

SURVEY OF GOVERNMENT OPERATIONS
PART 8—CIVIL AERONAUTICS BOARD

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HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

MAY 7, 1968

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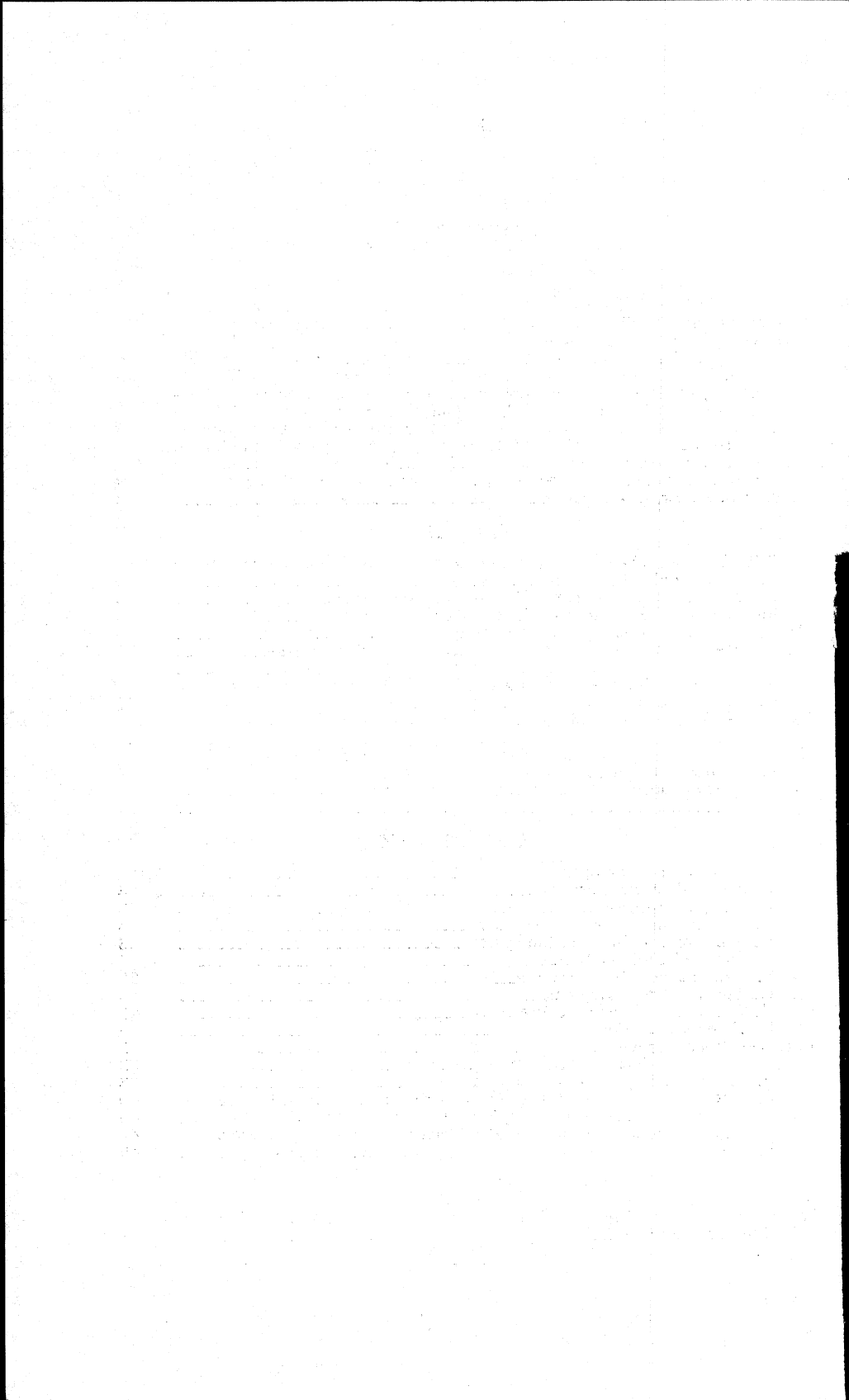
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SURVEY OF GOVERNMENT OPERATIONS

PART 8—CIVIL AERONAUTICS BOARD

TUESDAY, MAY 7, 1968

HOUSE OF REPRESENTATIVES,
GOVERNMENT ACTIVITIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room 2247, Rayburn House Office Building, Washington, D.C., Hon. Jack Brooks (chairman of the subcommittee) presiding.

Present: Representatives Jack Brooks, William S. Moorhead, Dante B. Fascell, Fletcher Thompson, and Margaret M. Heckler.

Also present: Ernest C. Baynard, staff administrator; William M. Jones, counsel; Irma Reel, clerk; Lynne Higginbotham, clerk; and William Copenhaver, minority staff.

Mr. Brooks. The Government Activities Subcommittee, having been duly organized under the Rules of the House of Representatives, the meeting is hereby called to order.

The CAB is a small Federal agency with a huge responsibility. Convenient air service, linking local communities to business and industrial centers and other parts of the Nation, is essential to industrial development and business growth. The economy of many local communities is deeply affected by CAB decisions as business and industrial leaders consider the adequacy of air service in selecting locations for new plants and facilities.

The CAB was chartered by Congress to coordinate the economic development of our Nation's airlines and to oversee the fixing of routes and rates to assure that an adequate, well-balanced air transportation system is maintained.

The issues facing the CAB are often charged with emotion. They range from the issuance of South Pacific route certificates worth millions of dollars to the imposition of a \$2 charge on in-flight movies. The CAB must consider the interests not only of the airline industry, but also the community, business, and the traveling public. The impact of the CAB's rulings is felt throughout the economy of this Nation.

Not only do we need a modern network of air terminals, a safe and effective air traffic control system, and modern, efficient aircraft, but these elements must be coordinated into an economic, efficient, and effective air travel system to serve our Nation to its fullest. This is the job of the CAB. Safe, efficient, and convenient air service linking thousands of American communities is an absolute must if our overall program toward progress and a greater society is to become a reality.

There have been suggestions that the procedures of the CAB are

antiquated and in need of an overhaul. The CAB handles millions of dollars a year in dispensing direct subsidies and in issuing route certificates. We cannot afford waste or inefficiency. Our effort in the subcommittee is to determine whether the CAB is in fact carrying out its responsibilities with effectiveness and efficiency.

We have with us today the Chairman of the CAB, Mr. John H. Crooker, Jr. Mr. Crooker was appointed by the President only a couple of months ago. He well understands the important role which the CAB plays in the national economy.

Chairman Crooker graduated from Texas schools, graduating with distinction from Rice Institute a few years ago. He is also a graduate with highest honors from the University of Texas Law School, and is a knowledgeable, intelligent, honorable lawyer that I feel will do an excellent job at the CAB. He has 6 years to do it in.

Mr. MOORHEAD. A longer tenure than we have.

Mr. BROOKS. I was going to say I have to be up to bat three times before they can get to him.

Mr. Chairman, these hearings are being conducted on a program-by-program basis. The subcommittee wants to review each of the CAB's programs to determine what the taxpayer is getting in return for his dollar. We will first go into the general management of the agency as a whole, and we will then look at each of your programs individually. We on the subcommittee realize that you have headed the Board for a relatively short time, and if you want to refer some questions to your assistants we would certainly understand.

If you would at this time, I would appreciate your introducing the officials of the CAB who have accompanied you down here today.

STATEMENT OF JOHN H. CROOKER, JR., CHAIRMAN, CIVIL AERONAUTICS BOARD, ACCOMPANIED BY CHARLES F. KIEFER, EXECUTIVE DIRECTOR; IRVING ROTH, DIRECTOR, BUREAU OF ECONOMICS; JOSEPH B. GOLDMAN, GENERAL COUNSEL; HAROLD R. SANDERSON, ASSISTANT EXECUTIVE DIRECTOR AND SECRETARY; JOHN B. RUSSELL, ASSISTANT EXECUTIVE DIRECTOR FOR OPERATIONS; THOMAS L. WRENN, CHIEF EXAMINER; WARNER H. HORD, DIRECTOR, BUREAU OF ACCOUNTS AND STATISTICS; JOSEPH C. WATSON, DIRECTOR, BUREAU OF INTERNATIONAL AFFAIRS; ROBERT BURSTEIN, DIRECTOR, BUREAU OF ENFORCEMENT; ALPHONSE M. ANDREWS, DIRECTOR, BUREAU OF OPERATING RIGHTS; JOHN W. DREGGE, DIRECTOR, OFFICE OF COMMUNITY AND CONGRESSIONAL RELATIONS; MARVIN BERGSMAN, DIRECTOR, OFFICE OF PERSONNEL AND SECURITY; AND OSCAR C. DISLER, COMPTROLLER

Mr. CROOKER. Chairman Brooks, first let me express appreciation for your very generous personal remarks about me. There may be instances when I would like to have some staff person answer some inquiry, inasmuch as I have been at the Board for only 2 months. The Board's Executive Director, Mr. Charles Kiefer, is at the table with me, as is the Assistant Director of Operations, Mr. John Russell.

The other persons will probably address themselves to questions in the second half of your inquiry, Mr. Chairman, as to the various programs.

Mr. BROOKS. We have a number of detailed questions, Mr. Chairman, on the various aspects of the management of your agency which we would like to submit to you for written responses to be placed in the record.

(The written responses of the CAB to questions submitted by the subcommittee are in the appendix.)

