs were also seized in this raid.

Mr. President, we in America have, bar none, the finest fighting forces in the world. We cannot allow our military personnel to be corrupted and eventually destroyed by illicit drugs.

We must remain diligent in our efforts to educate our young soldiers to the potential dangers of drug abuse—dangers that can often have more damaging results than those found on the battlefield.

Mr. President, I ask unanimous consent that the article entitled "70 Are Arrested at Fort Belvoir," dated July 12, 1984, in the Washington Post, be inserted in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

70 ARE ARRESTED AT FORT BELVOIR—DRUG PROSE BYZAN IN APRIL
(By Andree Hochman and Charles Fishman)

More than 70 military personnel and civilians were arrested this week after a three-month drug sweep at Fort Belvoir by military authorities, Fairfax County police and the FBI, officials reported yesterday.

Fort Belvoir officials arrested 62 military personnel on the base in Fairfax County Monday and Tuesday, most on charges involving possession of small amounts of marijuana. It was the culmination of what military officials called "Operation Clean Sweep." The military charges ranged from simple possession to possession with intent to sell, according to Lt. Col. John Ooley, spokesman for the post.

Ooley said the crackdown on drugs was the largest at Fort Belvoir in at least four years, and involved the use of undercover officers, dogs trained to sniff out drugs and searches of personnel as they entered the gates of the base.

The arrests were said to be part of the Defense Department's effort to crack down on drug use among military personnel, an effort that has led the services to conduct widespread, but unannounced urine tests for drug usage and to quickly discharge those suspected of using drugs.

Officials said the Fort Belvoir arrests were designed to have a deterrent effect. "We want to make it known that drug trafficking on Fort Belvoir is not going to be an easy thing to do," Ooley said.

The military investigation, begun in April, led to civilian suppliers and resulted in the arrest of eight Fairfax County residents, County police said. In addition, two other Fairfax County residents were arrested at Fort Belvoir Monday by the FBI and

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through their constituent encouragement, to sign discharge petition 10 and to allow this most important issue to go forward. We would hope that you would not only sign that discharge petition in the next several days but you would also sign the public honor roll that allows the people of your home district to know that you publicly support the idea of a constitutional amendment to balance the Federal budget and limit taxes.

Mr. Speaker, it is the responsibility of this House to give this most important issue to the American public for their consideration.

SUPPORT URGED FOR EFFORTS OF POSTAL SERVICE OFFICIALS

(Mr. DANNEMEYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANNEMEYER. Mr. Speaker, in recent days there have been several media attacks on the Postmaster General and the Postal Service Board of Governors over the postal workers labor contract impasse and the Service's implementation of a new, lower wage scale for new hires. These new wages are based on comparable private sector wages. Some have even made the ludicrous charge that these actions are coercive, union-busting efforts by Reagan appointees to the Board of Governors. I think it is time we put this matter into proper perspective.

When the U.S. Postal Service was established in 1971 as a quasi-governmental operation, part of the intent was to promote business-like operations, where the managers were committed to a concern for profits and losses. Wages were required by the act that the Congress passed to be comparable to those wages paid in the private sector for similar skills and levels of responsibility.

The advent of competing delivery services adds considerable free market demands on the Postal Service to keep rates competitive and service quality high. With 85 percent of all postal costs being labor costs, the management and the Board of Governors cannot ignore marketplace factors. I think it is high time we stop complaining about high postal rates and then criticize attempts to contain the costs that drive up those rates. We must get behind the current efforts of the Postmaster General and the Board of Governors to apply realistic management principles and competitive wage rates in the operation of the Postal Service. I feel these proposals fairly balance the interests of employees, mailers and the public in general. Its time to stop taking cheap shots at the Postal Service.

THE ANNIVERSARY OF RICHARD NIXON'S RESIGNATION

(Mr. DOWNEY of New York asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. DOWNEY of New York. Mr. Speaker, it is hard to believe that 10 years ago today Richard Nixon resigned his Presidency. You and others were present in the House at that time. I was just a young man campaigning for Congress.

I think it is appropriate that we take time to reflect on those 10 years because it gives us an indication of what is right with this country and what is wrong. What is right, of course, is that we proved ourselves to be a nation of laws and not of men, that no individual was exempt from the law, and that if you undermined the very foundations of our Republic, you would be punished, as Richard Nixon was when he was disgraced and forced to leave the Presidency.

□ 1020

What is wrong with us is that we have a collective amnesia as a nation, we have forgotten and forgiven, apparently, much of what Richard Nixon stood for. Forgotten are the things he did to this Nation, the turmoil he forced us to go through. The "secret" plan for ending the war in Vietnam which cost the lives of 20,000 American boys and countless thousands of Asians before it was implemented.

Today, Nixon is hailed as an elder statesman and his advice seems sound when compared with the nonsense on foreign affairs emanating from the White House. The proof that in the land of the blind the "one-eyed" man is king.

A nation which understands the lessons of history will not be led by the blind or those who purport to speak for them.

HIROSHIMA—39 YEARS AGO

(Mr. WEISS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WEISS. Mr. Speaker, 39 years ago this week an atomic bomb was dropped on Hiroshima. At 15 minutes past 8 on the morning of August 6, 1945, the bomb bay doors of the *Enola Gyy* opened. Moments later the first atom bomb ever dropped on the Earth exploded above Hiroshima City.

In the words of one survivor, August 6 was "the end of Hiroshima, of Japan, of humankind."

Our nuclear weapons are now thousands of times more destructive than the Hiroshima bomb and our nuclear arsenals thousands of times greater in numbers. The next use of nuclear weapons will bring about the end of

civilization as we know it. Its survivors will envy the dead.

Yet, the United States and the Soviet Union continue to edge closer and closer to nuclear annihilation. Still, the United States refuses to renounce the first use of nuclear weapons.

An American poet wrote: "In a dark time, the eyes begin to see."

As we now face one of the darkest periods of the nuclear era, we must begin to see an end to the madness of the nuclear arms race.

Renouncing the first use of nuclear weapons would help put an end to that madness and would bring hope to all of us whose lives are shadowed by the threat of a nuclear holocaust.

THE LATE HONORABLE CARL D. PERKINS

(Mr. HUBBARD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HUBBARD. Mr. Speaker, yesterday morning more than 3,000 people gathered in the Knott County Central High School gymnasium at Hindman, KY, for the funeral of our beloved friend and colleague, the late Carl Dewey Perkins. There in that eastern Kentucky high school gymnasium, tributes galore were paid to this great American. More than 80 of his congressional colleagues awoke before dawn yesterday to come to the U.S. Capitol, then to Andrews Air Force Base, then to the London, KY, Airport and then an hour and a half drive over to the town of Hindman, KY, the birthplace and home of the late Carl D. Perkins.

Speaker O'NEILL's words at the funeral included, "Thousands have served in Congress, but few have had the impact that Carl Perkins has."

Our majority leader, JIM WRIGHT, referred to Carl Perkins as "a giant of a man in our day." JIM WRIGHT said, "No man has done more for those who needed his help than Carl Perkins did in his 36 years of public service."

I believe our majority leader said it best as he closed his remarks by saying, "Carl, your day is done, your battle won. Well done."

On September 11, the Members of the House will have 4 hours to pay tribute to the late Carl D. Perkins. Those of us from Kentucky appreciate the many colleagues who went to our State yesterday to pay tribute to Carl D. Perkins.

Verna Perkins, Carl's widow, and State representative and Mrs. Carl Christopher Perkins, Carl's son and daughter-in-law have expressed their appreciation for the many, various expressions of sympathy sent to them since last Friday.

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Potrero Hill's inhabitants share not only magnificent views of the city and bay, but a strong sense of community ties unique even for San Francisco. Ruth Passen and her family have lived and worked in Potrero Hill for many years. She is managing editor and the driving force behind San Francisco's oldest community newspaper, the Potrero View. The paper has helped unify this neighborhood, providing its people with crucial information on issues affecting their lifestyle and environment.

Ruth Passen is a crusader whose mission is to improve the lives and surroundings of the residents of San Francisco. Over 30 years ago she led a fight to save a local playground when a major street was being widened. In recent years, she has pushed for affordable housing, fought against a proposed pornography district, opposed a large electric utility pumping station in the neighborhood, and many other issues.

She recently received the Daniel Koshland Award for outstanding community work from the San Francisco Foundation. Ruth also received the Media Award from the Mental Health Association of San Francisco. Next month, I will be speaking at a testimonial dinner honoring her commitment to the community.

Ruth spends most of her time with the newspaper and community causes but also is an avid San Francisco 49ers fan—a season ticket holder since 1966—and has a deep interest in the arts—theatre, symphony, opera, museums. I am pleased to bring the accomplishments of this outstanding woman to the attention of my colleagues. ●

CRITIQUE OF UNLAWFUL ACTIONS BY THE POSTAL SERVICE

HON. BARBARA BOXER

OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 8, 1984

● Mrs. BOXER. Mr. Speaker, I join my colleagues in expressing my dismay at the misguided if not unlawful position taken by the Postmaster General and the management of the U.S. Postal Service during the ongoing contract negotiations. Clearly their actions in attempting to unilaterally mandate their two-tier salary schedule for new postal employees and also reduce sick leave and other benefits of new hires indicates contempt for the collective bargaining process mandated in law and disdain for the thousands of hardworking postal employees whose efforts have put the Postal Service in the black in recent years.

We often hear officials of the Reagan administration attack what they call the arrogance of big govern-

ment, yet their actions surely reflect the true situation. Obviously respect for the law and for the rights of the little people, the ordinary employee, are a very low priority for the Reagan appointees at the Postal Service. Over the last months and weeks they have repeatedly and unmistakably made clear their determination to impose their point of view despite the requirements of the Postal Reorganization Act of 1970 and in the face of the complete willingness of the employees to bargain in good faith with them.

As our esteemed colleague Mr. Ford, the chairman of the Committee on Post Office and Civil Service pointed out in a recent letter to the Postmaster General, Mr. Bolger, "private sector labor law is clear: when an impasse is reached, management may implement its final offer. The union, however, has the concomitant right to strike, thus insuring parity of bargaining power. In this case though, the unilateral action destroys parity. The postal unions are barred from striking. The act's factfinding and arbitration procedures exist not merely as a substitute for private sector labor's rights to strike, but also as a substitute for private sector's right to unilateral implementation. I believe that the unilateral changes that the Postal Service intends to implement are unlawful under the Postal Reorganization Act."

I totally agree with Chairman Ford's assessment of the Postmaster General's proposals and hope that the Members of this House will strongly respond to this latest administration flouting of law. For despite all of their traditional rhetoric and posturings the administration should remember the words of Clarence Darrow, who once said, "True patriotism hates injustice in its own land more than anywhere else." ●

SOCIAL SECURITY COST-OF-LIVING RAISE

HON. THOMAS M. FOGLIETTA

OF PENNSYLVANIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 8, 1984

● Mr. FOGLIETTA. Mr. Speaker, soon the House of Representatives will be considering legislation to guarantee the Nation's 36 million Social Security beneficiaries a cost-of-living raise this January. I will be supporting this effort. Because last year's Social Security rescue package postponed cost-of-living adjustments from July 1984 to January 1985, without specific legislation beneficiaries might not receive an inflation raise for 2½ years.

When the House addressed the Social Security rescue package last year, I opposed delaying the Social Security COLA. I noted at the time that a 6-month COLA delay would reduce

benefits. Although the rate was coming down then and is low now, inflation is increasing prices and the elderly, on fixed incomes for the most part, still find it difficult to keep up.

I am pleased President Reagan is supporting this effort on behalf of senior citizens. I must admit, however, to some uneasiness. After all, it was President Reagan in his first year in office who recommended eliminating the Social Security minimum benefit. And less than 1 year after Congress acted to put Social Security on a firm financial footing, it was President Reagan on March 29, 1984, who said—and I quote—"... what we need to do is a revamping of the program."

By supporting legislation to give Social Security beneficiaries a cost-of-living raise this January, I hope President Reagan is signaling at last his willingness to join Congress in the effort to banish what Franklin Delano Roosevelt called the "spectre of old-age destitution." ●

TRIBUTE TO MR. AND MRS. JOHN COWDEN

HON. JAMES R. "JIM" OLIN

OF VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
Wednesday, August 8, 1984

● Mr. OLIN. Mr. Speaker, I would like to take this opportunity to recognize the fine efforts of two very historically minded residents of the Sixth District of Virginia. Mr. and Mrs. John Cowden of Millboro, VA, have on their own initiative restored Fort Lewis, the 18th century plantation home of Col. Charles Lewis. Colonel Lewis gave his life at the Battle of Point Pleasant in 1774, which is widely recognized as the first battle of the American Revolution.

Fort Lewis, located in Millboro, stretches for 950 acres in a remote valley along the Cowpasture River in what is now Bath County. Colonel Lewis left his wife and four children there in August 1774, to join his Augusta County regiment at Warm Springs, VA. Soon the 13 companies of the regiment joined other units of the Southern Division and moved westward. Their destination was Point Pleasant in what is now West Virginia, where it was hoped that a united force could succeed in putting down Indian terror on the frontier.

On the morning of October 10, 1774, the Colonials were met with a surprise attack by a large force of the Confederacy of Indian Nations. During 12 hours of fighting, 46 men of the Virginia line were killed or mortally wounded, including Charles Lewis. Happily though, despite being greatly outnumbered, the Colonial troops were victorious.

August 10, 1984

public accountant, and consider a representation of middle income. I have recently felt the need to communicate with you regarding some of the economic issues facing our nation.

I study the reports I receive from you concerning the federal budget deficit, the control over defense contracts, Mr. W. R. Grace's study and evaluation of the efficiency of the federal government, and the apparent falling of the security system. I am extremely concerned. Some of these issues have been a long time and I have sat back and expressed any opinion at all. I have written you before. Myself and many other Americans through our own fault, have left the job totally up to you and the members of Congress. Our expressions and opinions were made when we went to polls to vote. I do not feel that voting is enough. I feel that the ideas and opinions expressed to you in this letter, if any, represent the vast majority of middle income Americans.

When examining the issues of the above-mentioned paragraph, I find it difficult to separate them with regard to find possible solutions. Let me say that I do have the solutions, only the opinion of the vast majority of Americans on what we think should be done.

I feel that there is an overwhelming lack of concern regarding the federal budget deficit. Members of Congress. After all, the federal government does possess the power to print money. I do not blame the federal government entirely for this situation. I only blame the people of this country for denying themselves to become so dependent on social support. I understand that social programs account for a tremendous portion of our national budget. Social services have gotten totally out of control in this country. Too many people have come to rely on social security as their primary source of retirement income. What are the answers? Then there is the trade off between increasing taxes or cutting spending both.

President Reagan has gained much popularity over the past 3 1/2 years because he did manage to get a tax decrease through Congress. I feel for the first time in history someone has realized that tax decreases encourage people to work harder, earn more money, work more efficiently, spend more money which stimulates economic growth and provides more jobs, and last but not least, expect less from their federal government. Spending cuts and governmental programs must first be dealt with before any consideration of a tax increase. Mr. Grace's study and evaluation of government efficiency should receive a close examination and appropriate implementation as soon as possible. The defense budget is probably not as high but effective cost controls are inadequate. I assume that Mr. Grace's report contains this. I believe that Mr. Reagan was fully justified in having the study done. I do not believe that the members of Congress are independent enough to always be the way that they would like to.

Our troubled social security system must be made solvent. If there must be a tax increase, the increase should be restricted to the social security fund but only in equal dollar cuts of spending from that fund. Programs must be cut to a reasonable level if the system is to service its original intention—supplemental retirement income. I was amazed to learn the number of federal programs available to Americans. I

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ask you, is this what Congress intended for a system to become? I know this is not a popular issue because you would probably lose votes either way you voted if a major piece of legislation were introduced on this subject. I have a deep respect for the senior citizens of this country. I do not believe it is their portion of benefits that has the system in financial trouble. The endless list of additional programs which never had appropriations in the beginning are the root of the problem.

There is much more that I would like to say but I will not concentrate your thoughts on more issues at this time. I would appreciate the opportunity to communicate with you in more detail concerning these issues or on other issues affecting the people of this great nation.

Sincerely,

HAROLD R. TOWNE, Jr.,
Certified Public Accountant

POSTAL NEGOTIATIONS
IMPASSE

HON. THOMAS M. FOGLETTA

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 9, 1984

Mr. FOGLETTA. Mr. Speaker, I would like to call the attention of the House to a recent action by the U.S. Postal Service that offends and disappoints me.

As Members may know, the USPS and the postal employees' Joint Bargaining Committee have been at an impasse in their contract negotiations. This is an unfortunate and difficult situation, but we have mechanisms for handling it. Under the Postal Reorganization Act of 1970, when the parties have reached an impasse, there is a 45-day factfinding period, during which recommendations may be issued to both sides to encourage an agreement. If, however, an agreement has not been reached within 90 days after the expiration of the current contract, an arbitration panel is appointed. This panel has 45 days to issue its binding award.

Unfortunately, the Postal Service has chosen to bypass this objective, deliberative, and equitable process to unilaterally impose its last offer—a 23-percent pay reduction—as the pay scale for employees hired after August 4 of this year. This unprecedented action raises several issues:

It may very well be against the law. Our colleague, WILLIAM FORD, chairman of the Post Office and Civil Service Committee, in a letter to Postmaster General Bolger stated, "the unilateral changes . . . are illegal under the Postal Reorganization Act." It is his interpretation of the law that, when an impasse occurs, the status quo remains in effect until an agreement has been reached, or the binding arbitration process is complete.

Beyond the legal question is that of the Postal Service's intentions. It is clear to me that the Postal Service, by

unilaterally implementing an issue that is the subject of negotiations, is not bargaining in good faith.

In fact, the Postal Service is undermining the collective bargaining system. In the private sector, if an impasse of this sort is reached, management has the right to impose its final offer unilaterally. This is balanced, however, by labor's right to strike. The postal unions, representing public employees, cannot strike. Similarly, the Postal Service does not have the right to implement its offer, and that is why the dispute resolution mechanisms contained in the law are so fundamental to the collective bargaining process. The Postal Service has ignored these important procedures.

Additionally, we cannot miss the undeniably devastating effect this action has on employee morale. The ridiculousness of expecting employees whose wage rates differ by 23 percent to work side by side as an efficient, productive workforce is exceeded only by that of expecting postal employees to trust the Postal Service to bargain in good faith again.

Mr. Speaker, the kindest thing I can say about this action on the part of the Postal Service is that it is shortsighted. What it really is, however, is arrogant, antiworker, and un-American. It is probably illegal, undoubtedly unfair, and unavoidably damaging to everyone's best interests. I stand with postal employees across the Nation, particularly those in my city of Philadelphia, and with other concerned Members of Congress, in calling upon the Postal Service to reconsider this ill-advised action.

THE BROADCAST STATION
OWNERSHIP ACT OF 1984

HON. TIMOTHY E. WIRTH

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, August 9, 1984

Mr. WIRTH. Mr. Speaker, today, I am introducing, along with my colleague Congressman LARSEN, the "Broadcast Station Ownership Act of 1984." This legislation is in response to the misguided action taken 2 weeks ago by the Federal Communications Commission in its repeal of the so-called 7-7-7 rule, which limited the number of radio and television stations any one entity could own to seven AM radio, seven FM radio, and seven television stations (no more than five of which could be VHF).

The FCC replaced this rule with a short term, transitional limit on broadcast station ownership which permits an entity to own up to 12 AM, 12 FM, and 12 TV stations. Moreover, after 1990 under the FCC's new rule, broadcast station owners would be al-

thority to be transferred from Federal Air Highways."

MOTION OFFERED BY MR. WHITTEN

Mr. WHITTEN. Mr. Speaker, I offer a motion.

The Clerk read as follows:
Mr. WHITTEN moves that the House recede from its disagreement to the amendment of the Senate numbered 195 and concur therein with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment, insert the following: "\$25,000,000, of which \$1,200,000 shall be derived by transfer from the unobligated balances of Interstate Commerce Commission, Salaries and expenses, and of which \$3,800,000 shall be derived by transfer from the unobligated balances of Civil Aeronautics Board, Payments to air carriers."

Mr. CONTE (during the reading) Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the Record.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts (Mr. CONTE)?

There was no objection.
The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Mississippi (Mr. WHITTEN).

The motion was agreed to.
The SPEAKER pro tempore. The Clerk will designate the next amendment in disagreement.

