

ties, communications, and everyday operating requirements such as building and postal supplies and services, data processing services, activities involving mail bags, such as manufacturing, repairing, and storing, stamps and accountable paper and printing and reproduction. The investment appropriations are plant and equipment and postal public building and are the essence of the modernization program.

The Post Office Department was greatly encouraged when in remarks at the swearing-in ceremony of Postmaster General Watson, President Johnson referred to the modernization of the postal service. He said, "We have already begun a far-reaching program to modernize the postal service. This work is expensive. But I think we must not let the postal service deteriorate. The price of a poor postal service is far greater than the cost of remodeling the service into the smooth running system it must be.

"I hope the new Postmaster General can lead this modernization program with the approval of the Congress and the cooperation of the Congress and make sure that the American taxpayer gets 100 cents worth of value for every dollar we spend."

The elements of the postal modernization program are shown on this first chart (chart 1). It consists of modernization of space, mechanization of mail handling systems, motorization of carrier routes and automation of data processing. Although the modernization of space through construction of federally owned facilities, lease of specially constructed facilities, and improvement of Federal buildings gets a good deal of publicity, these other elements—mechanization, motorization, and automation of data processing are important parts of the overall program.

The modernization program is far reaching and expensive, requiring an investment of over \$2 billion for the 5-year period starting with fiscal year 1968. This chart (chart 2) shows the extent of our plans for modernization. To meet the critical space needs, we plan 138 major facility projects which will provide 41.7 million square feet of new space. We expect to acquire some 1,900 fixed mechanized systems and items of nonfixed mechanization, over 130,000 vehicles and significantly expand our data processing capability.

This is an ambitious and expensive program. High investment should be accompanied by high savings. These next four charts indicate the extent of savings that are available from the investments in new facilities and the purchase of vehicles, mail handling systems, and automatic data processing equipment which have been planned for fiscal year 1969.

The operational savings anticipated in the 22 new mail-handling facilities for which the Department requested funds in fiscal year 1969 are shown on chart 3. This chart shows that an investment of \$369 million will save \$876 million over the life of the facilities. Savings are based on the cost of present operations versus the cost of operations after occupancy of the new facility. These savings were calculated by applying the results of economic analysis conducted by the Bureau of Finance and Administration to those projects which have not previously had a separate economic analysis made. Savings are based on 40-year life of the buildings and the investment includes site and design, construction, and mechanization. They are calculated at present value based upon a 4.5-percent rate.

Seven projects save under \$10 million and seven save between \$10 and \$25 million over the life of the facility. Four projects save between \$25 million and \$75 million. Four projects save over \$75 million. In addition to the dollar savings, our new facilities provide intangible benefits such as improved working conditions for employees and more conveniences for our patrons.

Each project has also been analyzed for lease versus purchase cost. The present worth of rent payments (at 4½ percent over 40 years) was compared to the amount of investment we would make for Federal ownership. Eleven projects have a difference between Federal and lease construction of under \$5 million in favor of Federal construction. Eight projects have a difference of between \$5 million and \$15 million and three projects over \$20 million.

The Department saves an average of \$1.13 per day for each vehicle it purchases for the carrier motorization program. Chart 4 shows that the fiscal year 1969 investment in the carrier motorization program will save over \$15 million over the expected life of the vehicles. This demonstrates the extent of the savings available through purchase of vehicles. Considering vehicles for the motorization of carrier routes, replacement of high cost vehicle hire, and provision for new service routes, an investment of \$24 million in fiscal year 1969 is planned. This investment will