PART 1.—OVERALL AGENCY OPERATIONS

Mr. BROOKS. At this time we would like to discuss some of those management concepts in general terms.

Do you have a fact sheet indicating the total funds available to your agency as a whole for fiscal 1968?

Mr. CROOKER. We have such a fact sheet. I will say for salaries and expenses, for fiscal 1968, we have an appropriation of \$8,983,000 and an anticipated supplemental appropriation of \$99,000 for the pay raise cost. We estimate reimbursement from other Government agencies of \$40,000, for a total of \$9,122,000 for salaries and expenses.

So far as the so-called subsidies are concerned, "Payments to air carriers," there is an appropriation of \$52,500,000 for fiscal 1968, and cash brought forward from fiscal 1967 of \$12,091,000, or a total of \$64,591,000 available for payment to air carriers, that is, subsidy, in fiscal 1968.

Mr. BROOKS. Without objection we will place in the record exhibit A relating to this combined program; exhibit B, the organizational structure; and exhibit C, the program budgeting breakdown.

(Exhibits A, B, and C follow:)

**EXHIBIT A—FACT SHEETS—SALARY AND EXPENSES AND PAYMENTS TO AIR
CARRIERS—COMBINED PROGRAMS**

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM S&E and PAC Combined Programs	SUBPROGRAM
200	CODE	CODE	CODE
300	ANALYSIS AND CONTROL CODES		
400	FISCAL YEAR 1968 (in thousands of dollars)		
500		Unobligated Carryover	Appropriation or Current Year Request
500	"In house" inputs		Total Available
510	Personnel:		Total Obligated or Expended
511	Comp.		
512	Benefits		7,646
513	Travel		569
520	Expenses:		250
521	Communications		
522	Transportation		142
523	Printing		6
524	Supplies and Consum- able Materials		46
530	Capital Equipment		123
540	Land and Structures		228
541	Additional Investment		
542	Rents		
550	Total		
600	Funds distributed		
610	Contracts		
620	Grants		64,591
630	Loans		
640	Benefits		10
650	Other		62
660	Total		
700	Total		73,673 ^a
			Prior Fiscal Year
800	Input-output ratio		
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

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a/ Excludes \$40 reimbursements.

89-641-2 GPO

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Civil Aeronautics Board	Salaries and Expenses			
200	CODE	CODE	CODE		
300	ANALYSIS AND CONTROL CODES				
400	FISCAL YEAR 1968 (in thousands of dollars)				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			7,646	
512	Benefits			569	
513	Travel			250	
520	Expenses:				
521	Communications			142	
522	Transportation			6	
523	Printing			46	
524	Supplies and Consum- able Materials			123	
530	Capital Equipment			228	
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total				
600	Funds distributed				
610	Contracts				
620	Grants				
630	Loans				
640	Benefits			10	
650	Other			62	
660	Total				
700	Total			9,082 ^a /	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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^a/ Excludes \$40 reimbursements.

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Payments to Air Carriers	SUBPROGRAM
200	CODE	CODE	CODE
300	ANALYSIS AND CONTROL CODES		
400	FISCAL YEAR 1968 (in thousands of dollars)		
500		Unobligated Carryover	Appropriation or Current Year Request
500	"In house" inputs		Total Available
510	Personnel:		Total Obligated or Expended
511	Comp.		
512	Benefits		
513	Travel		
520	Expenses:		
521	Communications		
522	Transportation		
523	Printing		
524	Supplies and Consum- able Materials		
530	Capital Equipment		
540	Land and Structures		
541	Additional Investment		
542	Rents		
550	Total		
600	Funds distributed		
610	Contracts		
620	Grants		64,591
630	Loans		
640	Benefits		
650	Other		
660	Total		
700	Total		64,591
800	Input-output ratio		Prior Fiscal Year
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

DEPARTMENT OR AGENCY		PROGRAM	SUBPROGRAM	
100	Civil Aeronautics Board	Reimbursements ^{1/}		
CODE		CODE	CODE	
200				
ANALYSIS AND CONTROL CODES				
300				
FISCAL YEAR 1968 (in thousands of dollars)				
400		Unobligated Carryover	Appropriation or Current Year Request	Total Available
500	"In house" inputs			Total Obligated or Expended
510	Personnel:			
511	Comp.			21
512	Benefits			2
513	Travel			-
520	Expenses:			
521	Communications			2
522	Transportation			
523	Printing			
524	Supplies and Consumable Materials			5
530	Capital Equipment			7
540	Land and Structures			
541	Additional Investment			
542	Rents			
550	Total			
600	Funds distributed			
610	Contracts			
620	Grants			
630	Loans			
640	Benefits			
650	Other			3
660	Total			
700	Total			40
				Prior Fiscal Year
800	Input-output ratio			
810	1. Input			
811	1. Output			
820	2. Input			
821	2. Output			
830	3. Input			
831	3. Output			
840	4. Input			
841	4. Output			
850	5. Input			
851	5. Output			
860	6. Input			
861	6. Output			
870	7. Input			
871	7. Output			
880	8. Input			
881	8. Output			

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^{1/} Reimbursements: National Transportation Safety Board - CAB furnished mail and messenger service, secretariat services, teletype service and personnel support to NTSB for first half of fiscal year 1968. Also CAB to furnish ADP services, printing plant services and supplies from stockroom for entire fiscal year 1968.

EXHIBIT B—ORGANIZATION CHART—CIVIL AERONAUTICS BOARD

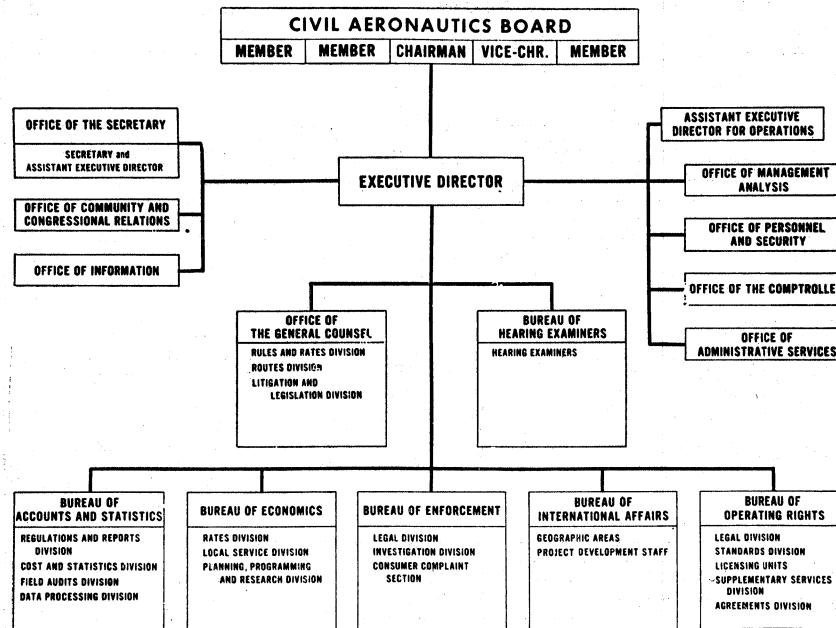


EXHIBIT C—PROGRAM STRUCTURE—CIVIL AERONAUTICS BOARD

CIVIL AERONAUTICS BOARD—PROGRAM STRUCTURE—MAJOR PROGRAM CATEGORIES

1. Awards of operating authority.
2. Regulation of rates and fares.
3. Enforcement of applicable laws and regulations.
4. Subsidy support of air service.
5. Regulation of agreements and interlocking relationships.
6. Regulation of air carrier accounting and reporting.

Mr. BROOKS. Would you give us the total number of employees in the agency, Mr. Chairman?

Mr. CROOKER. The Board's authorized position level in fiscal year 1968 is 669 positions. Average employment is estimated at 650.

Mr. BROOKS. They are located where geographically?

Mr. CROOKER. Thirty are located outside of Washington. These are field auditors; 11 in New York City, 13 in San Francisco, six in Miami. All other employees of the Board are here in Washington.

A. GENERAL SUPPORT PROGRAM

Mr. BROOKS. Under your program budgeting breakdown, do you have a support program covering the operations of your office and other policymaking personnel not directly attributable to a program function?

Mr. CROOKER. Yes, sir. We call this management support. It covers the functions that facilitate the work of the Board members and the program staff. These would include personnel management, budgeting and accounting, management analysis, payrolling, providing supplies,

equipment, space, messenger services, central files, distribution of publications, and payment of bills for operating expenses.

Mr. Brooks. Without objection we will place exhibit D on general support in the record at this time.

(Exhibit D follows:)

EXHIBIT D—FACT SHEET—MANAGEMENT SUPPORT PROGRAM—CAB

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Management Support	SUBPROGRAM
	CODE	CODE	CODE
200	ANALYSIS AND CONTROL CODES		
300			
400	FISCAL YEAR 1968 (in thousands of dollars)		
	Unobligated Carryover	Appropriation or Current Year Request	Total Available
500	"In house" inputs		
510	Personnel:		
511			521
512			40
513			4
520	Expenses:		
521			13
522			
523			2
524			
530			32
540			16
541			
542			
550			
600	Funds distributed		
610	Contracts		
620	Grants		
630	Loans		
640			10
650			6
660			
700			644
			Prior Fiscal Year
800	Input-output ratio		
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

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MANAGEMENT SUPPORT

Work performed by the Management Support Offices that cannot be directly related to one or more Board programs is included in the management support program. Work that is directly related to or an integral part of one or more of the Board's programs such as receipt, filing and maintenance of the docket records and the review audit and certification of subsidy claims are charged to the program(s) involved.