The amendment reads as follows:
Senate amendment No. 201, Page 63, after line 23, insert:

"Construction, minor projects", an increase of \$688,000 in the limitation on the expenses of the Office of Construction;

MOTION OFFERED BY MR. WHITTEN

Mr. WHITTEN. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. WHITTEN moves that the House recede from its disagreement to the amendment of the Senate numbered 201 and concur therein with an amendment, as follows: In lieu of the matter proposed by said amendment, insert the following:

"Construction, minor projects", an increase of \$334,000 in the limitation on the expenses of the Office of Construction;

Mr. CONTE (during the reading) Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the Record.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts (Mr. CONTE)?

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Mississippi (Mr. WHITTEN).

The motion was agreed to.
The SPEAKER pro tempore. The Clerk will designate the next amendment in disagreement.

The amendment reads as follows:

Senate amendment No. 205, Page 65, line 2, strike out "\$1,514,000" and insert "\$2,338,000, of which not to exceed \$800,000 shall be derived from "State and local assist-

ance" and of which not to exceed \$614,000 shall be derived from "Emergency planning assistance";

MOTION OFFERED BY MR. WHITTEN

Mr. WHITTEN. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. WHITTEN moves that the House recede from its disagreement to the amendment of the Senate numbered 205 and concur therein with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment, insert the following: "\$2,131,000, of which not to exceed \$400,000 shall be derived from "State and local assistance" and of which not to exceed \$307,000 shall be derived from "Emergency planning and assistance";

Mr. CONTE (during the reading) Mr. Speaker, I ask unanimous consent that the motion be considered as read and printed in the Record.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts (Mr. CONTE)?

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Mississippi (Mr. WHITTEN).

The motion was agreed to.
The SPEAKER pro tempore. The Clerk will designate the next amendment in disagreement.

The amendment reads as follows:
Senate amendment No. 206, Page 67, strike out all after line 21 over to and including line 3 on page 68.

MOTION OFFERED BY MR. WHITTEN

Mr. WHITTEN. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. WHITTEN moves that the House insist off its disagreement to the amendment of the Senate numbered 206.

The SPEAKER pro tempore. The gentleman from Mississippi (Mr. WHITTEN) will be recognized for 30 minutes and the gentleman from Massachusetts (Mr. CONTE) will be recognized for 30 minutes.

Mr. WHITTEN. Mr. Speaker, I have no requests for time.

Mr. CONTE. Mr. Speaker, I yield 2 minutes to the gentleman from Colorado (Mrs. SCHROEDER).

(Mrs. SCHROEDER asked and was given permission to revise and extend her remarks.)

Mrs. SCHROEDER. I thank the gentleman for yielding this time to me.

Mr. Speaker, the House should hold firm on the Conte amendment which prohibits the Postal Service from unilaterally restructuring its employee pay scheme, which is set through collective bargaining. This amendment prevents Postmaster General William F. Bolger from cutting the pay of new employees by 23 percent. The Postal Service announced this plan on the day the old collective bargaining agreement ran out. There is no doubt that this move was an attempt by the

Postmaster General to bust the postal unions.

The Conte amendment does not set pay. All it does is require the Postal Service to follow the law and engage in good faith collective bargaining with its employees. It's that simple. The Postal Reorganization Act of 1970 set collective bargaining as the way that wages would be set for postal workers. If agreement cannot be reached, arbitration must be used. There is no right to strike. The procedures are clear and they are fair. The Postal Service ought to follow the law.

In this year's contract negotiations, the Postal Service has crossed the line from being a tough bargainer to being an unfair employer. The Postal Service has hired a union busting law firm to set negotiating policy. It has unilaterally attempted to establish a two-tier wage system, with new hires getting 23 percent less. Postmaster General Bolger has mounted his soapbox to declare that postal workers, who average \$23,000 a year, are overpaid. And, to rub it in, Mr. Bolger told the Washington Post last Sunday that he is underpaid because he makes only \$82,900 a year.

Although Congress no longer sets postal rates, we still set the law under which the U.S. Postal Service must operate. The Postal Service has no right to violate the law requiring collective bargaining.

Mr. CONTE. I thank the gentleman from Colorado for her great contribution.

Mr. Speaker, I yield myself such time as I may consume.

Mr. ADDABBO. Mr. Speaker, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from New York.

Mr. ADDABBO. I thank the gentleman for yielding.

Mr. Speaker, the House should stand by the amendment offered by the gentleman from Massachusetts (Mr. CONTE).

All this does is require the Post Office to enforce existing law and not to change regulations. There are negotiations going on which follow the normal procedure, and that is what should be done. That is why this amendment becomes so important, for the Post Office to continue existing law.

Mr. WHITTEN. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. BOLAND).

Mr. BOLAND. I thank the gentleman.

Mr. Speaker, I rise in support of the amendment offered by the gentleman from Massachusetts.

Mr. Speaker, as a member of the conference of the 1984 supplemental appropriations bill, I strongly support-

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House position on the Conte amendment to preserve neutrality in ongoing factfinding and arbitration process involving the U.S. Postal Service and over 500,000 of its employees.

The Conte amendment prohibits the use of appropriated funds to implement unilateral changes in pay and benefits pending the outcome of the statutory procedures set forth under the Postal Reorganization Act. The sole purpose of this amendment is to preserve neutrality and the status quo. No party may do anything to effect compensation changes except by reaching mutual agreement or by implementing the award of the statutory arbitration board.

Mr. Speaker, Congress should not become involved in postal contract negotiations. In fact, the Conte amendment does not do that. The amendment is designed to prohibit the Postal Service from imposing an unfair, unilateral action before an agreement is reached or the impasse mechanism are exhausted. This amendment deals only with the process of negotiations, not the issues under consideration.

Our colleague Congressman UHALL, the principal author of the Postal Reorganization Act, has said on this issue: "It was the intent of the 1970 law to require that no changes in wages and working conditions should be established before the Postal Service and the union either reach agreement on a new contract or the impasse procedure has been fully exhausted."

Mr. Speaker, adoption of the Conte amendment is Congress way of reaffirming the intent of the 1970 law passed by Congress. This amendment just mandates that the U.S. Postal Service live up to this law. It would prohibit the Postal Service from using any appropriations to implement the two-tier pay system, reduced annual leave, and reduced sick leave for new employees.

Therefore, Mr. Speaker, I continue to strongly support the position of the House conferees on the Conte amendment.

Mr. CONTE. Mr. Speaker, I yield such time as he may consume to my good friend, the gentleman from Nebraska [Mr. DAM].

Mr. DAM. I appreciate my friend from Massachusetts yielding to me.

Mr. Speaker, I rise in support of the amendment offered by the gentleman from Massachusetts [Mr. CORRE] and commend the gentleman for his advocacy on this issue.

The point here is one of fairness. The U.S. Postal Service provides a unique and vital service to this Nation and, thus, the Postal Service and its employees are covered by a unique set of laws that are encompassed in the Postal Service Reorganization Act of 1970.

Key among the provisions of this act are the rights of the postal workers to bargain collectively and the prohibition against strikes by postal workers. The law also provides the framework for the settlement of disputes and the intent of the law is clearly to prevent unilateral action by either side.

The Conte amendment underscores this intent. We expect the postal worker to stay on the job during any contract negotiations. They, in turn, expect us to protect their right to have their grievances negotiated in good faith.

These mutual expectations are addressed in the postal laws and should be respected. I urge the House to insist on the Conte amendment to assure that they are.

I thank the gentleman again for his courage.

Mr. CONTE. Mr. Speaker, I yield such time as he may consume to my good friend, the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. I thank the gentleman from Massachusetts for yielding.

Again, I want to join others in congratulating him on his leadership on this issue. I was pleased to rise and speak on behalf of this amendment when the House adopted it when the bill was on the floor of the House.

I would urge the House to strongly support the gentleman from Massachusetts and the House's position in this amendment because, as has been pointed out, it simply retains the parties in status quo during the period of time that they are in arbitration.

□ 1620

Unlike private-sector employees, the public employees cannot walk off, and we do not want them to walk off, have a job action, or strike. As a result, I think it is important that we adopt the gentleman's language, and I am in strong support of our retaining and rejecting the Senate's position.

Mr. Speaker, I rise in strong support of affirming the position of the House in true disagreement with the Senate on the Conte amendment prohibiting the Postal Service from restructuring employee compensation levels.

The Conte amendment, which passed the House by voice vote last week, essentially restates congressional intent by protecting the collective bargaining rights of postal workers. Two weeks ago, the Postal Service unilaterally decided that employees hired after August 4, 1984, would take a 23-percent cut in salary. The Postal Service refused to bargain on this pay cut and, instead, has informed postal employee organizations that " * * * we will implement, effective the next payroll period, the pay schedule, annual leave, and sick leave benefits for new employees contained in that final offer."

This amendment takes no sides in the negotiations between the Postal Service and the unions which represent postal employees. Instead, the amendment protects those employees not yet hired by the Postal Service from the arbitrary, and unreasonable actions of the Postal Service. Additionally, the amendment serves a warning to the Postal Service that the Congress will not tolerate self-serving interpretations of the law.

The actions of the Postal Service are threatening a cooperative labor-management atmosphere at the Postal Service that has resulted in the U.S. Postal Service being the most efficient and productive postal system in the world. The Conte amendment is neither a pro-labor nor a pro-management vote. Instead it is an absolutely essential statement by the Congress that arbitrariness in the collective bargaining is not only violative of congressional intent, it also will not be tolerated by the Congress who worked long and hard to craft a fair bargaining process in the Postal Reorganization Act of 1970.

I urge my colleagues to overwhelmingly endorse the House's position on this amendment.

Mr. CONTE. Mr. Speaker, I yield such time as he may consume to the gentleman from New York [Mr. GILMAN].

Mr. GILMAN. Mr. Speaker, I rise in strong support of the gentleman's amendment, and I commend the gentleman from Massachusetts [Mr. CORRE] for bringing the measure to the floor at this time, a very critical time during some very important negotiations. The Conte amendment to the conference report on H.R. 6040, the supplemental appropriations bill, prohibits the use of appropriated funds to implement unilateral changes in pay and benefits pending the outcome of the statutory procedures set forth under the Postal Reorganization Act. It will send what I believe to be, that which is currently most needed by the management of the U.S. Postal Service [USPS]: A strong, unabashed signal that they must follow the law.

The Postal Service Reorganization Act of 1970 grants the postal workers the right to bargain collectively. This law is designed to protect the public interest in that it provides for an orderly and fair process to negotiate union agreements. If an existing contract expires and the parties involved are at an impasse, then a 45-day fact-finding period begins. If the issues are still not resolved at this point, then negotiations are referred to a three-member arbitration board to conclude a binding agreement.

At no point, Mr. Speaker, does the Reorganization Act allow postal workers or management, to ignore the process that it so clearly sets down. We

ject our postal employees to refrain from striking or any job actions. Likewise, we also expect management to work with labor to resolve difficulties.

With the current negotiations heading for the binding arbitration stage, this is not the time to create ill will. Both parties are going to have to work hard at accepting the agreement that will be handed down to them. If morale is damaged now, it will be that much harder to heal any wounds later.

The Conte amendment that was unanimously adopted by the House just over a week ago, is designed to prohibit the Postal Service from imposing, unilateral action before an agreement is reached. However, news reports point out that the Postal Service announced that new employees will be paid about 24 percent less than those already on the employee roles.

Such a move would circumvent the spirit of sound and fair management/employee relations. In order to preserve neutrality and the status quo in the bargaining process, I urge my colleagues to support this amendment.

Mr. CONTE. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan (Mr. Ford), the chairman of the Committee on Post Office and Civil Service.

Mr. FORD of Michigan. Mr. Speaker, as the chairman of the committee with jurisdiction over authorizing legislation for the Post Office, I urge in the strongest possible terms that we accept this limitation on expenditures known as the Conte amendment.

For about 14 years now, since 1970, we have had a lawful process on the books written by some of us here. I was one of those who participated, along with President Nixon's people. It could not be called a pro-labor or an anti-labor solution that we reached. If we would go back and look at the debates, we would find that there was so much of an agreement that there was never an argument in the committee or on this floor about those provisions governing what happens if the bargaining between the 500,000 employees of the Post Office and management breaks, down, if there is an impasse.

We provided a piece of machinery, and we said, "You will go through these steps, and then you will abide and you will both be bound by what those steps produce." For the first time since that has been on the books, postal management, for reasons that escape me, has taken this action. I do not think the Postmaster General would have done this without serious interference from people who never should have been meddling in this process in the first place.

In any event, what has happened now is provocative and foolish and threatens the continued daily operation of the Postal Service, which this year will carry 130 billion pieces of

mail if we let it function the way it is supposed to.

All the Conte amendment does is to say, "Don't do anything foolish. Wait and let the rules work the way they are supposed to work. Don't try to take advantage of each other."

I would call on all the postal workers, if this amendment is adopted, to observe the fact that Congress has asked them to hold the status quo, and I would ask that management would respond in kind by going back through the process the way they should and not provoke outward action by anyone.

Mr. Speaker, the sole purpose of the Conte amendment is to preserve the integrity of the statutory factfinding and arbitration process which, if allowed to work, will resolve the present collective bargaining impasse between the U.S. Postal Service and the unions representing over 500,000 postal employees.

As we all know, these negotiations have been troubled from the start, and the existing contracts expired at midnight on July 20 with no new agreement having been reached and numerous controversial issues outstanding.

Title 39 of the United States Code prescribes an orderly, fair, and peaceful process for resolving postal bargaining disputes such as this. I regret to report, however, that one party to the dispute—Postal Service management—is not adhering to this process. Instead of pursuing its goals peacefully, through the statutory factfinding and arbitration process, Postal Service management on July 25 unilaterally implemented a new pay and benefits system for incoming employees.

Private-sector labor law is clear: When impasse is reached, management may implement its final offer. The union, however, has the concomitant right to strike, thus ensuring parity of bargaining power. In this case, though, the unilateral action destroys parity. The postal unions are barred from striking. The act's factfinding and arbitration compensation procedures exist not merely as a substitute for private sector labor's right to strike, but also as a substitute for private sector management's right to unilateral implementation.

I believe that the unilateral changes that the Postal Service intends to implement are illegal under the Postal Reorganization Act. When the act passed, it was my understanding, the understanding of the committee, and the understanding of the Congress that, if any disputes remained upon the expiration of any collective bargaining agreement, all parties would be required to respect the status quo pending exhaustion of the dispute resolution machinery established by section 1207 of title 39.

The Conte amendment restores the status quo and ensures neutrality while the statutory process works its will. The Postal Service may not use any funds made available to it under any act—including the Postal Reorganization Act—to implement compensation changes except in accordance with a negotiated agreement or an arbitration award.

I urge support for the House position on the Conte amendment.

Mr. CONTE. Mr. Speaker, I thank the gentleman from Michigan (Mr. Ford).

Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the House conferees by a vote of 15 to 1 agreed to hold firm on this provision. During the conference late last night, the Senator from Alaska offered a substitute amendment, a sense of the Congress resolution. This substitute was unacceptable to the House.

I hope the House will now insist on its position.

Throughout the short life of this provision there has been a lot of confusion, the misunderstanding, and a few misleading statements about this funding prohibition.

Essentially, this amendment is designed to ensure that the Postal Service Reorganization Act of 1970 is implemented as the Congress intended. The law provides for a specific, orderly and fair procedure to establish a collective bargaining agreement for some 600,000 postal workers.

I'm sure that Members are familiar with the current stalemate in employee contract negotiations. The latest union contract expired on July 20, 1984; 600,000 unionized employees are now working without a collective-bargaining agreement. At the end of the negotiation process, both sides were still miles apart from reaching common ground. However, the specific issues involved in the negotiations are not the reason for this provision. In 1970, the Congress attempted to depoliticize, as much as possible, the workings of the Postal Service. The problem now is not with the particular issues or demands under negotiation, but with an abuse of the process as provided in the law.

The Postal Service Reorganization Act of 1970 grants the postal workers the right to bargain collectively. Designed to protect the public interest, the law provides for an orderly and fair process to negotiate union contract agreements. If an existing contract expires and the parties involved are at an impasse, then a 45-day factfinding period begins. If the issues are still not resolved at this point, the negotiations are referred to a three-member arbitration board to conclude a binding agreement.

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return for this right to bargain collectively, we expect postal employees to refrain from strikes or any job actions. The experience in 1970 should remind members of the reason for this prohibition.

Recent news reports about unilateral moves by the U.S. Postal Service are disturbing to many Members of Congress, including myself; 2 weeks ago, the Postal Service announced that newly hired employees would be paid about 23 percent less than current workers. With the negotiations heading for the binding arbitration stage, the Postal Service has decided to impose one of its demands, subverting the process provided in the Reorganization Act. This is unfair and a breach of the agreement reached by Congress in the 1970 Reorganization Act.

This amendment is designed to prohibit the Postal Service from imposing this unfair, unilateral action before an agreement is reached. The amendment deals only with the process of negotiations, not the issues under consideration. It says that there can be restructuring of the employees compensation practices until there is a negotiated agreement as provided by the law. If there are changes to be made in employee compensation, let those changes develop as a result of the negotiation process designed by Congress and in effect for 14 years.

Let me emphasize to the House, the amendment is not an attempt to take sides in the dispute, but an effort to make sure that the procedures mandated by the Congress are followed during this negotiation. The Congress has an obligation to insure that the spirit and intent of the law is fulfilled. Postal workers are Federal employees and should have all the rights and protections reserved for them by the law, nothing more or nothing less.

I urge my colleagues to insist on the House-passed position.

The SPEAKER pro tempore. Does the gentleman from Mississippi (Mr. WHITTEN) seek time?

Mr. WHITTEN. Yes, Mr. Speaker. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. ROYBAL), the chairman of the subcommittee which deals with this subject.

Mr. ROYBAL. Mr. Speaker, what this amendment actually does is just restore the language that was deleted by the other body, the language that was passed by the House, language that I think should be restored.

The language reads:

None of the funds made available to the U.S. Postal Service under this or any other Act may be used to restore employee compensation practices as in effect under the most recently effective collective bargaining under section 1206 of title 39, United States Code, except in accordance with the result of procedures set forth in section 1207 of such title.

This merely puts back in place the language and makes it possible for the Postal Service to continue its present employment procedures, not to make any changes until such time as a final determination is made either by arbitration or by any other means.

Mr. Speaker, I urge my colleagues to support the motion offered by the chairman of the committee.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Mississippi (Mr. WHITTEN).

Mr. WHITTEN. Mr. Speaker, I would call attention to the fact that in the beginning I got unanimous consent for all Members to revise and extend their remarks on this bill or any amendment thereto.

Mr. Speaker, I yield such time as he may consume to my colleague, the gentleman from Wisconsin (Mr. KLECKZA).

Mr. KLECKZA. Mr. Speaker, I rise in strong support of the motion to insist on disagreement to the Senate amendment regarding the prohibition on the use of funds by the U.S. Postal Service for the purpose of restructuring employee compensation practices and I ask unanimous consent to revise and extend my remarks.

Mr. Speaker, the Postal Services Reorganization Act of 1970 grants postal employees the right to bargain collectively and establishes an orderly procedure for the renewal of contract agreements. On July 20, 1984, the latest union contract expired and renewal negotiations appear to be headed toward binding arbitration as provided in the 1970 Reorganization Act.

The House language became necessary when the Postal Service announced that new employees hired after August 4, 1984, would be paid at 23 percent less than current employees. This unilateral restructuring of the employee compensation system undermines the entire collective bargaining procedure set up by the Congress. The House language is in no way intended to prejudice either side in the current contract negotiations. It is designed merely to assure that employee wages and other compensation matters are decided through negotiation and not imposition. Congress developed the collective-bargaining process for postal workers. It is the duty of Congress to make certain that process works.

When Congress denied postal employees the right to strike, we promised them an orderly and fair process to resolve contract disputes. The arbitrary action by the Postal Service cuts into the heart of that promise and leaves the employees with little incentive to live up to their side of the bargain.

I urge Members to support the motion and I commend my colleague

from Massachusetts for his leadership on this important issue.

Mr. BARNES. Mr. Speaker, I rise in strong support of the amendment of the gentleman from Massachusetts (Mr. CORW) for a number of compelling reasons.

First, we have to play by the rules. This amendment simply asks the Postmaster General to play by the rules as set forth in the Postal Reorganization Act. The rules say that Postal Service must bargain collectively with its employees. If the parties cannot agree, the rules provide a reasonable process for resolving the dispute. When the Postmaster General of the United States announces that he regards the rules as an impediment to his plans for the Postal Service—and when the Postmaster General puts his plans above the law—Congress must respond.