I. Financial requirements

	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
Permanent positions	64	59	59	-----
Average employment	60.8	59.2	59.2	-----
Obligations	\$686,768	\$644,159	\$664,366	\$20,207

II. Program and justification of staff requirements

A. Personnel and training

The purpose of this work is to maintain a personnel program for the selection, development and retention of the best qualified personnel to enable the Board to fulfill its statutory functions.

The work performed includes providing management and supervisory personnel with advice and assistance in meeting specific personnel problems, establishing and administering agency policies and procedures consistent with law and regulation generally applicable to Federal agencies in the fields of recruitment and placement, position classification and salary administration, performance rating and employee recognition, leave and retirement, employee training and development, maintenance of records and compilation of required reports. Also, activities involved in the conduct of the Board's personnel and physical security program are included.

B. Management analysis

This work consists of providing Board-wide management assistance through reviewing the organization, methods and procedures of the Board to develop improvements; conducting management studies and surveys; providing technical management advice and assistance to the operating components, reviewing forms and reports for improvements in design and content; maintaining the CAB manual (the official statements of the Board's organization, functions, and administrative policies and procedures); and performing other management services.

C. Budget and fiscal

The work in this area includes (1) budget administration, including the development and implementation of budgetary policies and procedures, review and analysis of staff budget submissions, preparation of the Board's formal budget estimates, development of fiscal plans reflecting the allocation of appropriated funds and staff resources, control of appropriated funds through apportionments and allotments, review and analysis of expenditures, financial and budgetary reporting, liaison with other agencies on budgetary matters, and advice and assistance to the operating bureaus on financial and related matters; (2) administrative accounting services, including the maintenance of the formal books of account, preparation of payrolls and payroll records.

It is estimated that approximately \$400,000 will be collected annually by the CAB in connection with filing and license fees. Revenues resulting from charges for supplying Board publications on an annual basis and furnishing of special services, such as copying, certifying, and searching Board records totaled \$67,700 in 1967 and are estimated to increase to \$90,000 in 1968 and \$100,000 in 1969. Receipts for the collection of filing and licensing fees and revenues from supplying Board publications and services are estimated to total \$500,000 in fiscal year 1969.

D. Administrative services

This work involves procurement, storage and issue of furniture, furnishings, supplies and equipment, communications and transportation, mail and messenger service, building and equipment repairs and maintenance, space management, issuance and control of credentials and passes, and required recordkeeping and reporting. The central files work involves the receipt, filing, and servicing the records needs of the Board's staff except for formal docket and public reference materials maintained in the Office of Secretary, and working papers and convenience records maintained in the operating bureaus and offices. Files, records, and associated materials are provided to operating personnel as needed. This function also includes files management and disposal procedures and practices.

WORKLOAD

Workload item	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Personnel and training.....	5,194	3,900	4,150	250
2. Management analyses.....	265	200	200	-----
3. Budget and fiscal.....	17,514	18,309	19,017	708
4. Administrative services.....	956,704	941,300	940,800	(500)

DISTRIBUTION OF MAN-YEARS BY ORGANIZATION

	Man-years			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
Bureau of Accounts and Statistics.....	0.4	0.4	0.4	-----
Assistant Executive Director for Operations (overall direction).....	2.0	2.0	2.0	-----
Office of Personnel and Security.....	7.7	8.6	8.6	-----
Office of Comptroller.....	16.9	16.4	16.3	(0.1)
Office of Management Analyses.....	5.0	3.2	3.5	.3
Office of Administrative Services.....	28.8	28.6	28.4	(.2)
Total, management support.....	60.8	59.2	59.2	-----

The officials responsible for the operation of this program :

John H. Crooker, Jr., Chairman

Charles F. Kiefer, Executive Director

John B. Russell, Assistant Executive Director for Operations.

Mr. BROOKS. Will you give us a brief justification on the size and extent of this support program as to money available in fiscal year 1968?

Mr. CROOKER. All but about 14 percent of the total CAB manpower is directly assignable to one or more of the Board's programs. Only in the offices of the members, and this includes the Office of the Executive Director and so on, will there be manpower that cannot be identified with specific programs. In these latter instances it is necessary to make some allocation of man-years to program areas. The allocation of certain personnel to specific programs leaves approximately a total of \$644,000 available in fiscal 1968 for expenditures under this general support program—management support program.

It might be that Mr. Kiefer, the Executive Director, would care to enlarge upon that statement if the chairman of the subcommittee would be willing, sir.

Mr. BROOKS. Mr. Kiefer.

Mr. KIEFER. Mr. Chairman, the category of management support comprises in 1968 some 8 percent of the total positions available to the Civil Aeronautics Board. We have made quite a little study of the relationship of management support to the program areas of the Board, and I might say, sir, that this relationship, whether it is expressed in terms of dollars or positions or man-years, has been coming down in the last 2 or 3 years. So, what we have been seeking to discover is the right relationship in our own experience between the number of people and the number of dollars that are required to service the program areas of the Board, including the members, in the most effective and economic way.

B. BUDGET PROCESSES

Mr. BROOKS. Would you outline briefly and give us a status report on the efforts of your agency on the implementation of the program budgeting?

Mr. CROOKER. If I understand your question, Mr. Chairman, as far as management support is concerned, we have sought to reduce year by year, both in dollars and persons and man-hours or man-years the amount needed for support of specific programs hoping that through efficiencies and the use of ADP equipment and so on to cut down the cost of operation in the general management support area.

I could give figures percentagewise of the programs and management support, having been 10.5 percent of total in fiscal 1966 and probably being only 8.8 percent in total in fiscal 1969. If I have missed the specific question directed by the chairman, I will be happy to amplify if you will point out what your inquiry is to me, sir.

Mr. BROOKS. Actually, Mr. Chairman, what we are primarily concerned with is the status of your program budgeting; that is, the budgeting of your funds by function. This procedure is sometimes approved by the Bureau of the Budget; sometimes it is fully implemented within an agency; sometimes it is just a dream within an agency; sometimes the agencies are not for it; sometimes it is pretty well integrated with their entire budgetary process. That is what we are interested in. It may be that Mr. Kiefer is more familiar with this concept, and you might put him to work if you want to.

Mr. CROOKER. I understand that our program breakdown has been approved by the Bureau of the Budget and fiscal 1969 budget estimates submitted to the Bureau last fall were based on this program structure. The budget justification submitted to the Congress was also on this basis.

Now, if Mr. Kiefer would like to amplify on that, I would be happy to have him do so.

Mr. KIEFER. That is essentially correct, Mr. Chairman. The Civil Aeronautics Board has been excluded by the Bureau of the Budget from formal compliance with the rigors and the strictures of PPB. We on our side have not been unresponsive to the essential desires of the President and the Bureau of the Budget and indeed our colleagues elsewhere to modernize and adjust our own system, since as you have mentioned, sir, we are a small agency and what we have done is to recast our older financial process system into a program structure which you have before you today and which has been presented to the committees of the Congress and has been approved by the Budget Bureau. We think this represents for our small agency a modest participation in this effort.

Mrs. HECKLER. Mr. Chairman?

Mr. BROOKS. Yes, Mrs. Heckler.

Mrs. HECKLER. I just wondered, Mr. Kiefer, why it is your agency is not listed in this Bureau of the Budget Bulletin 68-9 which lists those agencies that have PPB systems. Do you happen to know?

Mr. KIEFER. I wish I could give you a specific answer. We have wondered about that ourselves. Some of our sister regulatory agencies have been included. I think the principal thrust has been to the larger departments of the Government and perhaps on a more restricted and

experimental way to some of the smaller agencies to get, frankly, an experience in the smaller agency of the requirements of this system.

In our own case, Mrs. Heckler, we have not found it necessary to add any additional people. We have adjusted internally the operations and the processes of our budget formulation within this new revised structure which I like to think we would have done whether we had PPB or not.

Mr. BROOKS. I would add at this point that this committee about a year ago, when it was obvious that some agencies were not included under the PPB programing concept—were not mandatorily included—we wrote all those agencies and suggested that they consider the utilization of this concept in their budgeting. The CAB has done so and a good many of the other agencies not mandatorily under this system have tried to adapt this concept to upgrade their own budget processes.

Mrs. HECKLER. You think it is more or less an oversight?

Mr. KIEFER. No, I don't believe it is an oversight. I believe it is a deliberate decision in the Bureau of the Budget to give us the benefit perhaps of the experience that may be gathered in other smaller agencies before the mandatory aspect really falls on us.

Mrs. HECKLER. I see.

Mr. BROOKS. I think that the problem that the Bureau of the Budget was concerned about was getting some kind of a handle on the bigger, larger, more massive agencies. BOB felt that the smaller agencies with more specialized responsibilities and fewer personnel were able individually, through their personnel offices or through their Chairman or Board members, to keep a pretty good grasp of the entire operation.

I think that was their basis for excluding some agencies, not that they didn't think the application of it could not be utilized in smaller agencies.

Any further questions, Mrs. Heckler?

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

C. ACCOUNTING SYSTEM DEVELOPMENT

Mr. BROOKS. Mr. Chairman, would you outline the work that your agency is doing regarding your accounting system development?

Mr. CROOKER. First I might comment, Chairman Brooks, that the GAO has given its approval to our accounting system. This was approved by the Comptroller General by letter of January 18, 1968, which I believe your committee has. The accounting system is basically established in terms of accrual costs, as the GAO and this subcommittee have recommended. They are maintained in accordance with the Budget and Accounting Procedures Act of 1950 and the standards and principles prescribed by the Comptroller General.

D. MANAGEMENT INFORMATION SYSTEM

Mr. BROOKS. There are some other questions on that which I am sure you can answer when submitted in detail.

What is the status of your management information system, Mr. Chairman.

Mr. CROOKER. The Board's management information system comprises both formal and informal procedures. It is composed of three

basic components: environmental data, technical data, and internal data.

Under environmental data we have economic, political, social subsections of that sort of data.

Under technical data we have industry statistics. We have analyses, research, and studies.

So far as internal data are concerned, we have financial information, workload data, manpower data, and organization data.

The Bureau of Economics contains the principal economic advisory and research staff. It provides economic assistance to the Board in considering and deciding cases, and through its division of planning, programming, and research, it has the responsibility for looking into the future and anticipating new developments which are likely to be of consequence for the air transportation system. Hopefully, this results in anticipating potential critical problems in time to avert crises.

Research outputs are used to develop some policy guidelines which enable the Board to deal effectively with routine and novel air transportation systems. As a result of research and planning in the CAB, we feel we have a better understanding of the air transport industry as it exists, and with this we are better able to foresee changes that are likely to occur in the industry.

Our research and evaluation outputs of the existing airline market structure and industry performance are designed to provide answers to such questions as present passenger and cargo market characteristics; whether there are deficiencies in the existing route structures causing inadequate air service for the public, whether current rates and fares meet the requirements of expanding industry and anticipated changing consumer markets; what the current financial conditions and operating characteristics are of the industry and selected carrier groups such as local service carriers, for example; and what is the interrelationship of air transport to other transportation modes and to general economic conditions.

Based on these outputs and understandings, our research is directed to answer questions such as whether present passenger and cargo demand trends will persist, and what economic problems will the CAB have to deal with because of new aircraft technology.

We have, as you pointed out initially, a relatively small staff and some limited sources for research and planning, but the very highest priority is given to applying research data to the day-to-day operating problems of the Board.

I think, Mr. Chairman, that at least would constitute an initial statement as to our management information system.

Mr. Brooks. Mr. Chairman, apparently the CAB does not have a fully coordinated computer-based MIS system, although you have a good number of the segments that would make up such a system; is that apparently the status?

Mr. Crooker. I understand, Mr. Chairman, that we don't have a fully automated system of the details on our machine. I would be pleased for Mr. Kiefer to answer in more detail, if you will, sir.

Mr. Brooks. You understand what I am concerned about? You do not yet have an agencywide computer-based information system that you can operate, although you have some of the components, apparently. I don't know how you have them correlated.

Mr. KIEFFER. We have the form 41, which contains the basic statistics and data on the performance of the airline industry; and then we have the data banks, both in this area and in the area of passenger origin and destination, and these are in the data banks of the computer in the Board.

These are coordinated. They are Board-wide in their use and application. As a byproduct of this capability with the computer we have our manpower and our financial management and our payroll system working on the computer at the same time.

In the sense of a fully blown sophisticated larger scale management information system as might be found in some other large private and public agencies, we neither have the need nor, may I say, sir, the resources to mount such an effort.

Mr. BROOKS. Do you feel that yours is coordinated as well as could be done from the standpoint of an efficient operation?

Mr. KIEFFER. Yes, sir. We operate the computer today more than one shift, very often two shifts. The work on the computer is principally program work of the Board.

As I said earlier, the time and manpower required to do the internal financial-managerial aspect of the Board at this time is much less consequential but no less important.

E. INTERNAL AUDIT SYSTEM

Mr. BROOKS. Mr. Chairman, would you describe briefly your internal auditing system?

Mr. CROOKER. An internal audit function was established at CAB during this fiscal year. Only part of a man-year was allocated to this function in fiscal 1968 because of the relatively small size of the Board.

The capability was allocated from the Field Audits Division which is in our Bureau of Accounts and Statistics. We do have an internal audit staff made up of persons with experience in accounting and auditing because the entire technical staff of the Field Audits Division is comprised of qualified accountants, qualified academically and by experience, fully meeting the requirements of the Civil Service Commission relating to professional accountants.

In connection with the scope of review by the internal audit staff being limited, it has been limited not by management direction but merely because of limited manpower resources.

As a first step in the institution of this internal audit program, the audit work has been limited to a review of the agency's payroll system and procedures, including the application of automatic data processing to payroll preparation and related output.

I think as far as the question of all reports and recommendations of the internal audit staff being handled properly within the Board, the initial report is nearing completion, and it will be submitted to the Chairman. The audit staff is responsible only to the Chairman and not to any person who might also be primarily responsible for an activity which might be audited. So we believe the auditor is adequately protected from any possible arbitrary personnel actions that might be taken by any particular superior or other official or employee of the Board.

I think, in general, Mr. Chairman, that discusses the internal auditing procedure so far as the CAB is concerned.

Mr. BROOKS. That is a good delineation of what you have now. I think it indicates that you assign from your external audit pool, personnel to work for a given period of time in your own internal audit. But this is the checking of check stubs and vouchers and actual expenses. It is pretty much of a straight audit operation as distinguished from a management concept audit which might give the management at the CAB a more objective evaluation of the programs and the functions and the execution of orders and directives of your own management, as well as congressional directives.

I think that internal audits should reflect something other than just an account of the money and the travel. I think sometimes the concept of what is being done and an evaluation of what the results are in a given expenditure of time and effort would be helpful to any Chairman of the Board and to any member of the Board. I think such an evaluation via an internal auditor with a little more authority and vision could give you, as Chairman of the Board, or any chairman of any agency, a better grasp of just how your various department heads are doing.

If that were submitted to the Chairman, it would give you an opportunity to evaluate them without having to check it through the innumerable deputies that are in every agency. Occasionally you might want to get a less oriented view of just how that agency is operating.

I think there is great merit in an internal audit that reflects both the way that the effort is functioning and what kind of results you are getting. I think you ought to consider that. I think it would be worthwhile for you. You have plenty of time to appoint a couple of auditors and work on that. It would be sort of refreshing to look at an analysis of what was done without having the official responsible approve it or disapprove it first.

Mr. CROOKER. Mr. Chairman—

Mr. BROOKS. It might inspire them a little more toward maximum efficiency and productivity.

Mr. CROOKER. We shall certainly take most seriously your suggestions.

If I might respond for a moment, I will say that in these past 6 or 7 weeks I have tried to take a personal interest in ascertaining what workload really faces each of our Bureaus. I have spent a great deal of time with the executive director and with persons in each of the Bureaus, to ascertain some of these things, not at the level of an auditor making the inquiry, because sometimes an auditor will perform the more restricted function of adding up 2 and 2 to see whether the answer is 4, but we have compared the number of tariffs that have been filed in the last 12 months versus the number filed in a preceding 12 months, the number of new dockets filed in economic proceedings. We are in every possible way studying the workload in our Bureau of Operating Rights, both so far as domestic matters are concerned and international matters. We are doing the same thing with our Bureau of Enforcement, and, of course, we will give serious consideration to having one of our auditors who is placed in this position of doing internal audit work—whether that is temporary additional duty or a permanent duty for one—to likewise make a very impartial check of it.

But I want to assure this committee that even if that be done, both the Chairman and the Executive Director of this agency take that task

very seriously as one of the duties and obligations to see that we perform effectively.

Mr. FASCELL. Mr. Chairman, may I inquire?

Mr. BROOKS. Yes, sir.

Mr. FASCELL. I would like to find out, Mr. Chairman, what the use and relationship of your computer is to internal auditing and to programming. For example, regulation of air carrier accounting.

Mr. CROOKER. As I understand it, Mr. Fascell, the air carriers submit their traffic and economic data, and we process that on our computer. It is of great use to the Board—extremely necessary use to the Board in terms of a proper rate of return industrywide, either for the trunklines, the local service carriers or all the certificated carriers.

Mr. FASCELL. May I interrupt you right there?

Some of the carriers, of course, are on computers. Are the systems compatible? They can pull a statement each hour on the hour. When do you run yours?

Mr. CROOKER. Most of these summaries are run on a monthly basis, sir, and we are doing everything possible to have the material submitted by them submitted in the simplest form that will work into our own automatic data processing, so that you won't have the anomalous situation of them sending us punchcards and then having a requirement at the Board of running punchcards onto a magnetic tape with an extra process.

We have even talked, since I came there, Mr. Fascell, about abandoning the printing of some of our reports and trying a duplicating process from the so-called IBM run sheets so that you won't have this triple play of punchcards to magnetic tapes and then someone reading those off and setting them in print, but so that you abandon the punchcards on the front end and abandon the printing on the final end. You merely have the magnetic tapes punching out a run sheet which in turn will be duplicated. We are making every effort in this direction.

Mr. FASCELL. What is the use in relationship of your computers—again with emphasis on internal audits—with respect to decision-making?

Mr. CROOKER. Mr. Fascell, so far as I now know, I doubt that the computers get into decisionmaking by the Board in either area of awards of operating authority or rates. There has been much discussion during the past 7 weeks about guideline formulas for rates, and to a certain extent our formulas today are historical formulas.