Second, maintain effective postal operations. The issue before us is not whether postal employees should be paid at one level or another. Employees rightfully regard the Postmaster General's action to implement a two-tiered system as a breach of faith. At a time when the Postal Service operates at a surplus and postal employee productivity is second to none, such a breach of faith makes no sense. I sincerely hope that those who interpret the Postmaster General's action as an effort to provoke confrontation with postal employees have misinterpreted the Postmaster General's intentions. Nevertheless, I believe that the gentleman's amendment will encourage the Postmaster General to take steps to avoid confrontation.

Third, no one wants to disrupt or impair postal operations right before a Presidential election. If we invite the consequences of the Postmaster General's proposal, if we allow postal delivery to be disrupted, we are playing a very dangerous game of economic and political roulette. I am sure that my colleagues understand that this is a game without winners. If we allow the Postmaster General to play this game, our economy will lose and the taxpayers will lose. Equally important, we should not let the Postmaster General's intransigence have any direct bearing upon the 1984 election.

Fourth, collective bargaining and sound management. The Postmaster General has expressed his distaste for the collective-bargaining process. He regards it as an impediment to effective management of the Postal Service.

The Postmaster General believes that the reasons that required Congress to enact collective-bargaining laws no longer apply. But those reasons do apply. It's just as true today as it was 50 years ago that it's better to resolve conflict between an employer and his or her employees peacefully.

reasonably, it will be ironic if the Postmaster General's actions catalyze the kind of reaction that collective bargaining has enabled us to prevent.

I urge Members to support the gentleman's amendment, because in the final analysis no one in this Chamber who has any understanding of business in our country believes that it's either fair or responsible to ask employees to work side by side—doing the same work—when one group earns one fourth less pay.

Time and again this body has gone on record on the principle of equal pay for equal work. This instance is no exception, because we understand all too well that schemes that cook up wage differentials such as this one offer us a recipe for madness.

Mr. FOGLETTA. Mr. Speaker, I rise in strong support of the Conte amendment, and urge my colleagues to reaffirm the House's original position on this important issue.

The facts are clear. The Postal Service and the Postal Unions are at an impasse in their contract talks, and the Postal Service has gone ahead and unilaterally implemented a policy that is one of the main issues of contention—a 23-percent wage rate cut for new employees.

In the private sector, when management imposes its last offer, labor has the right to strike. In the public sector, however, we resolve the conflict through binding arbitration, as the law specifically requires. Just as the public employees do not have the right to strike, public-sector management does not have the right to impose its offer.

When the House first considered this issue during debate on the supplemental appropriation bill, it had the wisdom to include language prohibiting the Postal Service from acting unilaterally and destroying the carefully crafted balance of power that the law creates. It's really the only fair thing to do.

This is not a vote on whether or not you like the current wage scale for postal employees, or even whether you necessarily support the Postal Unions on this point of disagreement. In reality, this is a vote for the process, and for fairness. I urge my colleagues to stick with the equitable position that we first took on this issue, by insisting on the House position.

Mr. MORRISON of Connecticut. Mr. Speaker, I rise in support of the Conte amendment which restores to H.R. 6040, the urgent supplemental, the original language passed by the House of Representatives when it voted on this bill.

This amendment, the language of which was deleted in the other body, prohibits the Postal Service from using appropriated funds to implement its unilaterally imposed two-tier

salary system. It precludes funds for an action that is possibly illegal and certainly devastating to the morale of postal workers, a group of workers deserving praise and respect, not union-busting threats and criticisms of employee pay and benefit levels.

Mr. Speaker, when Congress passed the Postal Reorganization Act in 1970 it expected that labor disputes remaining on the expiration date of any collective-bargaining agreement would be resolved within the confines of the dispute resolution procedures established in section 1270 of that act. I believe that the unilateral changes that the Postal Service intends to implement are, at worst, illegal under the act, and at best, clearly contrary to the intent of Congress when it passed the legislation.

Private sector labor law is clear: when impasse is reached, management may implement its final offer. The union, however, has the concomitant right to strike, thus insuring parity of bargaining power. In this case, though, the unilateral action destroys parity. The postal unions are barred from striking. The act's factfinding and arbitration procedures exist not merely as a substitute for private sector labor's right to strike, but also as a substitute for private sector management's right to unilateral implementation.

I believe that the unilateral changes that the Postal Service intends to implement are illegal under the Postal Reorganization Act. When the act was passed, it was my understanding, the understanding of the committee, and the understanding of the Congress that, if any disputes remained upon the expiration of any collective-bargaining agreement, all parties would be required to respect the status quo pending exhaustion of the dispute resolution machinery established by section 1207.

The provisions of the act that bar the right to strike and establish the fact-finding and arbitrary procedures were meant to be as much a control on management as on labor. The act consciously traded away rights usually enjoyed by labor in return for fair and just practices by management.

Mr. Speaker, support of the Senate language more than condones the action taken by the Postal Service, it applauds and rewards it. I do not think that this Congress should be in the practice of offering such rewards.

I urge this body to vote for the Conte amendment to send a message to the management of the Postal Service that we respect the law and so should it.

Mr. GARCIA. Mr. Speaker, the gentleman from Massachusetts introduced an amendment regarding the contract talks between the U.S. Postal Service and employee unions that puts into perspective the importance of

good-faith efforts in the collective bargaining process.

The implementation of a two-tiered pay and benefits system is a clear rejection of the fair play and integrity intended by Congress between employees and management as outlined in the 1970 Postal Reorganization Act. The Postal Service is bullying its employees. The action was unilateral; that is, employees have no way to fight back. They are left with no recourse.

It is not my intention, nor was it the intention of the gentleman from Massachusetts, to take sides in these negotiations. What this amendment does, what I insist upon, as do many of my colleagues, is a return to fairness in contract talks—no more, no less.

The Chairman of the Post Office and Civil Service Committee, Mr. Ford, put it clearly in a letter he sent to Postmaster General Bolger when he said, "Whatever is achieved by this action is being purchased at the cost of a generation of ill will and devastated morale."

I strongly urge my colleagues to support this amendment. It is by no means a partisan issue. It is a question of justice. It is a question of living up to the spirit of the law as well as the letter.

Mr. DYMALLY. Mr. Speaker, I rise in strong support of the Hoyer-Conte amendment. The amendment would prohibit the postmaster from using funds in this supplemental to enact a two-tier pay system within the Postal Service. Under the Postal Reorganization Act, procedures were set in place for resolving disputes between postal workers and management. Without this amendment, the postmaster would carry through plans already announced to unilaterally lower wages and benefits for a new postal workers by 23 percent, thus creating a two-class system within the Postal Service. I believe that in 1970 the Congress set in place a workable system for negotiating contracts and wage disputes. As all of your know, postal workers are not allowed to strike to gain their rights. Their only recourse is the system we have set up for negotiating disputes.

We must not allow the postmaster to ignore the system set up by Congress to deal with matters of this sort. The issue of the two-tier system was brought up in the course of negotiations to renew the Postal Service workers contract which expired on July 21. That issue, and indeed the new contract itself, have not yet been settled. It is premature to say the least for the postmaster to announce that as of August 4 of this year new hires will come in at a much lower wage than others who are now doing the same work as the new hires would do. His action ignores the process this

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...ress set in place, it ignores the
... of workers to bargain for fair
...tment, and it cuts against a belief
... that many of us hold strongly—that
... people who do equal work should get
... equal pay. I think we must uphold the
... Hoyer-Conte amendment. We must do
... it if we really believe that the laws
... Congress sets in place should be fol-
... lowed—even by other Government of-
... ficials. And we must do it if we believe
... that employees deserve the chance to
... negotiate for a fair wage. *

Mr. LELAND. Mr. Speaker, I rise in
support of the amendment offered by
my colleague Mr. CONTZ.

As chairman of the Subcommittee
on Postal Personnel and Moderniza-
tion I strongly oppose the action taken
by the Postal Service's Board of Gov-
ernors and Postmaster General to un-
ilaterally impose pay for further hires
of the Postal Service. This action by
the Postal Service does not conform to
the statutory standard of good faith,
the standard in all collective bargain-
ing.

When this body passed the Postal
Reorganization Act of 1970 it set up a
process of collective bargaining which
was to be a bilateral process between
the U.S. Postal Service and the Postal
Unions, clearly intending that these
parties were to be equal partners in
the process. The clear intention of the
act was that the status quo, that is,
the contract provisions that the em-
ployees are presently working under,
should remain in effect until the parties
have come to agreement on the terms
of a new contract.

It is the responsibility of this body
to see that the U.S. Postal Service
complies with both the letter and
spirit of the law. This amendment will
require the U.S. Postal Service to
comply with the mandate and intent
of the Postal Reorganization Act,
which is to maintain the status quo
until the arbitration process is com-
pleted. I urge my colleagues to support
this amendment. *

Mr. ALBOSTA. Mr. Speaker, the
U.S. Postal Service announced on July
25 that it was unilaterally imposing a
reduction in pay and benefits, on the
order of 23 percent, for new employees
and a freeze for all other worker's pay.
The Postmaster General took this
action in spite of the fact that the lack
of an agreement between the parties
in the time provided under the Postal
Reorganization Act had already trig-
gered the mandatory arbitration pro-
cess required by the Act.

The Postal Service contends that it
has the legal right to implement its
last proposals, or final offer, since the
parties have reached an impasse. This
would be true, and fair, and logical if
the postal workers were not forbidden
by law from striking. Since they are
forbidden to strike, the act provides an
automatic arbitration process. The
Congress intended that this process

would be used in the event of a stale-
mate in bargaining.

Postal Management and all Mem-
bers of Congress must realize that our
constituents depend on a reliable
Postal Service—and we do have the
best in the world. Our constituents
also have more direct contact with
Postal employees than with any other
Federal employees—including their
Representatives in Congress.

The arbitration process in the Postal
Reorganization Act was designed to
insure the continued reliable opera-
tion of the Postal Service through a
process where impartiality is the rule.
The employees, who are spread
throughout the country, need to be as-
sured that impartiality and objectivity
will prevail in settling disagreements
that are not settled through primary
contract negotiations.

I am concerned that the Postal Ser-
vice's losing sight of that fact can only
result in strained long-term relations
between the employees and the Postal
Service management. Since so much of
the mission of the U.S. Postal Service
consists of direct service to the public
in every city, town, and village, I urge
both sides to place their faith in the
arbitration process and proceed in
good faith with one another. *

Mr. WHITTEN. Mr. Speaker, I yield
back the balance of my time, and I
move the previous question on the
motion.

The previous question was ordered.
The SPEAKER pro tempore. The
question is on the motion offered by
the gentleman from Mississippi (Mr.
WHITTEN).

The question was taken; and the
Speaker pro tempore announced that
the ayes appeared to have it.

Mr. CONTE. Mr. Speaker, I object
to the vote on the ground that a
quorum is not present and make the
point of order that a quorum is not
present.

The SPEAKER pro tempore. Evidently
a quorum is not present.

The Sergeant at Arms will notify
absent Members.

The vote was taken by electronic
device, and ayes were—yeas 378, nays
1. Roll No. 378.

YEAS—378

- | | | |
|--------------|------------|-------------|
| Ackerman | Bennett | Brown (CA) |
| Addabbo | Beverly | Brown (CO) |
| Alaska | Berman | Broyhill |
| Albosta | Beverly | Bryant |
| Anderson | Biaggi | Burton (CA) |
| Andrews (NC) | Bilirakis | Burton (IN) |
| Andrews (TX) | Billey | Byron |
| Annuccio | Bochert | Campbell |
| Anthony | Boege | Carney |
| Applegate | Boiland | Carper |
| Archer | Boner | Carroll |
| Aspin | Bonker | Chandler |
| AuCoin | Boraki | Chappell |
| Barnard | Borah | Chapple |
| Bartlett | Bosco | Cheney |
| Bates | Boxer | Clay |
| Bedell | Breaux | Clinger |
| Bellmon | Bridell | Coats |
| | Broomfield | Coelho |

- | | | |
|----------------|---------------|---------------|
| Coleman (MO) | Hillis | Nichols |
| Coleman (TX) | Holt | Nielson |
| Collins | Hopkins | O'Brien |
| Conable | Horton | Oskar |
| Conte | Hoyer | Osterberg |
| Conyers | Hubbard | Ovey |
| Cooper | Huckaby | Olin |
| Corcoran | Hughes | Ortiz |
| Coughlin | Hunter | Outen |
| Courter | Hutto | Owens |
| Cranst. Daniel | Hyde | Oxley |
| Cranst. Philip | Ireland | Packard |
| Crockett | Jacobi | Fanetta |
| D'Amours | Jenkins | Parris |
| Daniel | Johanson | Patashan |
| Danzonmeyer | Jones (NC) | Patman |
| Darden | Jones (OK) | Patterson |
| Daehle | Jones (TN) | Pease |
| Dau | Kaput | Penny |
| DeLunga | Kasich | Pepper |
| Derrick | Kastenmeier | Petri |
| DeWine | Kean | Plaskie |
| Dickinson | Kemp | Porter |
| Dicks | Kennedy | Price |
| Dingell | Kildee | Rahall |
| Donnelly | Kinross | Rangel |
| Doran | Klecko | Ratchford |
| Dowdy | Kooyes | Ray |
| Downey | Kolier | Regula |
| Dreier | Kostmayer | Reid |
| Duncan | Kramer | Richardson |
| Durbin | Labaree | Ridge |
| Dwyer | Lagomastino | Rinaldo |
| Dynamally | Lantos | Ritter |
| Eaton | Leahy | Roberts |
| Edgar | Leach | Robinson |
| Edwards (AL) | Leahman (CA) | Roe |
| Edwards (IA) | Leahman (TX) | Rohrabacher |
| Edwards (OK) | Lent | Rogers |
| Emanuel | Levin | Rose |
| English | Levine | Rosenkowitz |
| Erdreich | Levitka | Roth |
| Evan (IA) | Lewis (CA) | Routman |
| Evan (IL) | Lewis (FL) | Roussell |
| Faell | Livingston | Roybal |
| Fazio | Lloyd | Russo |
| Fleishman | Loeffler | Sabo |
| Felder | Long (LA) | Savage |
| Felds | Long (MD) | Sawyer |
| Fish | Lorenz (CA) | Schaefer |
| Flippo | Lowry (WA) | Scheuer |
| Florida | Lujan | Schneider |
| Foglietta | Lukas | Schroeder |
| Foley | Longren | Schulze |
| Ford (MI) | Mack | Schumer |
| Ford (TX) | MacKay | Seiberling |
| Fowler | Madigan | Sensenbrenner |
| Frank | Marley | Sharp |
| Franklin | Martinez | Shaw |
| Frost | Martin (IL) | Shuster |
| Gaydos | Martin (NY) | Sikorski |
| Geismann | Martinez | Sisk |
| Oekas | Mastell | Sloan |
| Oebbons | Mavroules | Slatery |
| Gilman | Mason | Smith (FL) |
| Gingrich | McCain | Smith (IA) |
| Glickman | McCarthy | Smith (NE) |
| Gonales | McCaulley | Smith (NJ) |
| Ooodlin | McCollum | Smith, Dennis |
| Ore | McDade | Staggers |
| Orrison | McOrath | Stellar |
| Orrison | McQuinn | Stinson |
| Orrison | McKernan | Strom |
| Orrison | McKinney | Spratt |
| Orrison | McNulty | St Germain |
| Orrison | Mica | Staggers |
| Orrison | Mikulski | Stangeland |
| Orrison | Miller (CA) | Stark |
| Orrison | Miller (OH) | Stanton |
| Orrison | Mineta | Stokes |
| Orrison | Minish | Stratton |
| Orrison | Hamilton | Suddis |
| Orrison | Hammerichmidt | Stump |
| Orrison | Hance | Sundquist |
| Orrison | Hansen (ID) | Swift |
| Orrison | Hansen (UT) | Sweeney |
| Orrison | Harkin | Talton |
| Orrison | Hartson | Talton |
| Orrison | Hartsock | Talton |
| Orrison | Hawkins | Thurmond |
| Orrison | Hayes | Thomas (CA) |
| Orrison | Hefner | Thomas (GA) |
| Orrison | Hefel | Thorn |
| Orrison | Hertel | Torricelli |
| Orrison | Hightower | Udall |
| Orrison | Hiler | Valentine |

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ation services handicapped re.....	34,200,000
ation for Public Broadcasting (1984/5/6).....	37,500,000
ent to Civil Service Agreement and Disability Fund.....	238,081,000
ncy for International Development.....	195,095,000
reased pay costs.....	2,087,932,000
Department of Defense.....	(1,576,482,000)
Civilian agencies.....	(511,450,000)
bill totals:	
House-passed.....	5,384,624,400
Senate-passed.....	4,983,228,070
Conference agreement.....	5,817,318,000
Compared to:	
House-passed.....	+ 432,693,600
Senate-passed.....	-1,165,910,070

Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts [Mr. CONTE.]

(Mr. CONTE asked and was given permission to revise and extend his remarks.)

Mr. CONTE. Mr. Speaker, I rise in support of this resolution, which makes in order the consideration of the second supplemental appropriation bill for fiscal 1984.

I hope it is clear to all Members that the only question before the House is: Shall the House consider the supplemental? The rule does not waive points of order or otherwise affect the consideration of the conference report. The rule only waives the 3-day rule so that this conference agreement can come before the House for action.

The conference agreement contains the recommendations of the conferees on 216 individual amendments. The supplemental contains funds for food stamps, veterans' benefits, and pensions, and civil service retirement.

The Food Stamp Program is effectively out of money. There is not enough money to make the allocations to food stamp recipients for the month of September.

The three veterans' programs funded in the bill are very close to running out of money—veterans' compensation and pensions, veterans' readjustment benefits, and the veterans' loan guarantee fund.

And the bill contains funds for the Federal pay raise that went into effect last January, and to pay the civil service retirement and disability fund for the additional personnel benefits that must be paid because of that pay raise, which took effect under existing law.

When we vote on the rule, we are not voting on the supplemental or on any of the individual programs in it. We are simply voting to bring the bill before the House for its consideration.

I will vote "yes" and I urge my colleagues to do likewise.

Mr. LATTI. Mr. Speaker, I have no further requests for time.

Mr. LONG of Louisiana. Mr. Speaker, I have no further requests for time, and I move the previous question on the resolution.

The previous question was ordered. The resolution was agreed to. A motion to reconsider was laid on the table.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 1437, CALIFORNIA WILDERNESS ACT OF 1983

Mr. LONG of Louisiana, from the Committee on Rules, submitted a privileged report (Rept. No. 98-980) on the resolution (H. Res. 573) providing for the consideration of the bill (H.R. 1437), the California Wilderness Act of 1983, in the House, without intervening motion, and the Senate amendment thereto, which was referred to the House Calendar and ordered to be printed.

GENERAL LEAVE

Mr. WHITTEN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report and amendments reported in disagreement on H.R. 6040, and that I may include extraneous and tabular matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

CONFERENCE REPORT ON H.R. 6040, SECOND SUPPLEMENTAL APPROPRIATIONS ACT, 1984

Mr. WHITTEN. Mr. Speaker, I call up the conference report on the bill (H.R. 6040) making supplemental appropriations for the fiscal year ending September 30, 1984, and for other purposes; and pending that request, I ask unanimous consent that such conference report and all amendments in disagreement be considered as having been read.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The SPEAKER pro tempore. Pursuant to the unanimous-consent agreement, the conference report is considered as having been read.

(For conference report and statement, see earlier proceedings of the House of today, Friday, Aug. 10, 1984.)

The SPEAKER pro tempore. The gentleman from Mississippi [Mr. WHITTEN] will be recognized for 30 minutes and the gentleman from Massachusetts [Mr. CONTE] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Mississippi [Mr. WHITTEN].

Mr. WHITTEN. Mr. Speaker, I yield myself such time as I may consume. Mr. Speaker, I present the conference report on the second supplement-

tal appropriation bill. As my colleagues know, the Senate added 216 amendments, increased the amount of appropriations over the House bill by \$1,600,000,000. The Senate bill was over the President's request and over the 302 budget allocation.

The conference report we bring you today has corrected much of that. The bill totals are as follows:

President's request.....	\$6,343,780,170
House passed.....	5,384,624,400
Senate passed.....	6,983,228,070
Conference agreement.....	5,817,318,000
Compared to:	
President's request.....	- 926,426,170
House passed.....	+ 432,693,600
Senate passed.....	-1,165,910,070

Mr. Speaker, to reach this agreement we were in session until after midnight last night.