But the Bureau of Economics—

Mr. FASCELL. You lost me.

Do you mean there is no relationship between one decision and a previous decision?

Mr. CROOKER. No, I am not implying that there is no relationship there. There was a basis of rates set up back in 1962, and the differences from 1962 to the present have probably not fully taken into account differences in cost of providing service with new types of planes that have come out.

But the Bureau of Economics is currently far along on a study that relates fares to cost of service furnished rather than merely a historic base of some 5 or 6 years ago when there were other types of planes being used.

So, I think the computer is furnishing the five Board members with information from which those members make their decisions, but I do not think—whether this is good or bad, I don't think we are at the point—

Mr. FASCELL. OK, how about operating awards, for example? Are examiner's decisions laid down in a computer?

Mr. CROOKER. No, sir.

Mr. FASCELL. Board decisions?

Mr. CROOKER. They are not. Neither the examiner's decisions nor the Board's decisions.

Mr. FASCELL. Rules and regulations?

Mr. CROOKER. I don't know of any rules and regulations that come out of the computer, sir.

Mr. KIEFER. May I say a word, Mr. Chairman?

Mr. CROOKER. Let me comment on one other thing. It goes without saying on your origin and destination studies the examiner has the benefit of this information from the computer and the Board members have the benefit of this information.

But the interpretation of the data of origin and destination—

Mr. FASCELL. Is his alone.

Mr. CROOKER. Sir?

Mr. FASCELL. It is his interpretation, but he reduces it to writing.

Mr. CROOKER. Yes, sir.

Mr. FASCELL. And the Board reviews it?

Mr. CROOKER. Yes, sir.

Mr. FASCELL. This is what I have reference to.

Mr. CROOKER. Yes, sir.

Mr. FASCELL. And none of that is now in the computer? This is the whole point.

Mr. CROOKER. No, sir; the awards of operating authority and the fixing of the rates are not now on the computer, and frankly, sir, I don't foresee that they are going to be on it.

Mr. FASCELL. I understand. It is a question of how much discretion you want without the computer, and I would daresay the computer might prove embarrassing.

Mr. CROOKER. It is often said, sir, if the computer is going to make the decision, all I want to be is the programmer.

Mrs. HECKLER. Along those lines, on your chart the Data Processing Division is under the Division of Accounts and Statistics. Is this the most efficient arrangement? Would it not operate more effectively as a part of central management, or does it actually in practice?

Mr. CROOKER. Let me answer briefly and have Mr. Kiefer elaborate, if I may. Except for the offices of the members, the Office of the Executive Director, the secretary of the Board, and some other small functions, we do have our personnel assigned to the different Bureaus, and the Bureau of Accounts and Statistics is the office which now processes all these figures from the carriers and gives us this information.

We have assumed that this was a logical internal division of work, but, of course, Mr. Kiefer has been there substantially longer than I have and he may wish to speak to the question also, if you would permit.

Mrs. HECKLER. Certainly.

Mr. KIEFER. Mrs. Heckler, we are not unaware of the view that the closer to the top in an organization the computer and its arrays are, the alleged greater effectiveness ensues therefrom.

We feel that the essential statistical gathering data manipulation function is properly housed in the Bureau of Accounts and Statistics. This is headed by Mr. Warner Hord, Director of the Bureau, who shares fully with the Executive Director, and indeed the members of the staff, this responsibility.

The Data Processing Division, which is housed there because of its central program linkage to the program work of the Board for which Mr. Hord and his associates are responsible, is under the closest review from the Chairman's office at all times. We regard this as a boardwide function, even though it is housed in that Bureau.

Mrs. HECKLER. So, this pictorial representation on your chart is a little misleading.

Mr. KIEFER. Perhaps, it is. We might adjust that when we look at it again for the record.

Mr. MOORHEAD. I would like to get a clear picture of the function of the Board in operating authority awards.

When you make a decision concerning existing service, for example, that airline X shall also be permitted to serve between cities A and B, do you also make a determination as to how many flights they may have?

Mr. CROOKER. We do not make a decision as to the frequencies, the equipment which they fly, or their scheduling.

Mr. MOORHEAD. Who makes this determination?

Mr. CROOKER. Except for the safety function which would come under the FAA, it is in the private sector of the economy. This is a management decision. Let me say with respect to your subsidized carriers, of course, if there are subsidy-eligible operations, there would normally be two flights per day. But I am talking about the trunklines which have no subsidies whatsoever and those services provided by local service carriers which are subsidy ineligible.

So only in connection with the rather limited number of instances of subsidy-eligible carriers is there any sort of persuasion at all about running two flights a day, and past that there is none whatsoever.

Mr. MOORHEAD. Do you get reports from your computers or otherwise from the intrastate carriers?

Mr. CROOKER. I don't believe those come to us. We know that in some of the larger and more populous States—California, I believe, has two intrastate carriers of some size—there is a proceeding going on in Texas now involving the proposed establishment of an intrastate carrier.

Mr. MOORHEAD. Does this present any problem to the Board in making an award? For instance, I can easily see where a city that is right on the border of a State that has intrastate service would clearly be either in competition with other carriers or be considered surplus capacity because of an intrastate and an interstate service. Does this cause the Board any difficulty?

Mr. CROOKER. When I am answering, I am not stating Board policy, but I will give you a personal view.

That is not the biggest question. The point that concerns me most is that local service carriers are now providing service to a number of

smaller cities and towns in an effort to reduce subsidies as the Congress obviously wants us to do.

We have embarked upon a program of route strengthening for these local service carriers so that they might operate between two fairly large population centers in the geographical area they serve.

But if an intrastate carrier comes in and seeks to take only the cream of service in that geographical area, running only between city A and city B and competing there with one of our local service carriers but making no effort to serve the smaller cities and towns, then it is a matter of some concern to the Board because he is competing with our carrier in the best market and doing nothing to build a fine system of air transportation for the Nation.

I don't know that we have solved the problem yet of how you can keep an intrastate line from running from Los Angeles to San Francisco, and indeed they are doing a very outstanding job and carrying a great many passengers.

Mr. MOORHEAD. At least under your regulation, they don't have to go to some of the smaller towns in California.

Mr. CROOKER. No, sir; they skip the smaller towns that our local service carrier serves.

Mr. MOORHEAD. In this connection—and we have touched on subsidy—what has been the trend in total subsidy payments over the past few years and what do you project in the future?

Mr. CROOKER. The peak was about 4 years ago, and since that time subsidy has been dropping. There are now no trunklines on subsidy. The Hawaiian lines are off subsidy. In the fiscal year ahead of us, there will be a subsidy for the Alaskan lines in the range of \$5 to \$6 million and probably a subsidy in the range of \$49 million for all the local service carriers in the 48 contiguous States.

If the total drop in subsidy has been in the range of \$5 million per year, it is possible that it will continue at this rate.

At the Senate appropriations hearing a week ago today we suggested that a drop of three—slightly more than \$3 million a year—in total subsidy might be in order in the years just ahead, Mr. Moorhead.

Mr. MOORHEAD. For international rate setting, you don't have the final say. Am I correct that this is set by international agreement?

Mr. CROOKER. If I might have Mr. Roth, the Chief of our Bureau of Economics, give you a statement on that, I am sure he could be much more precise than I would be.

Mr. MOORHEAD. Yes, sir.

Mr. ROTH. I am Irving Roth, Director of the Bureau of Economics of the Civil Aeronautics Board.

The Board does not have any direct jurisdiction over the reasonableness of the international rates and fares. However, the air carrier rate agreements are filed with the Board and must be approved by the Board before becoming effective as tariffs of the air carriers.

This gives the Board a form of effective veto power over the international rates and fares, but the Board has no direct power whatever to prescribe, with or without a hearing, what the rate or fare should be.

In other words, through the Board's control over the reasonableness of rate agreement as opposed to the rates and tariffs as such, the Board has achieved an indirect control and influence over the rates, but it is a negative type of control rather than positive.

Mr. MOORHEAD. Do you participate in the negotiations leading up to those international rate agreements or does some other arm of government do that?

Mr. ROTH. The arm of government that supervises the whole machinery is the Civil Aeronautics Board. The U.S. Government representatives normally do not participate in the negotiating sessions of the air carriers directly.

However, we have staff consultations with representatives of the U.S. air carriers before each worldwide traffic conference. For example, the next traffic conference will take place this September. Only this week our staff is preparing a communication to the U.S. carriers to inquire about the matters they intend to raise at the next traffic conference which will deal with rates and fares all over the world for the 2-year period beginning next April 1.

Then, normally the Board will have an informal meeting with officials of the U.S. carriers in the summer, either in July or August, and the Board would have an opportunity for an informal exchange of views with the U.S. carriers and make known whatever sort of informal instructions—expressions of opinion by the Board—the Board wishes to pass on.

But once those instructions are passed on to the air carriers, the Board and the U.S. Government are not represented at the conference as such at all. We are kept advised about the progress during the course of the negotiations.

Mr. MOORHEAD. Thank you, Mr. Roth.

Mr. THOMPSON. Does the Board have any means of regulating the rates which charter operators use and flying clubs who may have an old DC-7 or something of this sort and make trips to and from Europe?

Mr. CROOKER. If I may again make a brief statement and then have Mr. Roth implement that.