Major items in the bill are:

Food stamps.....	\$700,000,000
Public Law 480.....	175,000,000
DOD—operation and maintenance.....	275,900,000
EUD—assisted housing.....	150,000,000
EPA—Superfund.....	50,000,000
FEMA—emergency food and shelter.....	70,000,000
Veterans programs.....	465,688,000
(Loan defaults).....	(100,000,000)
(Compensation and pensions).....	(284,900,000)
(Readjustment benefits).....	(82,200,000)
Strategic petroleum reserve.....	459,190,000
Social services block grants.....	25,000,000
Family social services.....	60,000,000
Rehabilitation services and handicapped research.....	34,200,000
Corporation for Public Broadcasting (1984/5/6).....	37,500,000
Payment to civil service retirement and disability fund.....	238,081,000
Agency for International Development.....	195,095,000
Increased pay costs.....	2,087,932,000
Department of Defense.....	(1,576,482,000)
Civilian agencies.....	(511,450,000)

It is essential that these funds be made available for the remainder of the fiscal year for entitlement programs and others will be exhausted early in September. Here we provide funds until the new fiscal year which begins October 1, 1984.

As this list shows, funds provided here reach every part of the United States and touch the lives of most of our people. As I have pointed out many times, whatever our situation, whatever our debts and obligations, it is imperative that we look after our country, its protection and development—that we look after the well being and health of our people and their education.

In my own area, I point out that we provide for assistance on the gulf coast, provide further study of plans to provide flood protection in the Pearl River Watershed which to a great degree surrounds our State Capital of Jackson.

Mr. MCHUGH. I thank you all very much, first of all, for being here this morning and taking time out of your schedules. I and the subcommittee appreciate it. But also to you and to CRS for the very fine work you've done in response to our request to look at this issue.

I want to assure you, as we go forward, your report is going to be very valuable to us in helping us better understand the menu of options and roads to addressing the question. And we are very, very grateful for that, even at this early date in point in time.

I would yield to either of my colleagues. The gentlelady from Florida or—

Mrs. MEEK. I'd just like to commend CRS. In keeping with your usual style of being exceptional in your presentation, I like the way it was organized. It was easy to follow and sequential.

Thank you.

Mr. MCHUGH. The gentleman from Texas.

Mr. GREEN. Mr. Chairman, I don't have any questions, but the reports are very good and I'm just glad that CRS is not furloughed because obviously they're here today.

Mr. KIEFER. We regard ourselves as essential to serve the Congress during this period.

Mr. MCHUGH. Let me begin on a rather broad basis. You are all very well-respected analysts in your field, and come with admirable credentials. Through your association and probably other endeavors in your life, but certainly through CRS, you had an opportunity to study a lot of different issues.

I'm guessing that this may be the first time you've had the opportunity, however, to look at the U.S. Postal Service in any prolonged way. I'd be fascinated to hear what, if anything, as you went through this, struck you positively, negatively, surprisingly, about this whole system. Did anything stand out? We're among friends, you may speak.

Mr. GELB. I am relatively new to the topic, and what struck me is that even after helping to coordinate a 70-odd page report, I realized how many things we might have covered and maybe one could say should have covered, and didn't, even with whatever time we had, more detailed analyses of the alternatives which, when I was going through that, there are so many variables, so many if's, so many possible alternatives one could have structured. And, as I said in my comments, Congress has the option to custom design almost anything. That struck me as just an incredible range of possibilities, given whatever objectives Congress may choose. And in addition—I'm sorry, I lost my train of thought, to be honest.

Mr. KIEFER. Could I add a comment, Mr. Chairman?

Mr. MCHUGH. Please.

Mr. KIEFER. I served primarily in the role as a reviewer in this project and went through it two or three times in its whole and made review comments that caused my colleagues some extra work sometimes. But that gave me the opportunity to see the forest as opposed to each one of the trees. And I was struck in that process—also as you indicated, not being an expert in the Postal Service, but with economics training generally—I was struck with the very difficult issue that you focused on in your introductory comments and have also been clear in the earlier testimony and discussion, and

that is the difficulty in organizing this particular service in that there are elements of a public service and a public objective to be achieved here.

Perhaps the nature of that has changed over time, but nonetheless, there is a public interest and there is thought to be a Government interest in the provision of a service to be universally available and at certain prices and certain quality of service. The conflict of those objectives with the objectives of trying to make this service operate more in a businesslike manner and attempting to increase its efficiency and move more in the direction of a private sector operation is at the center of the difficulty that you all face as decisionmakers. The difficulty that tension creates for the current postal operation also impinges on any decisions you make about changing its structure.

Mr. MCHUGH. Any suggestions?

Mr. KIEFER. The decisions are all yours.

Mr. MCHUGH. You sound very unlike my wife.

Does anyone else have any general observations about what impressed you or failed to impress you most?

Yes, Mr. Gelb.

Mr. GELB. I'd like to add that I also was struck by the universality of the problem in other countries. I didn't touch upon that in my necessarily condensed statement, but as Representatives Rohrabacher and Crane referred, other countries have made various steps to try to improve their systems. But all this, whether one agrees with the measures that they took or not reflects the commonality that all industrial countries have this problem of having established a national postal service of some type and, given changes in the world around us, are faced with competition and other problems and have seen fit to make some modification in their systems. So we are—the United States—isn't in this alone in a certain sense.

Mr. MCHUGH. The gentleman from Texas.

Before I yield to the gentleman, I would like to acknowledge gratefully the presence of the gentleman from Maryland, Mr. Ehrlich. And any opening comments the gentleman would like to make?

Thank you.

The gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman.

Let me just throw out a question, because last year I had the opportunity to visit with both the chairman and the British Postal Service officials and talk to them about their privatization efforts. To a regular person it seemed like their Postal Service was much more all encompassing than ours. They were talking about telegraph and telephone. And when I asked them, I said: Well, are you thinking about privatizing your First-Class, your actual postage delivery? And they said: Oh, no, we're talking about telephone and telegraph, which has never been part of our Postal Service in our country anyway.

And I know two of the sponsors were here and talked about other countries that are privatizing and Argentina comes into mind.

In response to the last question, could you tell us some of the industrialized countries, are they going to the point that is suggested

by the bill today, or are they really just talking about privatizing from the more structured view that some of the industrial democracies in Western Europe have had for years, where, we've always had a Postal Service, but never, included telephone and telegraph and other things. Could you just do some comparison with other industrialized countries?

I know our two sponsors talked about Sweden and other ones who are actually giving up their monopoly on First-Class, although the monopoly on Second-Class and other was given up a number of years ago. I think it's only First-Class that's retained.

Mr. GELB. The broad tendency is, one, to retain universal service, whatever the nature of the resulting entity, whatever the changed structure is. All the postal services are required to provide universal service. Under them, mentioning the Representatives Crane and Rohrabacher's bill and the employee ownership aspect, none of them provide for employee ownership. One or two or three privatization moves are not of that nature.

In terms of the electronic messaging and participation in that kind of activity, a couple of them, to my recollection, are partly engaged in that. For example, they accept electronic messages at the sender's post office, send it electronically to the intended receiver's post office, and there it's converted into hard copy and sent by the usual delivery system.

The others, some of the other countries permit their postal systems to engage in other kinds of activities, related or not, business activities, deliveries, commercial delivery services, even separate electronic services, and so on. Of course, it wouldn't be the same country that would be in the partial electronic service. So that there is some, among other industrial countries, there is some move and there is some permission to allow their postal authorities to engage in other businesses other than strict delivery of mail as we have—as we usually understand strict delivery of mail to be.

Mr. GREEN. OK. We're talking about two different things, though. We free up our Postal Service to do other things by statute, but the bill we're considering today is actually a private corporation. And do you know of any of the other industrialized countries that are doing that? And you particularly said that none of them would eliminate universal service. Is that correct?

Mr. GELB. Correct.

Now, I'm going to have to refer to my own report to see which countries actually—now Argentina, to my knowledge, at this point only plans to privatize. And then the Netherlands is partially privatized.

Mr. GREEN. You could consider that our Postal Service could be partially privatized then, because of competition with UPS and Federal Express.

Mr. GELB. Then we are—I was speaking of the privatization of the Government authority itself.

Now, I certainly, I—there is no disagreement that in terms of the delivery of messages in the system as a whole, part of that economic activity is in private hands, given, you know, Federal Express, et cetera, yes.

Mr. GREEN. OK. Thank you, Mr. Chairman.

Mr. MCHUGH. All of the bells and buzzers indicate that we do have a vote. It's my understanding that we have a single amendment vote on a larger bill and I at least will be back.

If I could impose upon your time even further, if we could just stand in adjournment for a brief time, I will go over and vote as quickly as I can and come back. I know the other members of the subcommittee had pressing schedules, but I hope they can join us. So if we can stand in recess for hopefully no less than 10 minutes, no more than 15.

Thank you.

[Recess.]

Mr. MCHUGH. If we could reconvene the hearing.

I didn't quite make my self-imposed deadline but not too bad for a man of my advancing years.

Mr. Gelb, you were responding to the gentleman from Texas, Mr. Green, about the structure of some of the overseas privatization efforts in other Postal Services. I understood you to say you weren't aware of any employee stock ownership efforts. Is that true?

Mr. GELB. That's right, yes.

Mr. MCHUGH. There are, however, are there not a number of stock corporations where the sole holder of those stock issuances are the Government in question. New Zealand comes to mind. Is that true?

Mr. GELB. I don't know if they are—I don't know for sure if—I want—I'm sorry, could you re—could you repeat the question?

Mr. MCHUGH. Yes. It was my understanding, and I may be wrong, that's in part, why I'm asking the question. Are there a number of overseas privatization, technically privatization efforts, where the owner of the privatization effort is the Government in question, so that the corporate—the postal corporation issues stock, that stock is then totally held by the Government?

Mr. GELB. With respect, Mr. Chairman, if the Government owns the stock, I don't know how that would be a privatization.

Mr. MCHUGH. Well, that was going to be my question.

Mr. GELB. I mean, there are—in the case of the Netherlands, I am advised during the intermission that by now they sold off about two-thirds of their postal authority, but it would mean that the shares are now approximately one-third held, one-third held by the Government.

Mr. MCHUGH. Which effort was that; Netherlands?

Mr. GELB. The Netherlands.

Mr. MCHUGH. Yes, well, then let's revert, for a moment. If they've sold off two-thirds, at one time they held all three thirds. Yes?

Mr. GELB. Well, I am not familiar with the precise procedure that was followed. It is possible that at the time they decided to even partially privatize, that they issued stock at that point and then sold 30 percent of it to private individuals or organizations.

Mr. MCHUGH. Well, the question I wanted to pursue, and just for the record now that I've totally confused everybody, is that I'm wondering if there is a hybrid of privatization that somehow keeps Government in some way associated with the effort.

The gentlelady from Florida was talking about who's responsible, is there any connection with the Government and does the Govern-

ment have over a privatized Postal Service the opportunities to try to assert a national good, if you will, whatever that good might be.

As I understood Mr. Rohrabacher's response, no, that wouldn't be the case. I was wondering if there was a middle ground. And that's something we'll have to pursue.

Mr. GELB. Well, apparently if that is the case, unless and until the Netherlands or any other country sells off 100 percent of ownership of a partially privatized postal authority, well, then I would assume that the public interest is being now represented by the ownership of the third.

Mr. MCHUGH. How did those other postal services treat the requirement that we have in the United States of universal service at uniform price? I mean, do they just rely upon competition to deliver the mail at the best possible service or is there a mandate even in privatization that they require universal service?

Mr. GELB. There's a mandate even in privatization, at least so far as what we would call First-Class mail or letter mail, is a better term to use.

Mr. MCHUGH. Yes. And that seems to be a pretty universal requirement among these other—

Mr. GELB. Among the—among the 9 or 10 countries in the study that I used, and one or two others—other studies—it seems to be a universal practice to have universal service among those countries I am aware of.

Mr. MCHUGH. At the same time, while they are operating under the universal service requirement, do they or do they not also have monopoly protections on that particular class, obviously?

Mr. GELB. In some cases yes, in some not. I think in—in a lot of these cases—or in some of the cases, although privatized, in a few cases that are privatized, totally privatized, the privatized entity is, either was, or has come to be, such a dominant firm in the industry that it's virtually effectively a monopoly, even if the law doesn't give it monopoly power.

Mr. MCHUGH. OK. We have a third panel here today, comprised of individuals who at least in part I expect are going to make some comments about the management structure of the Postal Service.

As you're well aware, we have the Postmaster General as well as a Board of Governors. How often is that kind of dual layer of administration found in other nations, if at all? Is this somewhat unusual in your study?

Mr. GELB. The—in the other countries that the report looked at, there are varying degrees of Government supervision of the postal authority. I didn't get into the management structure of the postal authority itself. In some varying degrees, the postal authority has to present its budget to some supervising Government authority and the extent to which that occurs varies among these countries.

Mr. MCHUGH. Would any of you, and I don't mean to single out you, Mr. Gelb—

Mr. GELB. That's OK.

Mr. MCHUGH [continuing]. But you took a look at an area that at least for this point in time is one of the more interesting, were you able to give an evaluation as to how these privatization efforts are going? It's one thing to privatize. I mean, whatever the definition we may accept on that in its varying degrees, and I think we'd

all agree that, and I said this before, privatization like beauty is in the eye of the beholder—it depends what you do and how far you go along the scale. But how are these Postal Services doing, first of all, compared to what they were before? And second of all, compared to the United States?

We hear, for example, that the United States statistically is one of the most productive, one of the least cost in terms of the price of a stamp in the world. Those who don't particularly find themselves in support of privatization would say therefore why would we do it just to say we did it? What's your impression of—

Mr. GELB. I didn't—the sources I looked at did not have any coverage as to the relative success or lack of success, however one might define it, whatever criteria one might use so far as how well or how poorly those privatization efforts have gone. So I'm sorry, Mr. Chairman, I can't answer your question.

Mr. MCHUGH. That's a fair response. Let me throw out a general question. And it leads into all kinds of other areas, but let me put the whole plate before you and see what you'd like to do with it.

You undoubtedly heard Congressman Rohrabacher predict what the next 5 years and beyond would be like, vis-a-vis postal activities, the delivery of First-Class mail versus electronic utilization. How would you describe the current Postal Service's ability to compete in those emerging technologies? And how do you foresee their future vis-a-vis declining market share in that area?

Mr. GELB. Well, it appears that the Postal Service right now is effectively prohibited from participating in the electronic source of communication. And so I—in fact, Bernevia McCalip told me that a number of years ago it made some effort to engage in some electronic form of communication or participate in that, and was told it should stop doing so by Congress because it was competing with the private firms.

And so it seems—it seemed to me that right now it can't. It appears that it wants to broaden its base by—you probably read in yesterday's newspaper or heard otherwise, that it's planning to go into selling prepaid telephone calling cards, which I guess is some attempt to go into the telephone business. But other than it seems to me a relatively indirect means of doing so, its options right now seem to be, my observation, pretty low.

Mr. MCHUGH. Ms. McCalip, were you going to add something?

Ms. MCCALIP. Yes, I might add that in the past the Postal Service has ventured into other areas, such as electronic messaging unsuccessfully. Generally they have had mixed success in dealing with other areas other than their core business of delivering mail. For example, in 1982 when they initiated electronic-computer-originated mail, which was ECOM, there was a lot of controversy, there was a lot of conflicts.

The Postal Service apparently did not adequately adjust its rates and the businesses that it competed with were dissatisfied. They eventually terminated that program because it was not profitable, it did not pay its own way, and showed no signs of doing so.

So they are, as I understand it, getting into—I don't know if I can actually say it's electronic messaging, but in the long term there are plans to offer a kiosk system, which would allow access to Federal information through that system. I understand that is

a long-range plan. But nevertheless, they are looking into remaining competitive in the electronic field.

Bernie was trying to explain the system that I understand the Postal Service will be offering soon, which will allow the Postal Service to sell telephone plastic cards which will be issued by American Express. And that is more or less like a stored value-added card, which will allow access to long distance calls through any telephone. But in terms of venturing into electronic messaging at this present time, I don't believe the Postal Service is doing so.

Mr. MCHUGH. At the risk of getting myself in trouble, my grandfather who heard about karaoke just before he passed away, said it seems to be the worst of two worlds, bringing together people who can't drink with people who can't sing. But how would you react—and I don't mean to suggest they shouldn't—this is why I'm going to get myself in trouble.

I found it a very intriguing proposal when it came over my desk yesterday. And the reason I set the stage in that fashion was, as I understand it, there are other efforts internationally much along these lines, where other postal services do indeed in Europe, for example, sell phone cards such as this.

Did you come across that in any of your—

Mr. GELB. I didn't, but the material wasn't such that it necessarily indicated it covered every single activity of these postal authorities. So I couldn't say yes or no based on the material. But I wouldn't be surprised if it were the case.

Mr. MCHUGH. OK.

The question that faces this subcommittee, among many others, is that do we allow or require the Postal Service to go into the electronic field?

There are those who say that it is totally inappropriate because the Postal Service was never designed to do that; that in large measure, and I suspect in part, Ms. McCalip, this is what happened to the Postal Service in 1982: it's an untested field even now in 1995 in large measure, and we shouldn't be speculating with the Postal Service in those areas.

Conversely, other people say as we look toward the future, a la Congressman Crane—this is going to be where communications are headed. And if we still expect the Postal Service do its job of hard copy delivery, which I happen to believe is going to continue for a long time no matter how revolutionary the electronic revolution might be, we need to let the Postal Service compete in those areas.

How would you respond to that dilemma?

Mr. GELB. It's—it's kind of a choice—it's kind of throwing together two problems or concepts in a sense. One, you're trying to deal with what do we perceive to be the role of Government in providing postal service—and I'm using postal service in quotes—because there is the other part of the conceptual dilemma, is how broadly do we define postal service?

If a company that was making horses and buggies in the late 19th century viewed itself as being in a horse and buggy business and automobiles came along, then it went out of business, if it viewed itself as providing transportation for individuals, then it might have thought of producing automobiles as well and then survived well into the 20th century. So, it's partly a decision by the

country as to what extent it sees the public service role of communication between all its inhabitants and businesses as a sufficient public good to maintain a Government presence, and on the other hand, whether it views—how broadly it views postal service or communication service as to whether sending e-mail—some Government participation in sending e-mail is a justified activity in terms of binding the Nation together as the Postal Reorganization Act phrases it. So that's about the only way I can respond.

You have to realize that there are two continuums involved. One, what do you perceive to be the extent of the role of Government service, and one, what extent, how broadly or narrowly do you view the communications market?

Mr. MCHUGH. Any other panelists like to respond to that?

Mr. Kaiser, you had rec—you recommended that the Postal Service followup regularly and meaningfully on the findings and recommendations of the Inspector General. What led you to that conclusion? Please expand on that a little bit for me.

Mr. KAISER. There were a series of suggestions that we had and one of them has to do with improved management and concern for waste, fraud, inefficiencies, and abuse. And clearly the offices of Inspector General are premier offices in detecting and preventing such problems within an organization.

Quite often what we have seen, ever since the establishment of the statutory offices of Inspector General back in 1978, has been that they've been neglected by Congress and often by agency heads and officials. And these offices should be a key focus for any oversight that is done by agency management, top level management, as well as the Congress.

The U.S. Postal Service received an OIG in 1988 through some amendments that were in fact enacted by your full committee, House Committee on Government Reform and Oversight. So it has a new statutory IG that was created at that time. But I have no specific illustrations where the recommendations might have been ignored or avoided by the Postal Service IG. But clearly, that's a key ingredient to combating those problems.

Mr. MCHUGH. And for the record, how would you respond to the choice of retaining the current structure within the Postal Service or making it more independent outside the Service?

Mr. KAISER. Well, the current Postal Service IG is relatively independent, has the statutory protection so that the Postal Service IG can hire his or her own staff. They're to be given complete access to all the records and materials and reports that the agency has, direct access to the agency head, reporting directly to the agency head and to Congress. So there are a variety of protections that the statutory IG in the Postal Service already has.

The one difference is under the current structure, the Inspector General is an appointee of the Postmaster General after consultation with the Board of Governors, as I recall. Another change would be to make that Inspector General nominated by the President and confirmed by the Senate, the way Inspectors General are at the larger Federal agencies; clearly the Postal Service is a fairly large Government operation.

Mr. MCHUGH. Well, I want to thank you for your time. We could continue this for some hours, but obviously you all have schedules to keep, as do others here, and we should be moving along.

But let me restate my appreciation to you and to CRS. Your compilation of data has given us an invaluable resource and a valuable point of information from which I know we will draw in the future.

I will ask that we leave the record open. Also, we may submit to you some written followup questions? If you'd continue your generosity should that occur, and perhaps respond to us on those in the future we would appreciate that, too.

So with that, thank you all very much. We appreciate your being here.

Mr. KIEFER. Thank you very much, Mr. Chairman. We would be very pleased to assist you in your work on this subject as you go forward.

Mr. MCHUGH. Thank you, sir.

Mr. KIEFER. Thank you.

Mr. MCHUGH. Our final panel here today is made up of former postal appointees and executives whose collective experience spans the quarter century of existence of the Postal Reorganization Act.

The subcommittee welcomes former Postmaster General Tony Frank; former Postal Rate Commissioner, Patti Birge Tyson; and former Senior Assistant Postmaster General and Kappel Commission executive director, Murray Comarow.

I want to particularly thank, well, all three, but a special regard to Ms. Tyson and Mr. Frank, for flying from Chicago and San Francisco respectively at their own expense, I might add, for the benefit of this subcommittee. And we are deeply appreciative to you two as well as Mr. Comarow for being here today.

And I say with great certainty these three witnesses have seen the Postal Service operate from the inside and I know their testimony will be invaluable to the subcommittee in our continuing efforts to develop reform initiatives. So with that, thank you again for being here.

And I would in the order of left to right, for no other reason than precedent, that, I'd ask Mr. Frank—well, before we do that, again according to the rules of the subcommittee, if all three of you would rise and swear the oath.

[Witnesses sworn].

Mr. MCHUGH. Thank you.

The record would show that all three responded in the affirmative.

So, Mr. Frank, welcome. Thank you for being here and we're looking forward to your remarks.

STATEMENTS OF ANTHONY M. FRANK, FORMER POSTMASTER GENERAL; PATTI BIRGE TYSON, FORMER POSTAL RATE COMMISSIONER; AND MURRAY COMAROW, FORMER EXECUTIVE DIRECTOR, KAPPEL COMMISSION, AND FORMER SENIOR ASSISTANT POSTMASTER GENERAL

Mr. FRANK. Thank you very much, Mr. Chairman, and Mr. Green. It's a great pleasure to have been invited back here after 3½ years not back in this city.

I gather there are two questions which need to be addressed here, and I'll attempt to do so.

I have submitted a brief statement for the record and my oral statement will be even more brief.

I believe the first question is, should there be a commission to take a look at the Postal Service 25 years out from its inception? I do think it's important to do so, to have an outside commission.

Unfortunately, I gather that the commission is caught up in a pro-union, anti-union consideration as to whether it should be formed, and I deplore that. I think, in the main, unions of the Postal Service are well organized and function well in the best interest of everyone, not just their members. So I'd like to see the commission formed.

The second question is, should the Postal Service be privatized? And my answer to that is absolutely not. It should not be privatized.

As you already pointed out, Mr. Chairman, the mission of the Postal Service is universal service at a uniform rate. That can't be done if it's privatized.

I think what's needed here is not drastic surgery. I think what's needed here is a mid-course correction, with a relatively few items at that. The first is pay. I'm so pleased to hear that the Senate passed a pay increase for the Board of Governors of the Postal Service. It hadn't had a raise since inception 25 years ago, as I point out in my paper. Either they were dramatically overpaid then or they're dramatically underpaid now, and obviously we all know which it is.

I am disappointed in the quality of the members of most of the Board of Governors. I think in some measure it's due to pay. I believe that the board has turned out to be, as blunt as my last name, supine. I think there are items that are not even referred to them for consideration, and I pointed out the recent \$2 billion gift to the American Postal Workers Union, wasn't even given to the Board of Governors and to the best of my knowledge, no Governor has ever complained about not having been able to deal with that. Well, that just is not something that could happen in the private sector.

So I'd like to see the Governors be a little bit more businesslike. I'd like to see some pay increases for the management along the lines of the original charter. The original charter said that the pay of the officers and employees shall be commensurate to private sector, and that's clearly not happening.

I guess the average CEO in the private sector gets paid too much, some 80 times the average worker. But here in the Postal Service, it's two or three times that of the average worker, which is probably too little for the dimensions of the responsibility.

Speaking of the Postal Workers Union, I'm glad to see that leadership of that union is just as feisty as ever, and that they continue to believe the best defense is a good offense. It's pretty amazing, although reminiscent, for me to come back here. I've been here less than 12 hours, and I've already been compared to Charles Keating and Dr. Kevorkian. That brings back memories.

It also brings back memories in the sense that the broad-side attacking me contains not one fact. It doesn't deal with any of the

statements that I made, which I think would be more appropriate. I do believe that the people of the United States would be well-served by more contracting out, not displacing any existing workers, but just contracting out in new areas, which is what we tried to do with remote bar coding, when I was there. And to try to bring the employment of the Postal Service down by attrition. The attrition is on the order of 50,000 employees per year.

We don't need early outs. You don't need layoffs and you don't need RIFs in order to reduce the employment of the Postal Service. You just need to go with attrition.

When I was there, we were doing about 1,500 to 1,800 positions per month without any dislocation, without any pain, without any strain, without any early out bonuses. I'd like to see more contracting out.

And last, as I believe Mr. Comarow, whose name I misspelled, will point out, the inclusion of the idea of the Postal Rate Commission in the original legislation was an afterthought, and not a very good one. What's happened is that the Postal Rate Commission in the area of competitive products, not monopoly products, but competitive products, has given a private monopoly to the United Parcel Service. This is not in the interest of the American people, with price increases quite frequently, with enormous discounts to volume users and no discounts at all to Aunt Minnie. I think that needs to be changed.

I think the only area of oversight of the Postal Rate Commission when it comes to competitive products, should be to make sure that it stands on its own two feet and doesn't take money from monopoly products. This present system, despite my admiration for Ms. Tyson, is not a good one. Ten months, thousands of pages, lots of work for the postal bar, and then nothing, no function before the Postal Rate Commission for years and years. They say the devil's work is done by idle hands. Perhaps whoever coined that might have been thinking about the interim period of the Postal Rate Commission.

In conclusion, Mr. Chairman, I think some of these areas need to be revisited. I hope that you can still pass legislation allowing the remote bar coding to be contracted out, as the GAO, I see joins me in the Dr. Kevorkian catalog of being a "lap dog," pointed out that it's important to do.

I would point out that I have the highest admiration, I have no axe to grind at all, for the most of the management and certainly all of the employees of the Postal Service, hard-working, caring, doing a difficult job, doing a routine job day after day, and doing it well. They need to be given some assurance that these discussions on bill 210 are just that, a yearly occurrence, and that their jobs are not in jeopardy. People can't do the best job that they can if they see there's another shoe to fall. So in summary, no drastic surgery, some mid-course correction, hopefully by a commission.

I would just note for you parenthetically, when we had the earthquake in San Francisco in 1989 at the World Series, that Congresswoman Pelosi made a compilation of communications and complaints to her office in the aftermath. Over 50 percent wanted mail service reinstated as quickly as possible. It's a very, very important function to the American people. It's not going to disappear.

First-Class mail is essential and people miss it if it's even postponed for a day or two.

So what do we need to do to face the 21st century? I think we need to take the power for pricing on competitive products from the Postal Rate Commission. I think somebody needs to reason with the leadership of the APWU that service is important, and the better the Postal Service does, the better their members do. I think we need to have some private sector pay for the Governors and for some of the managers, and finally I think we need do somewhat more contracting out.

I believe the Postal Service will be here, as you've suggested, for decades and decades more, doing its job. Delivering hard copy to the American people is not going to disappear, despite all types of electronics. And I commend you and your subcommittee, Mr. Chairman, for taking the time and effort to take a look 25 years later at how the institution is doing.

Thank you.

[The prepared statement of Mr. Frank follows:]

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

STATEMENT OF ANTHONY M. FRANK
(Former Postmaster General of the United States 1988-1992)

BEFORE THE SUBCOMMITTEE ON THE POSTAL SERVICE
NOVEMBER 15, 1995

THANK YOU MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE FOR GIVING ME AN OPPORTUNITY TO SPEAK TO THE QUESTION ON WHICH YOU WISH AN OPINION - SHOULD THE POSTAL SERVICE BE PRIVATIZED? MY ANSWER TO THAT IS NO. IT SHOULD NOT BE PRIVATIZED. THE MISSION OF THE POSTAL SERVICE IS TO PROVIDE UNIVERSAL POSTAL SERVICE TO THE AMERICAN PEOPLE AT A UNIFORM RATE. HOWEVER AND IT IS A BIG HOWEVER, I DO BELIEVE THAT IT SHOULD BECOME MORE BUSINESS LIKE. THERE ARE A NUMBER OF ACTIONS THAT WOULD MAKE THE POSTAL SERVICE MORE EFFICIENT AND MORE ABLE TO SERVE THE AMERICAN PEOPLE WITHIN ITS PRESENT STATUS.

1. FIRST, THE PAY AND THE QUALITY OF THE BOARD OF GOVERNORS MUST BE MATERIALLY IMPROVED. THE COMPENSATION OF THE NINE OUTSIDE MEMBERS OF THE BOARD OF GOVERNORS HAS NOT INCREASED SINCE 1971. EITHER THEY WERE ENORMOUSLY OVERPAID IN 1971 OR THEY ARE DRAMATICALLY UNDERPAID NOW. OBVIOUSLY IT IS THE LATTER. THIS LACK OF PAY AND LACK OF STANDING, I BELIEVE, HAS LED TO THE PRESENT SITUATION IN WHICH THE BOARD OF GOVERNORS IS BASICALLY NOT A FACTOR IN THE POSTAL SERVICE. TO BE AS BLUNT AS MY LAST NAME, THIS BOARD OF GOVERNORS IS SUPINE AND IS NOT, GENERALLY, OF THE QUALITY REQUIRED TO OVERSEE A SIXTY BILLION DOLLAR BUSINESS WITH SOME 800,000 EMPLOYEES. FOR EXAMPLE, THE RECENT MISTAKEN DECISION TO GIVE REMOTE BAR CODING BACK TO THE AMERICAN POSTAL WORKERS UNION WAS NOT EVEN BROUGHT TO THE BOARD OF GOVERNORS, AND TO THE BEST OF MY KNOWLEDGE THERE HAS NOT BEEN ANY REMONSTRANCE BY THE BOARD AS TO HAVING BEEN BYPASSED. THAT WOULD NOT HAPPEN WITH A MORE EXPERT BOARD.
2. SPEAKING OF PAY, THE PAY OF THE SENIOR MANAGEMENT SHOULD BE MORE COMMENSURATE WITH THE PRIVATE SECTOR. RIGHT NOW ANY OUTSIDE POSTMASTER GENERAL MUST WANT TO DO PUBLIC SERVICE AND THEREFORE BE WILLING TO WORK FOR A SALARY THAT IS QUITE OFTEN NINETY OR NINETY-FIVE PERCENT REDUCED FROM HIS OR HER PRESENT RATE OF PAY. THAT IS NOT THE WAY TO BUILD A LONG-TERM MANAGEMENT. THIS ABSENCE OF PAY ALSO RELATES TO SOME OF THE SPECIAL AREAS OF THE POSTAL SERVICE INCLUDING MARKETING AND FINANCIAL. THIS COMMITTEE CAN EXAMINE NUMEROUS EXAMPLES, SUCH AS FANNIE MAE AND THE STUDENT NATIONAL MARKETING ASSOCIATION, THAT THRIVED AFTER PAY LIMITATIONS WERE REMOVED.
3. THIRD, THE POSTAL SERVICE NEEDS MORE CONTRACTING OUT - NOT LESS. THE RECENT DECISION ON REMOTE BAR CODING SYSTEMS (RBCS) TO TURN THIS ACTIVITY BACK TO THE AMERICAN POSTAL WORKERS UNION WAS A MAJOR MISTAKE ACCORDING TO THE GAO, WHICH INDICATED THAT IT WOULD INCREASE COSTS ON THE ORDER OF TWO BILLION DOLLARS OVER THE NEXT TEN YEARS. ANYONE

MAKES MISTAKES, WE ALL HAVE. OUR OBLIGATION IS A) TO CORRECT THEM AND B) NOT TO MAKE THEM AGAIN. UNFORTUNATELY THIS ACTION, WHICH I UNDERSTAND WAS TAKEN TO APPEASE THE APWU (WHICH APPEASEMENT NEVER WORKS) NEEDS LEGISLATIVE ACTION TO BE REVERSED, AND THAT LEGISLATIVE ACTION SO FAR HAS NOT BEEN COMING FROM THIS CONGRESS. IT DOES SEEM TO ME THAT THE PHILOSOPHY OF CONTRACTING OUT IS SQUARELY IN THE PHILOSOPHICAL POINT OF VIEW OF THE MAJORITY OF THIS CONGRESS AND I URGE THE SUB-COMMITTEE TO TAKE ANOTHER LOOK AND SEE WHAT CAN BE DONE TO SAVE TWO BILLION DOLLARS FOR THE AMERICAN PEOPLE. SPEAKING OF THIS UNION, IT IS THE MAJOR SOURCE OF FRICTION BETWEEN THE USPS AND THE AMERICAN PEOPLE. I AM A BIG BELIEVER IN UNIONS AND I WORKED WITH AND COOPERATED WITH UNIONS DURING MY FOUR YEAR TERM. BUT I DID NOTE THAT THIS PARTICULAR UNION LEADERSHIP IS THE ONLY ONE THAT NEVER SPOKE ABOUT SERVICE TO THE AMERICAN PEOPLE AND WAS THE ONLY UNION THAT, FOR EXAMPLE, CHOSE PUBLIC CONTACT PEOPLE AT THE WINDOW AT THE POSTAL SERVICE PURELY ON THE BASIS OF SENIORITY. NO PRIVATE SECTOR FIRM COULD OR WOULD PERMIT SELECTION OF ITS PUBLIC CONTACT PEOPLE ON SENIORITY BASIS ALONE. THIS UNION HAS ALSO SUED TO PREVENT LABOR MANAGEMENT COMMITTEES AND BASICALLY AS NEAR AS I CAN TELL THE LEADERSHIP OF THIS UNION HAS THE ATTITUDE THAT IT IS THE RESPONSIBILITY OF THE UNION NOT TO COOPERATE WITH MANAGEMENT. THE POSTAL SERVICE CANNOT AFFORD THIS DIVISIVE ACTION ANYMORE. WHENEVER THE DEFICIENCIES OF THIS UNION LEADERSHIP ARE POINTED OUT THE LEADERSHIP ATTACKS, WHICH THEY WILL IN THE CASE OF THIS TESTIMONY AND AS IT DID RECENTLY TO THE GAO. THE GAO REPORT ON THE TWO BILLION DOLLAR GIFT TO THE UNION WAS REBUTTED ON THE BASIS THAT THE GAO IS A LAP DOG. WELL, WE ALL KNOW THAT THE GAO IS NOT A LAP DOG. WHAT WE KNOW IS THAT IT IS AN INDEPENDENT AGENCY THAT IS ONLY REVILED WHEN IT HITS A JUICY TARGET, WHICH IT DID.

4. FOURTH, ALLOW THE POSTAL SERVICE TO BE COMPETITIVE IN COMPETITIVE PRODUCTS. I NOTE, DESPITE THE ABSENCE OF INFORMATION FLOW TO ME SINCE MY LEAVING IN 1992, THAT EXPRESS MAIL, PRIORITY MAIL AND PARCEL POST REVENUES COULD BE MUCH HIGHER. IT IS IN THIS AREA THAT THE POSTAL SERVICE CAN EARN A SUBSTANTIAL AMOUNT OF MONEY, IF PERMITTED TO DO SO, WHICH COULD LENGTHEN THE INTERVALS BETWEEN POSTAGE INCREASES. THIS LACK OF COMPETITION HAS GIVEN A VIRTUAL MONOPOLY TO FEDERAL EXPRESS AND TO UNITED PARCEL SERVICE, AND THE LATTER, PARTICULARLY, HAS RAISED ITS CHARGES MUCH MORE FREQUENTLY THAN THE POSTAL SERVICE EVER HAS. THE REASON FOR THIS IS THAT THE POSTAL RATE COMMISSION DOES NOT PERMIT THE POSTAL SERVICE TO GIVE

QUANTITY DISCOUNTS. TO GIVE YOU AN IDEA, GENERALLY FEDERAL EXPRESS CHARGES MORE THAN FIFTEEN DOLLARS FOR AN OVERNIGHT EXPRESS DELIVERY AND YET IT OFFERED A \$3.75 RATE TO THE FEDERAL GOVERNMENT. ON THE OTHER HAND THE POSTAL SERVICE MANAGEMENT WOULD BE CIVILLY AND PERHAPS CRIMINALLY LIABLE IF THEY GAVE ANYBODY ONE CENT OFF. THE SOLUTION IS TO CUT BACK THE RESPONSIBILITIES OF THE POSTAL RATE COMMISSION, WHICH, MR. KOMOROW CAN TELL YOU, WAS AN AFTERTHOUGHT IN THE 1971 LEGISLATION. THERE IS NO REASON FOR THE POSTAL RATE COMMISSION TO OVERSEE PRICES OF COMPETITIVE PRODUCTS, AS LONG AS THOSE PRICES ARE NOT SUBSIDIZED BY OTHER CLASSES OF MAIL.

MR. CHAIRMAN, IN THIS BRIEF PRESENTATION I HAVE SUGGESTED SOME IDEAS WHICH WILL MAKE THE POSTAL SERVICE MORE EFFICIENT AND MORE PROFITABLE, LEADING TO FEWER POSTAL INCREASES AND MORE TIME BETWEEN POSTAL INCREASES, AS WELL AS BETTER SERVICE TO THE AMERICAN PEOPLE. I AM DISAPPOINTED THAT NO SUBSTANTIAL CHANGES APPEAR TO BE ON THE HORIZON AS FAR AS LEGISLATION THAT COVERS THE POSTAL SERVICE. I THINK IT IS HIGH TIME THAT THIS AREA BE RE-VISITED, AND I COMPLIMENT YOU AND YOUR SUBCOMMITTEE ON BEING WILLING TO DO SO.

MR. CHAIRMAN, I FOUND THE WOMEN AND MEN OF THE USPS TO BE INTELLIGENT, HARDWORKING, AND DEDICATED. THEY DESERVE AND NEED TO HAVE SOME OF THE CONSTRAINTS INHIBITING THEM TO BE REMOVED. THEY ALSO NEED TO BE ASSURED THAT ANY CHANGES WILL NOT AFFECT ANY EXISTING EMPLOYEES ADVERSELY AND THAT ANY CHANGES, BY HELPING THEM TO SERVE THE AMERICAN PEOPLE, GIVE THEM ASSURANCE THAT THEIR JOBS ARE SAFE BECAUSE THEIR ORGANIZATION IS MEETING THE NEEDS OF THEIR FELLOW CITIZENS.

THANK YOU.

ANTHONY M. FRANK
10 Windward Road
Belvedere, CA 94920

December 21, 1995

The Honorable John M. McHugh
Chairman
Subcommittee on the Postal Service
2157 Rayburn House Office Building
Washington, D. C. 20515-6143

Dear Chairman:

Thank you for permitting me to testify at your recent hearing. This letter is in response to your "questions for the record".

1) I believe the 1970 Act reasonably allocated responsibilities for the USPS. For example, Oversight Hearings that involved the Postal Service have averaged about 40 per year, I understand, since 1971. Given a higher quality Board of Governors, which I believe is underway, and less interference and more help from the Postal Rate Commission, the Postal Service is presently properly structured. Instead of re-Cabinetizing, I believe that it should be further de-Cabinetized in that the Postmaster General's salary is wrongly tied to Cabinet salary levels. I have never seen the USPS be less than totally responsive to Congressional inquiries and attitudes.

2) I understand that the PRC is the only instance in which one federal agency oversees aspects of another federal agency. While I believe the Governors, with help, could handle all rate making, my proposal is that the PRC remain and that they have, only, the responsibility for rates on the major monopoly cases of the USPS. The Board of Governors would have responsibility for pricing non-monopoly items as well as experimental classes. To repeat my testimony, the PRS has deliberately or inadvertently given United Parcel a monopoly on packages in this country, which has been exploited to the detriment of all those involved.

3) I am not an expert on overhead costs, but I believe that it would be useful to have the Congress revisit these statutory criteria. At the least the Congress could re-validate these cost allocations.

4) The USPS at present submits a "breakeven" rate request to the PRC every three or four years. Traditionally, the unspoken

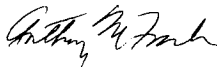
The Honorable John M. McHugh
December 21, 1995
Page Two

scenario behind this requirement is " make money in the first year, break even in the second year, lose money in the third year and refile for rates in the fourth year". While, over time, the Postal Service should only break even, it needs also to make a profit in order to a) extend the rate cycle and b) recoup some of the negative net worth that has been built up over the present system. This is far from recommending the USPS be converted into a corporate entity dedicated to making a continuous maximum profit, such as Fannie Mae or Sallie Mae. Because I don't believe the USPS should be privatized, I see no need or purpose for employee stock options. I continue to believe that bonuses based on pre-set objectives makes sense for all permanent USPS employees.