Mr. Thompson, there have been criticisms, of course, of some of these inclusive tour charters and the Board has followed a general policy of requiring that the amount charged be at least 110 percent or more of the lowest scheduled air fares so that no one would use one of these so-called inclusive tours as a sham to take the transportation just for a regular trip.

As to the details, though, I would appreciate your letting Mr. Roth comment on your question.

Mr. ROTH. The general authority of the Board over rates and fares is the same with respect to charter rates as rates for individually ticketed passenger services or individually billed airfreight. That means in the international area the Board does not have direct authority over the reasonableness of a charter rate set forth in a charter tariff.

Each air carrier authorized to perform charter services by the Board must file a tariff setting forth what the charges and related conditions are. But in the international area the Board could not suspend that tariff nor could the Board after a rate hearing find that the rates are unreasonable.

In the domestic area the Board does have jurisdiction with respect to the reasonableness of the charter tariff and the Board would have

the authority to suspend a charter rate if it felt that rates were unreasonable.

Because of the strong competition that exists, both within the United States among the various carriers interested in the charter market as well as in the international area between both scheduled U.S. carriers and the supplemental air carriers and the various foreign air carriers, there is a good deal of competition. This tends to cause an air carrier not to charge exorbitant rates because of the competitive implications and what the traffic will bear.

Theoretically, it is possible to have a charter rate war that could be disastrous, but in recent years we have not had any serious problem in terms of either rate wars or any accusations of unreasonable rates.

Quite a few years ago, the Board had considerable occasion to interfere with the charter rates, but in recent years our activity is essentially confined to military charter rates for which there is a separate program.

Mr. THOMPSON. May I follow with one more question dealing with the charter operators. Are they required to meet the same general safety standards as are the certificated carriers so far as their equipment is concerned?

Mr. KIEFER. We rely on the Department of Transportation and the Federal Aviation Administration to administer those parts of the law applicable to safety. The safety function from—

Mr. THOMPSON. The NTSB now has complete investigating authority?

Mr. KIEFER. That is correct.

Mr. THOMPSON. Should there be any question as to whether they are complying with the regulations for safety, an action would have to be brought by the CAB, would it not, charging them with failure to comply?

Mr. KIEFER. If the purpose of the action was to remove or terminate their authority—might I ask our General Counsel, Mr. Goldman, to reply to your question, Mr. Thompson?

Mr. THOMPSON. Yes.

Mr. GOLDMAN. In the field of safety violations, normally the charges would be brought by the Federal Aviation Administration and ultimately determined by the National Transportation Safety Board.

The Civil Aeronautics Board does have a certain amount of responsibility with regard to the economic viability of the supplemental carriers to insure that they remain in a sufficiently healthy state so that economics will not have a bearing on poor safety records. But the direct safety responsibility in terms of compliance is not with the Board.

Mr. THOMPSON. May I ask you another question—I was a little late, I apologize for being delayed—but what are the total number of employees in the CAB? You may have given this in your initial statement.

Mr. CROOKER. The authorized position level in fiscal 1968 is 669.

Mr. THOMPSON. You have 669 employees?

Mr. CROOKER. The actual average employment is 650.

Mr. THOMPSON. How many offices do you have? Do you operate only from Washington?

Mr. CROOKER. There are 30 persons who are outside Washington. All of these are field auditors, 11 in New York City, 13 in San Francisco, and six in Miami, Fla. Actually, we do not have an office in Miami.

Those men operate really out of their homes for their field auditing work, but there are small offices in the other two cities. Then, everyone else with the Board is here in Washington.

Mr. THOMPSON. May I ask you one other question? When you award a new operating authority to an airline going to a city that may already have service by another air carrier, do you take into consideration—obviously you do—the economics of the situation, but just how much of a part does this play in trying to maintain a healthy situation between the airlines and the ability of the airline to carry out the operation?

I am thinking of the Northeast decision going into Miami. You weren't with the Board at that time, but it was a rather ticklish situation that developed. How much consideration in your deliberations do you give in making a decision that this carrier is going to be able to fly from "X" to "Y" and the impact that it is going to have so far as the financial stability of that carrier is concerned?

Mr. CROOKER. I think a great deal of consideration is given to the economics of the matter. We discussed a moment ago service to some of the small cities, and there are many places where service by more than one airline would not be economically sound.

Obviously, wherever a particular market will deserve two or more airlines serving, competition does a great deal for the public. When you get to the larger markets, of course, there will be more than two carriers serving New York to Los Angeles, for example.

Mr. THOMPSON. Then, would it be a policy of the Board to attempt to strengthen existing carriers by awarding them routes which may be financially rewarding to that carrier?

Mr. CROOKER. We discussed a moment ago, Mr. Thompson, the policy of trying to strengthen some of the local service carriers for this reason because it is essential that the total amount of subsidy paid be reduced in future years. So the Board some 2 or 3 years ago embarked on a deliberate policy of route strengthening for the local service carriers.

With respect to the trunklines which are not on subsidy, I think our purposes are largely two: Furnishing adequate and reasonable air transportation to the public, but at the same time trying to provide for the industry an appropriate rate of return on investment. The traffic between any two points would have a good deal to do with that.

Mr. THOMPSON. For example, in your Pacific case wherein you just made an award, did this have any bearing, for example, on Eastern's being awarded the southern route to Australia, say, over Delta or some of the other airlines?

Mr. CROOKER. Let me say that the examiner's decision was rendered in the middle of April. The Board has set that matter for oral argument the week of June 10.

Of course, the Board decision will then be sent to the White House for approval because this is an international matter. In view of the fact that it is a pending case, I hate to use it as an example because we still have a judicial function to perform in that particular one.

I think that in past cases the matter of route strengthening for profit to a carrier would have less to do with an award in a trunkline case than it would in a local service carrier case.

Mr. THOMPSON. Thank you very much.

Mr. FASCELL. I might just add, if I could, I am sure there will be plenty of evidence to satisfy everyone on the economics of it, partic-

ularly since Delta is allegedly in a high category on profits, and Eastern is headquartered in Miami.

Mr. BROOKS. Mr. Fascell, you had a question, sir.

Mr. FASCELL. Yes, Mr. Chairman. I want to address myself for a moment to one of the worst customer inconveniences that exists as far as I am concerned, and that is overticketing.

I want to know where that comes in with respect to the question of the retention of a certificate as it applies to enforcement by the Board.

Mr. CROOKER. We have, as you know, Mr. Fascell, a Bureau of Enforcement, and Mr. Burstein, I am sure when we get into the various programs, will comment on this. There has been overticketing in the past.

Mr. FASCELL. There still is.

Mr. CROOKER. There still is. I believe possibly not quite as much since the airlines have gone to the standby fares because the airlines found that there would be a certain number of no-shows and they did not want to give up the profitability of running with a full load.

So, if experience taught that there would be 10 percent no-shows, they might overbook by 5 percent. And then the day everybody came, you would have the worst sort of situation where the passenger with a ticket would be unable to get on the plane. Our Bureau of Enforcement is very aggressive about these matters, and I am sure Mr. Burstein will comment on it during the last half of this committee hearing.

But I think in general the standby fares have helped reduce the instances of overbooking by lines because they still feel they may be able to fill up the space with standbys. So they are not tempted to overbook and play the averages on no-shows.

Mr. BROOKS. Mr. Fascell, we will discuss this with Mr. Burstein, but it is my understanding that he has two full-time investigators to handle all these problems. I am sure they work hard. If they check them all, they are working 24 hours a day. I hardly believe they are cutting it that thin.

Mr. FASCELL. I just wondered about it, Mr. Chairman. Since all ticketing is on machines now, it wouldn't seem to me to be a very big problem to check it thoroughly.

Some airlines are selling tickets and not reserving seats and also keeping standbys. If there are five or six oversold tickets in addition, you have one big, messy problem at an airport. I don't know whether overselling should be strictly a management decision. That is the reason I raise the question.

Mr. BROOKS. It might not be too difficult for the CAB to monitor the current ADP equipment on which they make all these reservations. They put it on machines now. It may very well be the CAB could monitor that or spot check it with adequate machinery to get a much clearer understanding and pinpoint where these problems are.

Mr. FASCELL. If they are responding to complaints, Mr. Chairman, of course, that is essential—but I am not sure that is the way to get at this thing because I am convinced that you will find problem areas in specific carriers.

Mr. CROOKER. Mr. Chairman, we understand what you suggest. It seems like an exceptionally worthwhile suggestion. We talked a moment ago about programing on computers. It would be interesting for our Bureau of Enforcement to know whether any trunkline's

computer is programed to give 103 percent of the space away on firm reservations.

On standbys, of course, there will be standbys disappointed many times.

Mr. BROOKS. Any further questions, Mr. Fascell?

Mr. FASCELL. No questions.

Mr. BROOKS. Mrs. Heckler.

Mrs. HECKLER. I have a question on the international air travel. Maybe you would like to have Mr. Roth answer. What percentage of foreign passenger travel is carried by U.S. carriers?

Mr. CROOKER. For the exact percentages, I am sure Mr. Roth would be more informed than I am.

Mr. ROTH. Your question is—

Mrs. HECKLER. What percentage of international travel is carried by U.S. carriers?