5) Right now any unusual profits or efficiency is "taken" by the PRC at the next rate case. I believe profits above the figures submitted in a major rate case should be allowed to remain with the USPS in order to lengthen the rate cycle and to reduce the negative capital of the USPS, as well as to provide for bonuses and research and development.

Thank you for your insightful questions. Should you wish further amplification, please do not hesitate to ask.

Sincerely,



AMF/sp

Mr. MCHUGH. Thank you, Mr. Frank. I appreciate your being here.

Ms. Tyson, welcome, and we're looking forward to your comments.

Ms. TYSON. Thank you.

Mr. Chairman, I would request that you include my entire statement in the record, but I will condense it in the interest of time.

Mr. MCHUGH. Without objection.

Ms. TYSON. I'm delighted to be here and have the opportunity to comment on postal reform, and I am honored to be a part of this distinguished panel.

The gentlemen with whom I sit have each in his own way made a substantial contribution to the Postal Service. And although our views may differ about rate-setting, I want you to know that I share a sense of friendship with each of them.

Despite the monopoly protections, the Postal Service has a plethora of serious problems, just as any institution does. It is having great difficulty competing in an economic climate where its competitors have more flexibility to benefit from emerging technologies and changing market conditions.

Costs are soaring and the rate of growth of First-Class mail, the monopoly class, which pays 70 percent of institutional costs, is falling off. The Postal Service wants more discretion over postage rates in order to meet rapidly changing market conditions.

Your record reflects these things, but does this mean that the Postal Reorganization Act is ripe for reform? I am not quite sure the time is right, even though the political climate of the times favors change.

As this subcommittee takes up the thorny issue of postal reform, I think it is important to acknowledge the successes of the Postal Reorganization Act. It is also important to observe the state of the world around us, a world beset by rapid and revolutionary change in technology.

Our economy is now a global economy. Telecommunication is binding the world together in a way we could not foresee just a few years ago. It is difficult to envision exactly what our national needs in terms of hard copy delivery service will be 20 years from now. The real issue for this subcommittee is whether fundamental public policy issues underlying the monopoly status of the Postal Service demand organic changes, or whether lesser changes, perhaps within the existing statute, can effectuate improvements to keep the Postal Service operating effectively and charging fairly for its services.

I believe that the framework of the Postal Reorganization Act currently provides a system under which the Postal Service can evolve further and make substantial improvement. The most basic problem of the Postal Service is controlling costs. The rulemaking process exposes some of the problems in cost control, but congressional oversight rather than legislative change is more likely to help the Postal Service analyze and manage its rising costs.

Many calls for postal reform may ensue from basic frictions among competing interests. The Postal Service very much wants more flexibility in the ratemaking process, and freedom from some of its attendant rigidities. While ultimately legislative change may

be required to relieve the Postal Service of some of the Commission requirements in minor rate and classification proceedings, some cooperative efforts are underway to effectuate improvements. Certainly the Postal Reorganization Act did not contemplate the current complexities of the rate-setting process.

The problems of inflexibility and rigidity are not really inherent in the relationship between the Postal Service and the Postal Rate Commission. In fact, the Senate report accompanying the Postal Reorganization Act envisioned the Commission as a true partner of the Board of Governors in every aspect of postal operations. The act requires that all rate and classification proceedings of the Postal Rate Commission, no matter how minor, be conducted under the requirements and protections of the Administrative Procedures Act.

The two agencies have begun to explore ways to streamline consideration of minor matters. This area may turn out to be one where some legislative change is in order. But I think it would be wise to encourage the Postal Service and the Postal Rate Commission to work together to develop some new procedures which may survive judicial testing. Through this process, you will find valuable information on which to base legislative refinements if necessary.

The Joint Task Force on Postal Ratemaking, in which I participated, was an informal discussion group which focused on improvements to the ratemaking process within the current statute. We made a number of recommendations for changes which would enhance flexibility, predictability, and accountability in the rate-setting process, and which could be achieved by rulemaking.

The ease with which this representative task force reached our conclusions, all of which were based on consensus, was cause for encouragement. This kind of informal working group made real progress in terms of a fruitful dialog between the Postal Service and the Postal Rate Commission.

Some of our recommendations have been the subject of a Postal Service request for a Notice of Proposed Rulemaking by the Postal Rate Commission. The Commission issued that notice for comment last month. These procedural recommendations represent a movement toward cooperation.

The preface of this recent rulemaking gives the flavor of the problem the Commission wrestles with as it seeks to streamline the process without violating the Administrative Procedures Act. The postal rate-setting process is a formidable barrier to innovation by the Postal Service. The Commission and the Postal Service find themselves in a catch-22 situation regarding experimentation and innovation. In order to proceed with an experiment in rates or service offerings, the Commission requires the Postal Service to show that it will not lose money or engage in cost shifting and cross subsidization among classes. Because the nature of the effort is experimental, adequate data will not have emerged. I am happy to see that the October 13th Notice of Proposed Rulemaking treats this problem to some extent, for innovation is crucial to the future viability of the Postal Service.

To give the Postal Service very much discretion over its rates will elicit outrage on the part of many of the parties at interest, who have huge vested interest in postal rates and value the public rate-

setting process. Greater experimentation with rates will reveal some of the effects of change and hopefully will tell us if more rate flexibility will indeed make the Postal Service more competitive.

There is, in fact, one area where I understand the Postal Service has complete rate discretion, in the area of international postage rates. Your subcommittee might want to analyze the international rate structure as it affects the U.S. Postal Service as you contemplate the future of the Postal Service in the global economy.

The universal hard copy delivery service provided by the Postal Service and protected by the private express statutes is a fundamental strength of our economic system. I believe the current structure should be modified only after the most careful deliberations have achieved consensus. This is not a process that will begin and conclude in a single Congress. It may well be a process for a bipartisan citizens commission whose charge will be to determine our future national needs and envision a Postal Service well-designed to meet those needs.

I believe there is much that Congress can do in terms of oversight to help the Postal Service realize its potential. You can be relentless in your demands that the Postal Service and the Postal Rate Commission work cooperatively in improving the rate process. You can require that the Postal Service present a realistic plan for controlling costs and improving productivity. You can perform periodic review of the Postal Service's financial plan and you can hold the Postal Service accountable for its financial performance.

The discussion about major postal reform often takes dramatic proportion and obfuscates basic issues of cost control and flat rates of productivity. Your subcommittee is to be commended for taking on the contentious subject of postal reform in comprehensive way.

The Postal Service of today will be well-served by a close connection with this subcommittee whereby you take a detailed interest in the structural problems of the Postal Service and work together through the oversight process. You will thereby be establishing a substantial public record valuable in shaping a truly effective Postal Service for the future.

That concludes my remarks.

[The prepared statement of Ms. Tyson follows:]

**TESTIMONY OF
PATTI BIRGE TYSON
BEFORE THE
SUBCOMMITTEE ON THE POSTAL SERVICE
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC**

It is a pleasure to have the opportunity to comment on the subject of postal reform. For six years, from 1985 to 1991, I served as a member of the Postal Rate Commission. Following that service, I was one of eight members of the Joint Task Force on Postal Ratemaking, which issued a report to the Board of Governors of the Postal Service and the Postal Rate Commission on June 1, 1992. My comments here will reflect my experience and observations during that time.

The development of the Postal Reorganization Act of 1970, now twenty-five years old, is well documented. The law evolved as the result of the recommendations of a blue-ribbon Presidential commission. The Post Office Department, running huge deficits, was in crisis. There were service breakdowns, and the parties at interest were warring as Congress struggled to set postage rates and appropriate funds to keep the Department running. The legislation had bipartisan support and was designed, with the blessing of Congress, to "take politics out of the post office." The new U. S. Postal Service was created as a self-supporting business-like entity to provide efficient universal mail service to the nation at a reasonable cost. The monopoly protection for First-Class letter mail continued.

Congress also saw fit to establish through the Postal Reorganization Act an independent ratemaking body to review and make recommendations concerning the rate and classification requests of the newly created Postal Service. Thus the Postal Rate Commission came about from the need to counterbalance the monopoly status of the Postal Service with an independent rate setting authority in

order to protect consumer and competitor interests. Until the monopoly status of the Postal Service is eliminated, the Postal Rate Commission has a vital role to play.

Despite its monopoly protections, the Postal Service has a plethora of serious problems, just as any institution does. It is having great difficulty competing in an economic climate where its competitors have more flexibility to benefit from emerging technologies and changing market conditions. Costs are soaring, and the rate of growth of First-Class Mail, the monopoly class, which pays 70 percent of institutional costs, is falling off. The Postal Service wants more discretion over postage rates in order to meet rapidly changing market conditions. Does this mean the Postal Reorganization Act is ripe for reform?

I am not quite sure the time is right, even though the political climate of the times favors change. As this Subcommittee takes up the thorny issue of postal reform I think it is important to review the successes of the Postal Reorganization Act. The Postal Service of 1995 processes an enormous volume of mail -- more than 178 billion pieces annually. Its scope is so vast that it cannot be compared to any other national postal service, although it often is. The Postal Service is no longer the beneficiary of major Congressional subsidies -- it is by and large a self-supporting institution. Its rates of postage are fairly set and reasonable. Reliability of delivery is not optimal but it is pretty good. Even though the Postal Service itself is not satisfied with its performance, most of the mail gets there, and a lot of it gets there "on time". It is an imperfect institution operating imperfectly, but it is an indispensable pillar of our nation's economic strength.

It is also important to observe the state of the world around us, a world beset by rapid and revolutionary change in technology. Our economy is now a global economy. Telecommunication is binding the world together in a way we could not foresee just a few years ago. It is difficult to envision exactly what our

national needs in terms of hard-copy delivery service will be twenty years from now.

The real issue for this Subcommittee is whether fundamental public policy issues underlying the monopoly status of the Postal Service demand organic change -- or whether lesser changes, perhaps within the existing statute, can effectuate improvements to keep the Postal Service operating effectively and charging fairly for its services.

I believe that the framework of the Postal Reorganization Act currently provides a system under which the Postal Service can evolve and make substantial improvement. The most basic problem of the Postal Service is controlling costs. The rulemaking process exposes some of the problems in cost control, but Congressional oversight rather than legislative change is more likely to help the Postal Service analyze and manage its rising costs.

Many calls for postal reform may ensue from basic frictions among the competing interests. The Postal Service very much wants more flexibility in the ratemaking process and freedom from some of its attendants rigidities. While ultimately, legislative change may be required to relieve the Postal Service of some of the Commission requirements in minor rate and classification proceedings, some cooperative efforts are underway to effectuate improvements.

Certainly the Postal Reorganization Act did not contemplate the current complexities of the ratesetting process. The problems of "inflexibility" and "rigidity" are not really inherent in the relationship between the Postal Service and the Postal Rate Commission. In fact, the Senate report accompanying the Postal Reorganization Act envisioned the Commission as "a true partner of the Board of Governors in every aspect of postal operations." The Act requires that all rate and classification proceedings of the Postal Rate Commission, no matter how minor, be conducted under the requirements and protections of the Administrative

Procedures Act. The two agencies have begun to explore ways to streamline consideration of minor matters. This area may turn out to be one where some legislative change is in order, but I think it would be wise to encourage the Postal Service and the Postal Rate Commission to work together to develop some new procedures which may survive judicial testing. Through this process, you will find valuable information on which to base legislative refinements.

The Joint Task Force on Postal Ratemaking in which I participated was an informal discussion group which focused on improvements to the ratemaking process within the current statute. We made a number of recommendations for changes which would enhance flexibility, predictability and accountability in the rate setting process and which could be achieved by rulemaking. The ease with which this representative Task Force reached our conclusions, all of which were based on consensus, was cause for encouragement. This kind of informal working group made real progress in terms of a fruitful dialogue between the Postal Service and the Postal Rate Commission.

Some of our recommendations have been the subject of a Postal Service request for a Notice of Proposed Rulemaking by the Postal Rate Commission. The Commission issued that notice for comment last month. These procedural recommendations represent a movement toward cooperation. It might be helpful to your record, Mr. Chairman, to obtain a copy of the Report of the Joint Task Force on Postal Ratemaking issued June 1, 1992, and the Postal Rate Commission's Notice of Proposed Rulemaking of October 13, 1995 (Docket No. RM 95-4). The preface to this recent rulemaking gives the flavor of the problem the Commission wrestles with as it seeks to streamline the process without violating the Administrative Procedures Act.

When I first arrived at the Commission in 1985, I was surprised by the degree of institutional hostility between the Postal Service and the Postal Rate

Commission. It had evolved over a period of years and was complicated by numerous judicial and administrative precedents. While on-the-record rulemaking is fundamental to the protections of the various postal interests by our current rulemaking process, the strict *ex parte* rules of the Commission have precluded some informal collaborations on technical matters which would benefit all parties. The Joint Task Force Report (at page 58) addresses this issue:

Notwithstanding our support for continuation of the *ex parte* rules, we believe that uncertainty over their scope may have unduly hindered legitimate discussion in the past. In the absence of practical guidelines on permissible discussion, it appears that an institutional reluctance to risk possible error may have developed. In our estimate such "overapplication" of the *ex parte* rules does not serve the ratemaking process well because needless silence on legitimate issues of mutual concern fosters misunderstanding and suspicion.

The postal ratesetting process is a formidable barrier to innovation by the Postal Service. The Commission and the Postal Service find themselves in a Catch-22 situation regarding experimentation and innovation. In order to proceed with an experiment in rates or service offerings, the Commission requires the Postal Service to show that it will not lose money or engage in cost-shifting and cross-subsidization among classes. Because the nature of the effort is experimental, adequate data will not have emerged. I am happy to see that the October 13 Notice of Proposed Rulemaking treats this problem to some extent, for innovation is crucial to the future viability of the Postal Service.

The Postal Service needs more flexibility to experiment with changing technology and service innovation, just as it needs more flexibility to deal with rates for the competitive services. Innovation is essential in a rapidly changing marketplace, and the Postal Service and the Postal Rate Commission need to be creative in designing experiments which achieve a broad range of experience in different geographic locations, at differing experimental rates, and which will fall

within the current requirements of the process. Greater effort must be made, and if the process will not permit experimentation, then the Congress may want to develop legislative changes which will permit the Postal Service to test new approaches.

To give the Postal Service very much discretion over its rates will elicit outrage on the part of many of the parties at interest who have huge vested interest in postal rates and value the public ratesetting process. Greater experimentation with rates will reveal some of the effects of change and hopefully will tell us if more rate flexibility will indeed make the Postal Service more competitive. There is, in fact, one area where I understand the Postal Service has complete rate discretion -- in the area of international postage rates. Your Subcommittee might want to analyze the international rate structure as it affects the U. S. Postal Service as you contemplate the future of the Postal Service in a global economy.

The universal hard copy delivery service provided by the Postal Service and protected by the Private Express Statutes is a fundamental strength of our economic system. I believe the current structure should be modified only after the most careful deliberations have achieved consensus. This is not a process that will begin and conclude in a single Congress. It may well be a process for a bipartisan citizens commission whose charge will be to determine our future national needs and envision a Postal Service well designed to meet those needs.

The political climate of the times favors change, but I believe there is much that Congress can do in terms of oversight to help the Postal Service realize its potential. You can be relentless in your demands that the Postal Service and the Postal Rate Commission work cooperatively in improving the rate process. You can require that the Postal Service present a realistic plan for controlling costs and improving productivity; you can perform periodic review of the Postal Service

financial plan; and you can hold the Postal Service accountable for its financial performance.

The discussion about major postal reform often takes dramatic proportions and obfuscates basic issues of cost control and flat rates of productivity. Your Subcommittee is to be commended for taking on the contentious subject of postal reform in a comprehensive way. The Postal Service of today will be well served by a close connection with this Subcommittee whereby you take a detailed interest in the structural problems of the Postal Service and work with them through the oversight process. You will thereby be establishing a substantial public record valuable in shaping a truly effective Postal Service for the future.

FACSIMILE COVER SHEET

To: Hon. John M. McHugh
Chairman
Subcommittee on the Postal Service
Committee on Government Reform and Oversight
U. S. House of Representatives
Washington, D. C.

ATTENTION: MS. JENNIFER TRACY

Phone: 202/225-3741

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From: Patti Birge Tyson
1530 North State Parkway
Chicago, IL 60610

Phone: 312/335-8553

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Date: February 6, 1996

Number of pages, including this cover sheet: 6

COMMENTS:

Please find following my responses to questions ensuing from November 15 hearing on postal reform, which you transmitted to me under cover of your letter of November 27.

Questions for the Record for the Honorable Patti Birge Tyson

1. Should something as important as setting rates and prices for a monopoly be left to a temporary 3-body panel of administrative law judges? Admittedly, some commissioners may not have had expertise in the area upon their ascendency to the Commission, however, a professional staff of 50-60 certainly provides the necessary back-up. In addition, the PRC addresses the rate issues as presented to them by the Postal Service which has hundreds of support staff working on a rate case. Wouldn't a 3-body panel of ALJs be overwhelmed by this task? If rate setting is left up to an ALJ panel, how long should this process take? Are there analogous Federal or state regulatory proceedings? If so, how long do they take?

2. About 36 percent of postal costs are "institutional or overhead," meaning they cannot be attributed to any particular type of mail. By law, these costs are assigned in accordance with nine congressionally mandated criteria (found in 39 U.S.C. ~~2631~~(b)(1)-(9)). Has the Postal Rate Commission properly assigned these costs according to these criteria? Should these statutory criteria be revisited?

36.22

Answer to Question 1:

Early in its history, the Postal Rate Commission (PRC) employed an administrative law judge (ALJ) to hear evidence, but that practice was soon abandoned, as the Commission found it more expeditious and helpful to question witnesses directly. While other agencies do use ALJs to decide rate cases, in these cases both the ALJs and the agencies are independent of the regulated industries involved. What's more, the unique quality of the U. S. Postal Service (USPS) and its monopoly over First Class letter mail distinguish it from other entities with governmental rate-setting authority.

As long as the USPS has this monopoly status, an independent review of rates is mandatory. This independent function is best fulfilled through a careful examination of fairness in an open evidentiary forum. I prefer to see such hearings conducted by a diverse panel of Presidentially appointed members rather than by a board of mid-level civil servants, particularly when the rate decisions are subject to review by the USPS Board of Governors. Postal Service rates and fees have significant implications for our national economy. The objectivity of scrutiny provided by submitting rate cases to an independent body is a fundamental strength of the current process.

The Postal Rate Commission is constituted by law as a continuing body. The terms of its members are overlapping to assure continuity in its proceedings. The normal role of an ALJ is to decide cases in accordance with existing agency precedent. An ALJ panel would be unlikely to look forward to the next case, developing lines of inquiry; it would

Answer to Question 1 (cont.):

in all likelihood stick rigidly to existing agency precedent. New policies and improvements to the process would not be implemented. Emerging patterns and efficiencies would not ensue.

The Postal Rate Commission has developed a huge body of precedent and information, as well as skill in technical analysis. It has accumulated institutional wisdom and experience valuable in analyzing the lengthy and complex cases presented by the Postal Service, whose corps of skilled staff have spent months in preparation. It has launched lines of inquiry which have illuminated the record. The PRC, with the benefit of a small but expert technical staff, has proven ability to deal with USPS cases within the ten month period permitted by law. To tackle the thousands of pages of testimony and technical data of a general rate case would be an almost insurmountable task for inexperienced ALJs. In fact, rate cases before other agencies sometimes take years rather than months to conclude. The Postal Rate Commission has demonstrated an ability to handle its case load in a timely fashion, with fairness to all parties.

It would be a step backward in this sophisticated technical process to revert to a lesser panel for recommending postal rates, which have a farreaching effect on us all. To substitute ALJs for the Postal Rate Commission would eliminate the current independence in the rate setting process.

Answer to Question 2:

I think the Postal Rate Commission has done an excellent job over the years in assigning institutional costs in accordance with the 3622(b) criteria. I furthermore believe that the Commission is uniquely qualified to weigh the criteria and achieve a fair allocation by virtue of its establishment as a panel of five Presidentially appointed members constituting a continuing body. (See 39 USC 3601-2.)

The criteria as presently stated give the Commission flexibility in their application so that Commission decisions can be responsive to evidence in the case at issue and to changing times. There is always a benefit to the process in Congressional review of longstanding statutory criteria. In such a review, you will find that the debate about the allocation of institutional costs focuses on the relative weight the PRC assigns the criteria in allocating these costs.

The USPS serves a number of basically different functions, and the relative weight given to the institutional cost allocation criteria varies from one major class of mail to another. Quality of service is very important to First Class and Express mail. In second class, the educational, cultural, scientific and informational value is highly relevant. Some think that pricing should be more demand oriented, but demand pricing presumes pervasive competition.

I have always believed that the flexibility of the 3622(b) criteria was a strength of the statute. These criteria ~~also~~ indicate the desire of the authors of the statute that

Answer to Question 2 (cont.):

factors beyond economic theory be taken into account in pricing.
The criteria ~~seem~~ compatible with the USPS mission of binding the
nation together.

-- END --

Mr. MCHUGH. Thank you very much. We appreciate your comments.

Mr. Comarow, welcome.

Mr. COMAROW. Before I submit my views, Mr. Chairman, I'd like to say that I represent only myself at this hearing. While teaching for many years, a few clients, including Advo, consult with me from time to time, but I do not represent any client or any organization before this subcommittee.

With your permission, Mr. Chairman, I'd like to submit my prepared statement for the record and speak informally.

Mr. MCHUGH. Without objection, so ordered.

Mr. COMAROW. As you were kind enough to say, Mr. Chairman, I was the executive director of the Kappel Commission more than a quarter of a century ago, which made certain recommendations which, with some changes by the Congress, ultimately resulted in postal reform in 1971.

I believe that the accomplishments of the Postal Service after postal reform have been very considerable and the fact that I have criticisms of management dating back to the very first collective bargaining agreement after postal reform does not take away from the enormous and impressive accomplishments made by the Postal Service the past two and a half decades.

Despite management errors, such as the matter of the remote bar coding incident, which Postmaster General Frank referred to earlier, it is my thesis that if through some magic you could get the 10 or 20 finest managers in the country to take over the Postal Service, they would probably do a better job almost by definition. But they could not meet the congressional mandate for efficiency.

Now, I've been asked to give my views on a variety of matters, and of course I will be glad to do so. And I hope that they will be taken seriously. But my primary recommendation to this subcommittee is precisely the same as my copanelists, both of whom have recommended the establishment of a commission. I believe that that is the overriding necessity.

Let me speak briefly to the various issues which face this subcommittee and the Congress and which would face such a commission if it were to be established. Take the matter of privatization. The word has been abused and misused constantly. Should any part or all of the Postal Service be spun off to the private sector?

It's a different question than contracting out. It's a different concept than commercialization. The Crane bill, which purports to require privatization, has a very interesting provision which would retain the existing special protection for small post offices.

Now, we can debate whether or not small post offices which lose a lot of money should or should not have special protection. But my question is, can Congressman Crane truly regard this bill as privatization when it requires the subsidization of one kind of customer?

My personal view is that privatization would be a bad idea. But I believe that it, together with all other issues, should be considered by the commission which I propose.

Second issue, should universal service, whether or not at uniform prices, be required by law? My personal opinion is that it should.

No one has demonstrated that privatization and the abolition of universal service at uniform prices would benefit the American user of the mails. The burden of proof is on the individuals who seek to make such changes, not upon those of us who have serious doubts about it.

I have not seen one iota of evidence from the proponents of privatization, and I have heard many of them, not only the Congressmen who appeared before this subcommittee this morning. I have heard them promise that privatization would result in better service and lower prices.

And when I question them about the basis for those predictions, they tell me that they have faith that it will occur. Well, faith is a wonderful thing to have, but I would like to see some evidence.

Should the private express statutes be rescinded or modified? Probably not very much, in my personal judgment. But again, this ought to be a matter for the commission.

A number of labor issues. Should the binding arbitration provision be retained? The Kappel Commission, as you know, Mr. Chairman, did not recommend binding arbitration. It recommended collective bargaining and that if an impasse should be reached, the matter should be referred to the President who would be free to do whatever he thought necessary in the public interest. He could call in the Mediation and Conciliation Service, he could unleash the Labor Secretary, he could call the parties in and jawbone them to death, as Lyndon Johnson used to do. He could do anything, or nothing, which would also be a powerful weapon.

Having an arbitrator, and it really comes to one, set prices, is what has been happening. It is not the Postal Service, it is not the Postal Rate Commission. Prices are fundamentally set by an arbitrator who not 1 American in 10,000 can identify.

Why is that? Because almost 82 percent of all postal costs are represented by labor. And the dramatic comparison is the figure that existed in 1968 when the Kappel Commission did its study. The figure at that time was 83 percent. So billions of dollars spent in automation have not succeeded in reducing the degree to which the Postal Service is labor-intensive.

Should postal unions have the right to strike? I don't think so. I don't think that any Federal employee should have the right to strike. If people do not like being deprived of that right, they should not join the Federal service.

Now, there is a theory that if binding arbitration should be eliminated, it is only fair, the union representatives argue, that they get the right to strike. This kind of equilibrium sounds pretty good on the surface. I don't think that it is a fair or sensible equilibrium.

In the private sector a strike is an economic contest between management and labor. Labor has the right to withhold its work. Management has the right to close the plant. Can you imagine, Mr. Chairman, of any Postal Board of Governors or Postmaster General closing post offices because a strike is in progress?

If there is to be a right to strike, which I think would be a bad idea, should management have the right to hire permanent replacement workers? I would say so. But I do not think that there should be a right to strike at all.

The salaries and pay and benefits of public employees should be set by public officials, not by arbitrators. There's a comparable pay provision in the Postal Reform Act which was the subject of the greatest giveaway in postal history. It was clearly intended by those who drafted that act, and I played a small role in that respect, that comparable pay meant compensation comparable to similar work in the private sector.

But in 1971, in the very first negotiation, tough union negotiators who knew what they were doing, got the Postal Service to agree that it meant comparable to pay in other large industries, which had nothing whatever to do with sortation and delivery of mail. Subsequent arbitrators built on that, and that is part of the reason, together with arbitration, for the present salaries of the average clerk and carrier which exceed \$45,000 a year, including fringe benefits. But not including overtime.

Work rules and grievance procedures have been described by Michael Motley of the GAO in one of his reports to the Congress, as one of the reasons why the labor situation in the Postal Service is as bad as it is. That same report does not excuse, for a moment, management shortcomings. But those Byzantine arrangements should be totally abolished by the Congress with instructions to start from scratch. The Congress has the power to do that, and I think that it should.

Board of Governors; I'm always uncomfortable talking about the Board of Governors, because I think they're very good people. They're intelligent people, they work hard, their salaries have been a disgrace. But most of them have not had the kind of heavy corporate experience that would help them manage the activities of such a large organization.

I believe that the Board of Governors should be comprised mostly, not entirely, of people who have had that kind of experience. And I believe that the Congress should establish guidelines in legislation which would make that requirement clear, and that the President should establish some kind of an advisory group, perhaps similar to the kind of advice that Presidents get when appointing Federal judges, to ensure that these congressional guidelines are honored.

Postal Rate Commission; I do not think that there should be a Postal Rate Commission. Once again, this does not reflect adversely upon any of the commissioners or the good people working there. The Postal Rate Commission is a full-time body. I have no doubt that a three-member panel of trained administrative law judges could be borrowed from other regulatory agencies, with perhaps a few technical experts, economists and accountants and such, to give full due process to mailers. I do not think that there is a reason for a Postal Rate Commission.

Small post offices, I've already touched upon and will not repeat.

Mailboxes; should residential deliverers—should all deliverers have access to the mailbox? I don't think so. Let the commission look at that.

Should the Postal Service have the right and the capability to bid against private companies for major contracts? Of course it should. For all practical purposes, they do not today have that capability.

Should they be permitted to offer new products and services? Of course they should. But exactly to what degree? Without limit? Certainly not.

Should some active and aggressive entrepreneur running a major post office decide it would be a moneymaking opportunity to sell sandwiches in the lobby? I don't think so. The Congress or the Commission should be able to set parameters and guidelines on how far the Postal Service can go in offering new products and services.

The Congress should stop using the Postal Service as some kind of a cash cow. The infamous \$11.6 billion hit was raised again in the course of the reconciliation process. That simply is not fair to postal customers. Any time the Postal Service gets that kind of a hit, it is nothing more or less than a hidden tax, not on the taxpayer, but on postal customers.

Until postal reform, Mr. Chairman, the taxpayers supported the Postal Service. And they did not know that. Now, if you have the ratepayers, the customers, support the taxpayers, that is just as bad, and I don't think that that is good Government.

The Post Office is losing market share in five out of six of its markets. It is faced with severe competition from e-mail, faxes, 1-800 numbers, and it will be in serious trouble unless it can be given more tools to do the job. A Presidential or congressional or joint commission comprised of top executives who have no special connection with the Postal Service, and perhaps a senior union president, again with no special connection to the Postal Service, and one or two other distinguished Americans, seems to me, Mr. Chairman, is the kind of body that ought to look at this extremely complex and interlocking set of issues.

Thank you very much.

[The prepared statement of Mr. Comarow follows:]

Statement of Murray Comarow
House Committee on Government Reform and Oversight
Subcommittee on the Postal Service
November 15, 1995

In 1967, President Lyndon B. Johnson appointed a Commission on Postal Organization, chaired by AT&T's Frederick R. Kappel, to "determine whether the postal system as presently organized is capable of meeting the demands of our growing economy and our expanding population." In June of 1968, the Commission found that it was not.

The men who reached that conclusion included six heads of major corporations; the dean of the Harvard Business School; two prominent Democrats; and the president of the AFL-CIO. Their view, identical to the Hoover Commission's two decades earlier, was that "the procedures for administering the ordinary executive departments of Government are inappropriate for the Post Office."

Having rejected political management, the Kappel Commission was equally clear in rejecting privatization. Leaving the door open for future consideration, its report stated that "[T]ransfer of the postal system to the private sector is not feasible, largely for reasons of financing; the Post Office should therefore continue under government ownership. The possibility remains of private ownership at some future time, if such a transfer were then considered to be feasible and in the public interest."

Murray Comarow is a lawyer and Distinguished Adjunct Professor in Residence at The American University in Washington, D.C. He was the Executive Director of President Johnson's Commission on Postal Organization, and Executive Director of President Nixon's Advisory Council on Executive Organization.

The Commission recommended:

- A self-supporting government corporation.
- Elimination of patronage, which controlled all top jobs, all postmaster appointments, and thousands of other positions.
- That rates be set by a Board of Directors "after hearings by expert Rate Commissioners . . . subject to veto by concurrent resolution of the Congress."
- That labor-management impasses over contracts or pay be referred to the President, who "would be free to establish whatever ad hoc methods he chooses to resolve the matter. The uncertainties for both parties . . . make for more meaningful bargaining and are, in our view, a source of strength."

The Commission's proposal earned the support of Presidents Nixon and Johnson. Further, in an unprecedented display of unified resolve, the chairmen of both political parties--Thruston Morton and Lawrence F. O'Brien--co-chaired a citizen's committee to support postal reform. The Nixon administration's efforts were spearheaded by Postmaster General Winton R. Blount. The labor and patronage issues were particularly difficult, but ultimately the Congress enacted postal reform with a number of changes, of which two were critical: binding arbitration and a politically-appointed, full-time, Postal Rate Commission.

Other changes included special protection for small post offices, and nine presidentially-appointed Governors (as contrasted to six recommended by the Commission).

The results of the 1971 reorganization have been impressive. Political appointments, other than the nine governors, are unlawful. (In fact, should a member of Congress or other official try to influence an appointment or promotion, the Postal Service must return the recommendation "marked as in violation" of Section 1002 of the Act.) Thousands of good men and women--especially women--now have jobs once reserved for patronage appointees.

The "self-supporting" requirement of the Act has also been effective. Before postal reform, mail was delivered at hidden cost to the taxpayer. The Congress simply appropriated whatever it took--up to 25 percent of postal costs--to cover the annual hemorrhage of red ink. The eight-cent stamp, for example, was really ten cents, eight cents paid by the customer, two cents by taxpayers, without their knowledge.

The Postal Service has much to its credit. Postmaster General Marvin Runyon said on October 10, 1995, that "we are delivering the best service and financial performance in our history." The thirty-two cent stamp is the second cheapest in the world, there were no price increases from January 1991 to January 1995, and the last rate increase was below inflation. These are no small accomplishments.

One must acknowledge, however, that management mistakes have exacted a heavy cost from postal customers. Perhaps the most serious and long-lasting blunder was the first collective bargaining agreement. The statute, in Sec. 101(c), speaks of compensation for postal employees "comparable to . . . compensation paid in the private sector." This was clearly intended to refer to compensation for similar work. Yet the then Postmaster General agreed to interpret the phrase to mean comparable to wages in other highly unionized industries unrelated to mail sortation and

delivery. That agreement, plus concessions on COLA, layoffs, and part-timers, laid a foundation for subsequent arbitrators' awards resulting in today's average pay of clerks and carriers of over \$45,000 a year, including fringe benefits. Most private sector employees doing similar work make far less.

Professors Michael L. Wachter of the University of Pennsylvania and Barry T. Hirsch of the University of Florida, and Dr. James W. Gillula of DRI-McGraw Hill, co-authored a July 10, 1995, paper which was introduced before the Board convened to arbitrate the dispute between the Postal Service and the National Association of Letter Carriers. The authors calculated the wage premium, including fringe benefits, to be 29.5 percent in relation to the private sector. It is highly significant that new employees receive, on average, a 45.4 percent wage increase over their old jobs when entering the postal work force.

In fairness, I also recall that in the 1971 collective bargaining negotiations, the Postal Service was hard pressed by major mailers and others to accede to union demands, mailers yielding to threats of a strike and other forms of reprisal.

There were other management failures:

- Billions of dollars invested in automation have had little impact on productivity. The massive 1992 reorganization brought automation to a halt, created serious service problems, and violated the veterans preference laws.
- An unfathomable decision to divide authority in the field between operation managers and customer service managers also added to service problems. (This decision has finally been reversed at headquarters and area levels, and at some locations.) Equally mystifying was the benign treatment accorded

to managers whose performance at Chicago and elsewhere had reached awesome levels of incompetence.

- In a vain effort to secure better relations with the American Postal Workers Union, the Postal Service agreed to use career postal clerks, rather than much less expensive transitional employees. The increased costs, said the General Accounting Office, could come to as much as \$174 million a year.
- The Postal Service's failure to consult with its major customers and supporters in respect to the recent "Neighborhood Mail" fiasco still has even the Service's defenders shaking their heads.

There is a body of opinion within the mailing community which argues that sound management is all that is needed to overcome postal difficulties, and that tinkering with legislation is misguided. I don't agree. It is my thesis that postal executives function within a system of constraints which makes truly effective management impossible. If the nation's very best executives took on every top postal position, they would do better, sure, but they could not comply with the statute's mandate for efficiency.

I believe that the time has come for another non-partisan commission to consider the issues undermining the Postal Service, and affecting the nation's economy. Such a commission, if it is to be credible, should be composed primarily of top corporate leaders with no special connection to postal matters. It should study at least the following issues:

1. Universal Service: Should universal service, whether or not at uniform prices, be required by law?
2. Privatization: Should any part or all of the Postal Service be spun off to the private sector?
3. Monopoly: Should the Private Express Statutes be rescinded or modified?
4. Labor:
 - a. Should the binding arbitration provision be retained?
 - b. Should postal unions have the right to strike? If so, should management have the right to hire permanent replacement workers?
 - c. Should the comparable pay provision be redefined?
 - d. Should work rules and grievance procedures be reexamined?
5. Board of Governors: Is there a way to assure that most appointed Governors have had experience in managing major enterprises?
6. Rates: Should postal prices be set initially by the Postal Rate Commission or by a panel of expert administrative law judges?
7. Small Post Offices: Should the Postal Service be able to close small unprofitable post offices without satisfying a regulatory body that legal requirements have been met?
8. Mail Box: Should private deliverers have access to the residential mail box?
9. Competition: Should the Postal Service be permitted to bid against private companies for major contracts?
10. New Products: Should the Postal Service be permitted to offer new products and services to the public?

These are complex public policy/economic questions. They can best be analyzed by a credible non-partisan commission, with the stature, patience, and resources to do the job. The Kappel Commission was universally acclaimed as such a group.

Universal service, privatization and the postal monopoly, in particular, are transcendent issues which only the Congress can decide. The Private Express Statutes, which go back to the Continental Congress, created a postal monopoly on letters and addressed advertising mail. All other delivery functions--parcels, magazines, newspapers, and the like--have long been competitive. The monopoly is based on congressional decisions to deliver letters at a uniform rate to the entire nation.

How important is this today? Conservative economists Michael A. Crew of Rutgers and Paul R. Kleindorfer of the Wharton School favor commercializing the Postal Service, yet argue that "universal service must continue to be available to all citizens as a basic ingredient of the modern nation state." Most major mailers and all postal unions take the same position. The Postmaster General and PRC Chairman Gleiman, among others, have opined that entrepreneurs would deliver mail in profitable areas, but would leave to the Postal Service the Hawaii to Alaska mail, or service in high-crime urban areas. Related questions include responsibility for mail security and for forwarding mail in our highly mobile society.

In your remarks last May to a Direct Marketing Association conference, Mr. Chairman, you said that privatization proponents would have to demonstrate how that would improve service and keep costs in check. I, too, have heard privatization advocates make such claims, but they appear to be based on faith rather than on evidence.

A case study in the clash between ideology and reality is Congressman Crane's bill, H.R. 210, strongly supported by Congressman Rohrabacher. Mr. Crane has introduced this same bill for years. Its purpose: "To provide for the privatization of the Postal Service." Section 2(a)(4) of that bill directs the new corporation to guarantee the "delivery of postal services in a manner consistent with Section 101(b) of Title 39, United States Code." But Section 101(b) provides that, "No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities." Without getting into the merits, is that "privatization"?

Labor issues are at the heart of effective reform, and probably create more tensions than any other. Some see the power shift in Congress as a window of opportunity to "smash the unions." Pro-union forces have circled the wagons. In both camps, true reform seems to have taken a back seat. Perhaps a brief historical perspective might help.

Binding arbitration is the price Congress paid in 1971 for union support. It has been a boon for postal unions and a disaster for postal customers. The Postal Service continues to be labor intensive: in February, 1995, the GAO reported that 81.7 percent of postal costs (\$39.6 billion in 1994) go to wages and fringe benefits. In 1968, the figure was 83 percent. Binding arbitration, coupled with the unfortunate interpretation of the Act's comparable pay provision, are the roots of the problem.

If binding arbitration is too deeply embedded to be eliminated, a variation known as "final offer arbitration" might be considered. In this construct, each party places its "final offer" on the table--the whole package, or issue by issue. The arbitrator chooses one or the

other, no "dividing the baby." The theory is that a party's position must be reasonable if it is to stand a chance of being selected. This places more responsibility on the shoulders of the parties, where it belongs, and less on an arbitrator. Even this form of arbitration, however, is vastly inferior to the Kappel Commission's proposal. Collective bargaining is fine, but ultimately, public employees should have their wages set by public officials.

Some argue that if binding arbitration is eliminated, postal employees should have the right to strike. The seeming equilibrium is false. In the private sector, a strike is essentially a test of economic strength between labor and management. Labor can withhold its work; management can close its plant. Can you imagine the Postal Service closing its post offices to combat a strike? Giving postal unions such a right without a balancing power by management would dig even more deeply into management's ability to manage.

As to work and grievance procedures, the November 30, 1994, testimony of GAO's Michael E. Motley before the Senate Subcommittee on Federal Services, Post Office, and Civil Service clearly revealed, without excusing management shortcomings, that these Byzantine arrangements are major barriers to efficiency and cost containment. The Congress has the power to require that they be renegotiated from scratch, and should exercise that power.

The Postal Rate Commission is headed by five commissioners appointed by the President. Until last month, three were former Senate staffers. Full rate cases run for ten months. The last full case record in 1990 fills a 10-foot shelf. The decision alone ran almost 1,000 pages. Between rate cases, which come along every three or four years, the commissioners and their fifty or so staffers do things which many believe intrude unnecessarily upon management. The PRC is a

genuine anomaly; it is the only government agency whose primary job it is to set prices for another government entity. The character, integrity, and dedication of its men and women is not in question; its role in the scheme of things is, and that role was established by statute.

There is no reason why a three-member panel of administrative law judges (ALJs), with a few support professionals, could not be borrowed from regulatory agencies such as the Federal Energy Regulatory Commission to hear rate cases. Their initial decision should be reviewed by the postal governors, who should be authorized to reject or modify it by a two-thirds vote. The ALJs would return to their home agencies.

I turn now to the Board of Governors. The law states that "the Postal Service shall be directed by a Board of Governors composed of 11 members." Nine are appointed by the President (the Kappel Commission had recommended six). The nine select a Postmaster General and Deputy, who become Board members. Of the nine, not more than five may be of the same political persuasion, and the statute wisely mandates that they shall "represent the public interest generally," not "specific interests using the Postal Service."