Mr. ROTH. It varies in the different geographic regions. On the heaviest traffic which is across the North Atlantic, I believe the two U.S. carriers carry roughly 43 percent or so of the total traffic. I believe the range has been between 42 and 44 percent or thereabouts. There are some other regions where the U.S. ratio is probably closer to 50 percent. I would say other than the North Atlantic, my impression is it is approximately 50-50. On the North Atlantic we have less than 50.

Mrs. HECKLER. Are you making any effort to increase the percentage of this trade for the U.S. carriers?

Mr. CROOKER. When you talk about efforts, of course, the lines themselves I am sure are doing their best promotionally to encourage both our own citizens and others to fly Pan American and TWA.

The only way in which we could come into the picture, I suppose, would be in grants of further operating authority, and we have some dockets that are already filed, some which are being expedited for Board consideration. Service such as Miami-London is receiving rather expedited consideration by the Board. There may be other airlines certificated into European countries.

Mrs. HECKLER. Mr. Chairman, last year before the Interstate and Foreign Commerce Committee, your predecessor, Mr. Murphy, stated that, "Foreign countries are usually more prompt than the United States in designating carriers to serve agreed-upon routes. This is largely because of the time required by our proceedings to determine the competing or conflicting interests of U.S. carriers. The result is that foreign carriers are frequently able to begin service earlier than U.S. carriers over routes covered by the same agreement."

Do you discern the same situation?

Mr. CROOKER. What I discern is our answer to that situation, I believe. In the agreement between the United Kingdom and the United States for the Miami-London route, it was agreed that service would not begin until a day early in 1970, as I recall, and that is on Miami-London, and that is one of the major reasons for our expediting our own proceeding so that we can pick the carrier or carriers to be certificated and so that the U.S.-flag carriers can commence service on the same day BOAC may commence service.

Mrs. HECKLER. Within the last year, have you taken steps to expedite these proceedings which in the past have really discriminated against the U.S. carriers?

Mr. CROOKER. I don't think we have solved all the problems, but at least we are working on it.

Mrs. HECKLER. How deeply has your agency become involved in the SST program?

Mr. CROOKER. I don't think we have become involved in the SST program very deeply.

Of course, in our economic forecasts, gazing in the crystal ball to some extent, we wonder what the impact will be on travel, either domestically or across the oceans.

The SST will probably have as its initial logical routes transatlantic and transpacific service, and it is of interest to us to try to forecast what the traffic may be.

But so far as other problems are concerned, safety or aircraft noise, I don't know that we have yet had a major role in coping with those problems that the SST may raise.

Mrs. HECKLER. Have you in your economic forecasts determined the profitability of the SST; whether or not it will be profitable for regulated airlines or whether they will break even, how long it will take them to make a profit and so forth?

Mr. CROOKER. I am sure that the Bureau of Economics is studying all this. I would suppose the factors are going to be how many hours per day can the SST be kept in the air, will there be unreasonable delays in takeoffs or as you approach the destination point in circling and awaiting a time for landing. It will be a costly piece of equipment to leave idle or leave circling. I suppose our economists are trying to consider all these factors and determine what the economics will be. This, in turn, may affect what the rates will be when we have to face up to those rate problems in 1970 or so.

Mrs. HECKLER. The statements which have been made show the cost of the SST to be truly astronomical.

The cost of the pilot alone is phenomenal. I understand it is not impossible for a pilot flying the SST to earn something like \$100,000 a year. Wouldn't it be wise to assess some of these problems in advance so that we can determine whether or not this is a project that should go forward on an economic basis?

Mr. CROOKER. Mrs. Heckler, from what little I know about the matter, I assume that the Department of Defense may be giving consideration to the SST for purposes other than mere civil air transportation.

So far as civilian air travel is concerned, I don't know what amounts will be paid to employees or what the lines that own these new pieces of flight equipment will find as to operating costs. I would imagine that with reasonably capable carrier management in the private sector of the economy they will be doing their best to make civil air transportation a profitable thing.

I don't see how they can price themselves out of the market rate-wise even if they should get all necessary governmental approvals in order to save 2 hours between New York and London. So I don't know whether a pilot will be making \$100,000, but it seems to me they might rewrite the formula so he will be making somewhat less.

Mrs. HECKLER. It is encouraging, Mr. Chairman. Thank you.

Mr. FASCELL (presiding). What is the status of your fiscal 1970 budget?

Mr. CROOKER. For fiscal 1970 we have sent a memorandum to the Directors of all our Bureaus.

Mr. FASCELL. In other words, you have already started?

Mr. CROOKER. Yes, sir.

Mr. FASCELL. When do you finish from a department standpoint?

Mr. CROOKER. September.

Mr. FASCELL. Then you go to the Bureau of the Budget in September.

Mr. CROOKER. Yes.

Mr. FASCELL. So your cycle is 18 months?

Mr. CROOKER. That is right.

Mr. THOMPSON. Mr. Chairman, when the Department of Transportation legislation passed and, of course, the NTSB was set up, I assume there were some transfers of people out of the CAB into the Department of Transportation. Do you have any idea as to what the size of the CAB was prior to this act?

Mr. CROOKER. I can tell you, Mr. Thompson that as of 5 years ago the number of persons at the CAB exclusive of the safety group was just about the same as it is today.

Mr. THOMPSON. The safety group went out?

Mr. CROOKER. The safety group went out, and the number of people there 5 years ago exclusive of safety was about the same as it is today even though the industry has grown at a rate of 14 to 17 percent per year and our filings have increased substantially.

Mr. THOMPSON. Let me follow up just a little bit with the question Mrs. Heckler made. Your Board in no way attempts to set salaries or wages for the airline industry, and you make no effort to establish a rate structure which would require or allow a certain salary level be paid to employees, do you?

Mr. CROOKER. We obviously make no effort whatsoever to set salaries. In trying to fix rates that provide a reasonable rate of return on investment, it is always conditioned on our judgment as to sound and prudent fiscal management of the individual company.

Mr. THOMPSON. But at the same time you would not go into an air carrier and say we think frankly you are paying your pilot too much or your accountants too much or your other personnel, the salaries are too high—or would you?

Mr. CROOKER. Not in those instances, Mr. Thompson. But let me say there is one area of some slight concern to some of the individuals at the CAB. When you get into the subsidized airlines—

Mr. THOMPSON. I can understand that.

Mr. CROOKER (continuing). And you take a look at the amounts spent for advertising and business promotion, it may well be that a very critical look will be taken in the year ahead because it would be pretty difficult to tell Mrs. Heckler and you gentlemen that you should approve a certain amount for subsidies if unreasonably high amounts were being spent for such things as advertising.

Mr. THOMPSON. I certainly can understand that and certainly concur with your thoughts. I think that is a proper area. I do not feel it will be proper for the CAB to go to an air carrier and try to set wage schedules and so forth. This is a matter of the internal operations of the company. As I see it, it has nothing to do with the regulatory authority of the CAB. I just wanted to clear up that point.

Mr. CROOKER. I think, Mr. Thompson, we have much more confidence in the ability of management in this area than we would have confidence in our own ability to set such things.

F. AUTOMATIC DATA PROCESSING

Mr. BROOKS (presiding). Mr. Chairman, do you have a single organization responsible for ADP management within your agency?

Mr. CROOKER. We have the Bureau of Accounts and Statistics, Chairman Brooks, that is responsible for ADP management.

Mr. BROOKS. Would you describe its functions?

Mr. CROOKER. This Bureau is the Board's factfinding arm, we might say. It is responsible for collecting, validating, and processing the information to be used in the performance of CAB functions.

Mr. BROOKS. What do you consider to be the most pressing problem in your computer operations, Mr. Chairman?

Mr. CROOKER. One such problem results from the necessity of funding, simultaneously, resources adequate to program and apply ADP on a recurrent service basis to the regulatory processes of the Board; and, at the same time, to the further development of the automatic data processing systems and system technologies and data banks which are prerequisites to broad application of ADP to these processes.

One aspect relates to providing adequate ADP technical resources for developing system technologies and system designs.

Another aspect relates to providing adequate knowledgeable resources in addition to those required for Board work programs to perform underlying substantive analyses that have to precede these regulatory proceedings.

The Board is trying to meet these problems in part by simplifying programing and improving communications between the substantive analysts and the computer through use of the Mark IV file management system presently in its implementation stage.

As you know far better than we, the Mark IV system is a general purpose file maintenance and data retrieval system similar to but of a higher level of generality than has been available heretofore through such ADP languages as Fortran or Cobol.

Mr. BROOKS. Who heads up your data processing section?

Mr. CROOKER. Mr. Warner Hord is the director of our Bureau of Accounts and Statistics.

Mr. BROOKS. What is his background?

Mr. CROOKER. Mr. Hord is here. I would be happy for him to state briefly his biographical summary.

Mr. HORD. I have been with the Board for about 24 years. I have done rate work and accounting work. I used to be in the teaching profession for some years.

We introduced the data processing project or facility along about 1960 in the form of a 1401 computer. That was about the earliest date at which we could have done it. We did it largely with an idea of processing the massive data that was coming in from the carriers to the Board.

It was used for the carrier reports and primarily one other project of major importance which we call the origin and destination passenger survey of traffic taken periodically on a sample basis for the entire industry.

That survey in itself right now includes about 70,000 computer pages. So we have used the facility largely as a basis of communicating data from the industry to the Board and processing that body of data which constitutes largely the body of facts used by the Board in its regulatory process.

Mr. BROOKS. What type of computer do you operate now?