Meeting two days a month, the Governors deserve the nation's gratitude for years of service at a pay level (\$10,000) which is an anachronistic insult. The Senate bill to raise the amount to \$30,000 is long overdue and should be enacted. But directing the affairs of a huge enterprise is not just a matter of common sense. Some Governors have been highly qualified, but many, inexperienced in major corporate activities, don't have the insights gained from running large companies. They make mistakes, including the selection of Postmasters General. Indeed, of the eight PMGs hired by the Governors since postal reform, only a couple were well regarded by

the cognizant business community. The finger points directly at the White House, from President Nixon to President Clinton.

The organizing principle of postal reform was to get rid of political management and permit the Postal Service to operate in a businesslike way.* That requires the appointment of Governors and PMGs who know how to do this. The subcommittee should consider setting legislative guidelines which make this clear and the President should look to an outside panel, perhaps similar to the American Bar Association's evaluation of candidates for the federal bench, to advise on the suitability of prospective nominees within those guidelines.

Congress erected obstacles to efficient operations even beyond the binding arbitration and rate-setting barriers. Returning to the small post office issue, William I. Henderson, the Postal Service's Chief Operating Officer, once estimated that 26,000 small post offices cost over four dollars for every dollar they take in, and asserted that other ways are available to provide better service. In the last five years, 727 small post offices have been closed, less than three percent of the 26,000 estimated by Mr. Henderson. Field managers don't like to take on the problem because it may lead to a two or three year effort before the Postal Rate Commission is satisfied that all legal requirements have been met.

*The legislative history of the Postal Reorganization Act often uses the term "businesslike." The main House of Representatives committee report stated, "H.R. 17070 is designed to prevent public service from involving public wastefulness in postal matters. This must be done . . . by requiring postal management to operate efficiently and economically" H.R. Rep. No. 1104, 91st Cong., 2d. Sess. (1970).

A recent case: The Postal Service has been trying to close the post office in South Westerlo, New York, since 1992. In September of this year, after public notice, hearings, questionnaires, and the like, the PRC finally affirmed the Postal Service's decision. Its opinion was 16 pages long; two Commissioners filed an 11 page dissent. I don't know whether the South Westerlo post office should have been closed, but it is plain that this procedure is yet another roadblock to "efficient and economical postal services."

Congressional resistance is also encountered when postal management undertakes money-making activities. This is especially true with respect to competitive activities and experimental rates, which are difficult to set under existing law. Postal Rate Commission approval for experimental rates can take many months.

Recently, a group of business mailers, one of whom (Advo, Inc.) happens to be a client, supported the concept of a profit-making postal service, with more freedom to set rates and to introduce new products and services. (They were immediately attacked, of course, by the non-profit mailers, but that is another story.) I agree that the Postal Service should be able to negotiate prices, to innovate, and to reward customers who prepare their mail efficiently. These sensible conclusions, however, require carefully drawn guidelines and limits--another reason for an overall commission study.

Congress has also violated its own mandate of an efficient, self-supporting postal service by using it as a "cash cow," milking it for billions of dollars for deficit reduction purposes over the years. Only last month, certain Members again proposed, during the budget reconciliation

debate, to milk the Postal Service for 11.6 billion dollars, presumably to pre-fund retirement benefits. While the proposal was soundly defeated, it keeps rising from the ashes. It would be, of course, a disguised tax on postal customers. Before postal reform, taxpayers were forced to subsidize mailers. Forcing mailers to subsidize taxpayers constitutes an equally disturbing abuse of government power.

Despite the constraints and obstacles I have discussed, the Postal Service could probably survive and do reasonably well if its competitive world stood still. The subcommittee has heard from previous witnesses that this is far from the case. Without going into redundant detail, it is plain that the intensity of technological assault increases daily: faxes, e-mail, and expanding use of 1-800 numbers are cutting into postal markets. In fact, more Americans now order merchandise through 1-800 numbers than through the Postal Service. In 1994, electronic messages grew 122 percent. Add to that the growth of alternative delivery networks; loss of catalog business to competitors, such as UPS and FedEx; and the fact that four foreign postal administrations have set up U.S. offices to capture the international advertising mail business.

This lethal combination of statutory constraints, weak appointments, competitive technology, and the like, may doom the Postal Service, or reduce it to a shell. The Postal Service is already losing market share to competitors in five out of its six product lines--correspondence/ transactions, expedited mail, publications, packages, and international mail. The only volume growth has been in advertising mail. The Postmaster General is right to have remarked on October 10, 1995: "[L]egislative reform . . . is critical to the future of the organization." Why he has not proposed specific legislation eludes me. He has publicly explained that a Postal Service

package would be "DOA," and urged his customers to carry the ball. The can't; their interests are too diverse.

Be that as it may, I end my statement, Mr. Chairman, with a plea that you seriously consider the advantages of a non-partisan commission--presidential, congressional, or joint--to deal with this vital public issue. My views on the various questions I have discussed were solicited, and I have imparted them, but I am much more concerned that the entire matter be handed over to a distinguished body to develop independent recommendations to the Congress and the President.

That would not be dramatic. It would disappoint advocates of all stripes. It would merely be good government.

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Honorable John M. McHugh
Chairman, Subcommittee on the
Postal Service
Rayburn HOB, Room B-349C
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to your November 27, 1995 letter, answers to your further questions
are enclosed.

Sincerely,

A handwritten signature in black ink that reads "Murray Comarow". The signature is written in a cursive style with a large initial "M".

Responses by Murray Comarow
To Chairman McHugh's Further Questions
On Testimony of November 15, 1995

[Note: Where appropriate, I have divided each question and respond to each part separately; questions are underlined.]

1.a. What types of new products should a competitive Postal Service be able to offer?

This is one of the questions that should be considered in context, by a non-partisan commission. In general, as I have testified, the Postal Service should be able to offer new products and services, but guidelines and parameters are essential. I would not, of course, authorize the Postal Service to innovate as it pleased.

1.b. What type of reliance should the PRC place on demand pricing theories?

I believe, as does the General Accounting Office, that the PRC should emphasize demand and market factors. Increased competition for much of its volume necessitates closer attention to demand. I do not advocate any particular "demand pricing theory."

1.c. Is it appropriate under current statutes for the USPS to offer volume discounting to large customers?

Such discounts are an accepted business practice and are used by the Postal Service's competitors in the parcel, express, and advertising mail markets. The PRC, however, has rejected discount proposals on the ground that they violate section 403, concerning "undue preferences" and "unreasonable discrimination." I read the statute as broad enough to allow volume discounts. It is not unreasonable to allow the USPS to offer discounts as its competitors do. Given the PRC's attitude, Congress should amend section 403 accordingly.

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2. Some postal critics argue that first-class mail users already pick up a disproportionate share of the Postal Service's institutional costs. First-class mail constitutes almost 54% of the USPS volume [which?] represents almost 62% of revenue. However, first-class mail users pick up more than 75% of the Postal Service's institutional costs.

2.a. Is this charge accurate and in what ways would a reformed rate structure impact on this breakdown?

This focus of the Postal Service's proposal, as I understand it, is to reform the classifications within each class, rather than to change class-wide contributions. As I testified on November 15, I have long believed that customers who prepare their mail efficiently should be rewarded. That is consistent with the statute's mandate for efficient operations.

2.b. Why shouldn't allocation of institutional and attributed costs directly correlate to each class' share of total volume? How would utilization of demand pricing affect the breakdown?

Mechanical allocation of costs on the basis of volume would create serious problems. Attributable costs flow from a particular subclass. These costs vary from class to class. Allocation by volume without regard to the factors which generate costs makes no sense. Further, it would eliminate consideration of subclass differences in value of service, market characteristics, and impact on mail users. This would be the antithesis of rational ratemaking as envisioned by the Kappel Commission and the Postal Reorganization Act.

3. About 36 percent of postal costs are "institutional or overhead," meaning they cannot be attributed to any particular type of mail. By law, these costs are assigned in accordance with nine congressionally mandated criteria (found in 39 U.S.C. 3623(b)(1)-(9)).

3.a. Has the Postal Rate Commission properly assigned these costs according to these criteria?

Setting postal rates requires balancing factors and reasoned judgment. I agree, however, with the General Accounting Office that "postal rates should be based to a greater extent on economic principles that consider volume discounting and demand pricing." The nine criteria, on their face, seem consistent with the statute's mandate for efficient operations. The Commission's interpretations of these criteria, however, get in the way. It has rejected consideration of "economic efficiency" in setting rates on the ground that the criteria do not mention this.

3.b. Should these statutory criteria be revisited?

Yes. I agree with the GAO that the criteria should clarify (1) that demand factors and principles of economic efficiency be given greater weight; and (2) that volume and frequency discounts be allowed. As the GAO report noted, "this is not meant to exclude other factors addressed in the ratemaking criteria" of the Act.

4.a. Should the Postal Service be given the authority to make a profit?

I suspect that this would create more problems than it would solve. Would the Postal Service have shareholders? Privatization leaves me cold, but it should be considered, as an option, by a non-partisan commission. If the Postal Service has surplus funds, they should be used to hold rates down, or for research, I would think.

4.b. Do you believe that an ESOP Program would provide sufficient incentive for employees to participate ?

Some private sector ESOPs failed to achieve the hoped for benefits, some seem to work. I have grave doubts that an ESOP concept would work for the Postal Service, given the size and nature of its work force. The postal system is too important to the nation's economy to be a

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laboratory experiment in employee stock ownership. The consequences of failure are so great that I would consider such a step to be reckless. [In light of my response, no comment is offered on the rest of question 4.]

5. If you believe that the USPS should make a profit, should there be a cap as to how much profit would be reasonable? If the USPS were permitted to make a profit, should it be subjected to a federal income tax? Could there be control of postal rates if the "break even" restriction was lifted?

As indicated, I do not favor a profit-making postal service. The three questions subsumed under 5. above, reveal only some of the dangers and pitfalls. If the Postal Service geared its activities to making a profit, rational rate-making could well be impossible.

Mr. MCHUGH. Thank you, Mr. Comarow. We appreciate your comments as well.

Let me go back to Mr. Frank and work across. Just generally, you've had some time to reflect upon your service in the Postal Service. Knowing now what you do, if you knew it then, what would you have done differently? What could we take from your experiences to our efforts to reform the Postal Service?

Mr. FRANK. Well, for one thing, Mr. Chairman, the changes of management are too frequent. When I came, I was the fifth Postmaster General in 5 years. They used to call me, initially, the Postmaster General du jour. When you have such frequent management changes, and with almost all of those changes come almost total repudiation of what's gone on before you get reorganizations on reorganizations and you get pro automation and anti, and so on, the burden of continuity really rests on the Board of Governors.

And as Dr. Comarow's already pointed out, the present composition and way of choosing the Governors doesn't permit very much ability to provide that continuity. I see enormous expenditures of money that are occasioned by new Postmasters General that come in and sweep everything clean. It's a very difficult situation. They're not apprised of what's gone on in the past.

We had a situation in 1984, where Postmaster General Bolger gave a gift to the APWU in the form of penalty overtime in order to aid in the relationship at the time in negotiation. It didn't work. Now we have the situation 11 years later, a new Postmaster General has to learn that lesson all over again.

So No. 1 is the continuity. The second element of continuity of course is the senior management. And again, the top 35 or so officers have worked their way up through the organization to the point where they can be fired. That is, when they become officers, they don't have the protections that everybody else in the organization does. So it's very difficult for them to provide continuity, and in many cases, there are major changes when you get a change of direction at the top.

Last, I want to give a short answer to your perceptive question. There is a body of goodwill in the American people and in the work force and in the mailers that deal with the Postal Service that is virtually bottomless. And people feel awfully good about their letter carrier and they feel awfully good about their postmaster.

There's a general reaching out; yet there are 26,000 post offices that don't pay their own way. The people of those towns, if they had to, would subsidize that post office because that represents the town to them.

So I think that that type of esteem and esprit can be built upon with some more continuity, with some longer-term direction, and with some more understanding and competence at the Board of Governor level.

Mr. MCHUGH. Thank you.

You mentioned about the opportunities of employee attrition, without disrupting those who are actually on the payroll, achieving reductions through other means than RIF's and such. What would you consider an ideal level of employees?

We have about 800,000, give or take, right now. What would be your target and why?

Mr. FRANK. Well, Mr. Chairman, the volume of mail has doubled since the inauguration of the act, and number of employees has stayed the same. So, as long as the volume of mail is going up, this present level of employment makes sense. If the volume of mail starts dipping, why, obviously the numbers will have to go down.

I believe during my 4 years, we had a 55,000-person reduction in employment. We did institute more casuals and more transitional workers, so it's a little difficult to deal with it statistically.

At some time, the decision is going to have to be made, and it's been proposed by smarter people than I, as to whether the Postal Service should be exclusively a delivery service, which would contract out all its processing and all its post office public contact work. I don't believe in that, as long as there's uniform willingness to provide service to the American people.

So the long answer to your short question, I believe that an attrition reduction of about 1,500 positions per month, 18,000 per year, coupled with an 1 to 3 percent increase in the mail, is a very achievable and logical result.

Mr. MCHUGH. Thank you.

Ms. Tyson, you didn't know, if you did know it before you arrived here today, and I suspect you did, Mr. Comarow and others in 1970 didn't envision you to have a job at least through the PRC, because they didn't envision a PRC. You heard the recommendation here today that that issue be at least revisited and utilize an administrative law judge process. How would you respond to that suggestion?

Do you think that's a positive one? Do you think the PRC is something that should be retained or just generally?

Ms. TYSON. Well, I think there's a vast difference in what the Postal Rate Commission is doing and what Professor Comarow suggests. I believe at one point in time the Postal Rate Commission did employ the services of an administrative law judge to take some testimony. I don't think that worked out too well and the commissioners decided to do that themselves.

I believe there are substantial differences in the relationships of the Presidentially appointed panel vis-a-vis that of an administrative law judge to the process, to the Postal Service, and to Congress. And I would invite your scrutiny of what that would, in fact, mean.

I must say that when I first went to the Commission, I naturally studied the model of the Commission vis-a-vis the Postal Service, and I really felt at that time that you could do the job with three commissioners. After being there for a couple of cases, I was surprised to see the diversity that was brought to the process by having five full-time commissioners from different walks of life who looked at the balance of interests in these cases. And so I have come to believe that five commissioners are a vital part of the process.

I think that if you are entertaining some legislative changes, I might suggest that you consider a change which would permit a Postal Rate Commissioner to serve until a replacement is confirmed. Right now I think the Postal Rate Commission is considering a very complex classification case, and I believe they have only four sitting commissioners, because the vacant seat hasn't been

filled. In other commissions, generally a commissioner will serve until his successor is appointed.

Mr. MCHUGH. Then, and I don't want to put words in your mouth, but would you endorse the concept that, in your opinion, there is value to an expertise that is gained through service that perhaps administrative law judges would not have?

Ms. TYSON. Yes, indeed. I'm sorry if I didn't make that clear. There is now a vast precedent of administrative and judicial rulings about the process that the Postal Rate Commission has developed.

The Postal Rate Commission has provided a sophisticated analysis of Postal Service data. There is much that is not available to the Postal Rate Commission nor the community at large from the Postal Service, and I think that the analytical product of the Postal Rate Commission is valuable to the postal community in evaluating where the Postal Service is and should be going.

Mr. MCHUGH. Dr. Comarow, how would you respond to the concerns of those who say that the structure of an ALJ panel, where they come together for one task and then go back to other agencies, would prohibit them from learning enough about this very complex process to make fully informed decisions, whereas the PRC, for all of its foibles, has a sense of continuity that ingrains a certain knowledge of the system that's helpful, if not invaluable, in the rate-setting process?

Dr. Comarow? I am sorry, I thought I said—

Mr. COMAROW. I beg your pardon. I would respond in a couple ways. Some of these cases go to Federal judges and Federal judges have no particular difficulty dealing with these complex rate cases. There's no question but that anybody that exists for a couple of decades will build up a certain level of expertise, and there's no question but that that is useful and helpful. But the notion that the job could not be done by three judges who are trained in rate-setting seems to me to be without very much foundation.

As matters stand, the Postal Rate Commission is de facto the decider to the extent that anybody is, because the Board of Governors needs to have a unanimous vote in order to overturn or modify the Rate Commission's initial recommendations. They're called initial recommendations in the law, and they are, but for all practical purposes, 95 percent of the time, that's it.

Mr. MCHUGH. You made some very direct comments, and I appreciate them, about the issues of should the Postal Service be permitted to introduce new products, should they be given more flexibility in their rate-setting from top to bottom, and we've heard that on any number of occasions. But we've also heard that under the current system there are indeed cross-subsidizations occurring and that as long as the Postal Service enjoys the protections it does from not paying taxes, from not paying parking tickets, from having that First-Class monopoly, and so on, it is unfair to give them the opportunities to compete without some sort of process, again, for those who are out there presumably paying the parking tickets, who are paying their taxes, et cetera. How would you respond to that, how would you balance that?

Mr. COMAROW. That's exactly the difficult and complex balance that needs to be made by a special body such as the Kappel Commission. And that's the kind of tradeoff that needs to be studied.

I think that there is much to be said for the argument that you've just paraphrased or repeated, Mr. Chairman. As long as they have monopoly protection, they should not be permitted to indulge their entrepreneurial instincts in new products and services without limit.

If the monopoly is to be retained, there needs to be a careful definition of what new products and services they are entitled to launch. Otherwise, as you say, they enjoy the protection of the monopoly and at the same time can compete unfairly with the private sector.

Mr. MCHUGH. Yes, Mr. Frank.

Mr. FRANK. I'd just like to point out, Mr. Chairman, that as our society gets more electronic, we're going to have fewer and fewer places around this country where people can come face to face with somebody else. And the 40,000 offices of the Postal Service, I think, are going to be an enormous asset to the American people over the next decades.

As bank branches disappear and the gas stations become self-service, and so on, there are very few places where you can transact business face to face. I just point out to you a couple of ideas that don't fly in the face of your concern about not paying taxes; there are thousands of rural communities that no longer have a banking facility there; couldn't the Postal Service serve as an acceptor and disbursing agent for local people for a bank? Not for the Postal Service, but for a bank.

They could serve, as you will, as a remote teller station. That clearly is something that's not being offered in that community now, and would not be conflicting with the private sector. It would be consistent and complement the private sector.

There are other such examples. I saw yesterday, I applaud the Postal Service, that the Postal Service is selling prepaid telephone cards. I think that makes a lot of sense. And I don't think that's flying in the face of anybody.

So there are services where I should agree with you, you have to be very careful that you're not using that monopoly and that tax shelter to compete with private sector.

Mr. MCHUGH. I appreciate that.

Ms. Tyson, from my very limited exposure to this process, it seems to me that in rate-setting there is a great deal of time consumed by the arguing among the various interveners and the Postal Service and the PRC as to the reliability of the data and who's holding back. To what extent would the interests of everyone be served if we were able to agree upon a definable set of data that is, to the greatest extent possible, unquestioned in these instances?

Would that not allow us to greatly compress the 10-month period that seems to be the norm now in a rate case, or is that just an impossibility and these going up of data interests simply unresolvable?

Ms. TYSON. Well, it certainly would short-circuit the process. It really is not the Postal Rate Commission that necessarily wants to

take the full 10-month period. And I understand the last case came in in less than that.

But in fact, sometimes it's even the Postal Service that wants time, because each party wants to examine the figures of the other parties. The issue is getting the agreement. There is a lot of difference for comparison, and I think that any intrusion on the interest of any particular party as you try to streamline this process and improve the ratemaking activity, is going to be met by some protest from one-quarter or another.

Mr. MCHUGH. It already has, yes.

The bells that are ringing, and we now have less than 10 minutes to go vote, are in relation to the Treasury-Postal bill. I don't think it would be wise for me to miss that vote, given why we're here today. And at the same time, given the hour, I don't want to intrude upon your generosity anymore in asking you to wait while I come back. So I think I'm going to adjourn this hearing.

But let me first say to all the panelists, and certainly to you three good people, how much we appreciate your being here, for participating, and I assure you we are going to take your suggestions carefully under consideration and we hope as well that as we go forward that we can call upon you for additional input and response and advice. And this will be a—not a short road, probably not an easy one, and we're looking for all the help and input we can get. And we truly appreciate your being here today.

So with that, I would say we'll keep the record open for written comments, and I will adjourn the subcommittee until we let you know differently.

Thank you very much.

[Whereupon, at 1:05 p.m., the subcommittee was adjourned.]