Mr. HORD. IBM 360, model 30.

G. PERSONNEL MANAGEMENT

Mr. BROOKS. Thank you very much.

Mr. Chairman, would you describe for the subcommittee the elements of your personnel management program?

Mr. CROOKER. The Executive Director has the basic planning responsibility here; and he relies on the heads of the offices and the bureaus to develop estimates, and the controller and director of personnel to assist him in evaluating these needs.

Manpower requirements for fiscal 1969 total 688 positions. These requirements are determined primarily through the budgetary process in which these offices and bureaus estimate their workload and their needs.

The executive director has critically reviewed these programs, discussed objectives and requirements in meeting with each of the bureau and office representatives, and he submitted his proposals on fiscal 1969 to the prior chairman, Mr. Charles Murphy.

And, of course, he and I have begun to talk about fiscal 1970, though it will be June before we have the reports from our bureaus and offices to even start work on 1970.

H. GENERAL ACCOUNTING OFFICE REPORTS

Mr. BROOKS. On General Accounting Office reports, have any audit reports been issued on the overall operation of your agency?

Mr. CROOKER. No, sir.

I. FREEDOM OF INFORMATION

Mr. BROOKS. How is your agency carrying out the provisions of the Freedom of Information Act recently passed by the Congress?

Mr. CROOKER. The Board issued a number of regulations, the principal one being part 310 of the Board's procedural regulations which sets forth rules concerning inspection and copying of the Board's records.

The material generally made available by the Board is listed in appendix A to part 310 of these regulations.

Appendix B lists the types of records which are generally not available for inspection. Most of the material listed in appendix A to part 310 was made available to the public generally before the Freedom of Information Act became effective. There were, though, certain exceptions and qualifications as we will try to describe briefly.

The Board now displays in its public reference room a copy of all those portions of the Civil Aeronautics Board manual that affect the public, and this was not done before the Freedom of Information Act

became effective, although before that time a person could request and receive permission to inspect individual issuances in the manual.

As to transcripts of conferences between the CAB and other persons, before the effectiveness of the Freedom of Information Act these transcripts were available only to what we called interested persons. This qualification doesn't now apply.

The Board now keeps for the public's use a single list describing all forms used in dealing with the public together with the forms themselves. While the basic information was available before, it had not been assembled in this convenient form before the Freedom of Information Act.

Before the act became effective, the Board's minutes were available only to persons properly and directly concerned with the subject thereof. This qualification doesn't now apply.

The Board now displays in its public reference room copies of opinions of its General Counsel which are contained in numerous letters prepared over the years and an index of these opinions is displayed.

The Board didn't do this before the act became effective, although response would have been given prior to that time to an inquirer as to individual matters of interest.

With the effectiveness of the Freedom of Information Act, there has been prepared and maintained for the public in our public reference room an index of all materials available to the public. In the 9 months from July of last year through March of this year, there have been 13,360 requests for inspection of the Board's records.

Our records show there have been five instances where the records were not made available in response to those requests, and in none of those five cases was an appeal taken to the Board's Executive Director or to the Board. Two of these cases involve requests for material from Board investigative files and the other three of the five involved information received from air carriers under circumstances where we felt the information was to be considered privileged.

In addition to those five cases out of 13,360 where we have not made a disclosure, there was one other instance where the staff officially denied a request but on appeal to the Board's Executive Director, the staff decision was overturned and the record was made available.

Mr. BROOKS. Mr. Chairman, how would a question of continuation of a route certificate arise, and has such an occasion come about?

Mr. CROOKER. If authority has been given temporarily, of course, there would be an application by the carrier for a renewal of the authority.

Mr. BROOKS. What if it was given as a regular certification? They have had a certificate for 10 years to fly from A to B. Does that have to be renewed on a regular basis, or is it a perpetual grant of that authority?

Mr. CROOKER. No, sir; I will check with Mr. Goldman, the General Counsel, or Mr. Andrews, but I apprehend that in the majority of these matters there has been no termination date fixed.

Mr. GOLDMAN. In most instances the certificates are of indefinite duration. In common parlance they are called permanent certificates subject to the provisions of the act which empower the Board to alter, amend, modify, or suspend if the public convenience and necessity require it.

Mr. BROOKS. Has that been done on many occasions, on any occasion?

Mr. GOLDMAN. On very limited occasions.

Mr. BROOKS. How many?

Mr. GOLDMAN. I wouldn't have that statistically.

Mr. BROOKS. Would you get that for the record, the number of times that the CAB has taken a permanent certificate and made an inquiry as to whether or not it should be continued?

Mr. GOLDMAN. Yes.

Mr. BROOKS. On the basis of original facts.

Mr. GOLDMAN. I will be happy to do that, sir. I can say there have been many instances in which the Board has deleted certain points from certificates. For example, in Alaska we did a fair amount of re-examination of the route structure and deleted various points from the carriers' certificates.

Mr. BROOKS. Was this for public convenience and necessity, or were they not making any money and wanted to dump those points like the railroads have been doing?

Mr. GOLDMAN. Public convenience and necessity embraces any number of factors.

Mr. BROOKS. Their public convenience and necessity, their profits?

Mr. GOLDMAN. That is a factor that the Board would consider. The Board would consider, among other things, the needs of the traveling public. There is now pending before the Board today the South American route investigation which includes questions as to what points might properly be deleted from the certificates of Pan American and Braniff, the two major carriers going to South America.

For example, there are points that haven't been served. There are even issues as to whether or not there is a duplication of service and a question of whether one carrier should be suspended.

Mr. BROOKS. One further question. Why don't you determine for us how many cases arose where the airline was an adverse party to the determination of a fixed point of operation or a longer route?

Mr. GOLDMAN. I am sure we can check that and supply it.

Mr. BROOKS. It will be interesting.

(The information to be furnished follows:)

NUMBER OF CASES INVOLVING SUSPENSION OR DELETION OF PERMANENT
CERTIFICATE AUTHORITY

Since its inception in 1938, the Board has had the question of amending, suspending, or deleting permanent certificate authority placed in issue before it in at least 191 cases.

<i>Years</i>	<i>Number of cases</i> ¹
August 1938 to May 1955.....	89
June 1955 to April 1960.....	28
May 1960 to May 1965 ²	69
July 1967 to present.....	5
Total	191

¹ Source: Civil Aeronautics Board Reports.

² The cases for the period from June 1965 to June 1967 have not yet been indexed.

TABLE OF SUSPENSIONS AND DELETIONS

Total points involved.....	583
Points not suspended.....	104
Points suspended.....	479
Suspension cases by applicant:	
Civil Aeronautics Board.....	63
Carrier	58
City	3
Total	124
Nonsuspension cases by applicant:	
Civil Aeronautics Board.....	18
Carrier	20
City	0
Total	38

The number of cases resulting in suspension (124) and nonsuspension (38) adds up to 162. The remaining 29 cases (191-162=29) involved questions of amending permanent certificate authority and therefore are not classified as either suspension cases or nonsuspension cases.

Mr. CROOKER. I want your committee to know that many thoughts are being given to the future as to how to provide proper service to smaller communities where it is not economical for even a Convair 440 or a DC-3 to serve.

There are air taxi operators in many places, but these people have no obligation to provide service. If a certificated carrier were taken out of a market because an air taxi operator is there now, the air taxi operator might cease his service next week.

But there are presently instances that may come before us in which a certificated carrier may propose a contractual arrangement with an air taxi operator, and our permission to let the certificated carrier out of the market may be conditioned on the air taxi operator furnishing that service and the carrier's permission to stay out may end if the air taxi operator doesn't continue to perform the service.

So, we are doing our best to avoid the very difficult dilemma that you have ably presented. We are trying to keep the service to the communities and still not run the carriers, especially the local service carriers, to the wall financially by insisting on service where there may be two or three passengers per day.

Mr. THOMPSON. Mr. Chairman, if I may inject something at this point, the Post Office Department currently is awarding a number of contracts to air taxi operators for transportation of mail from one city to another. Is any effort being made to try to coordinate this with the CAB so as to also provide passenger service to these areas in conjunction with the transportation of the mail by the air taxi operators?

Mr. CROOKER. Yes, Mr. Thompson. Mr. Fred Batrus of the Post Office Department has visited extensively with us, and you will find in many instances these air taxi operators carry passengers by day and mail by night. In that way rather effective use is being made of their equipment.

Generally speaking, on the normal post office use of this equipment, they may be gathering the mail at a small town at 5:30 or 6 o'clock in the afternoon, bringing it to one of the regional centers, and then feeding mail that comes in there back out to the small town by 11 or 11:30 at night.

Mr. THOMPSON. And there is cooperation between the Post Office Department and the CAB so as to make possible passenger utilization as well as freight utilization of these aircraft to provide a service to the people of the community?

Mr. CROOKER. Yes. As I pointed out, most of the passenger traffic in this sort of plane is daytime traffic.

Mr. THOMPSON. Mr. Chairman, may I follow up with a question I wanted to ask originally?

I wonder if we could have the Chairman give a very brief review of the judicial functions of the Board now that we have the NTSB, particularly as it has appellate jurisdiction as far as FAA hearings are concerned. Is there any appellate jurisdiction with the Civil Aeronautics Board on airmen certificates now that we have the new organization?

Mr. CROOKER. No; we have no functions to perform in the area of certificates to individuals who are operating aircraft.

Mr. THOMPSON. I am thinking of the violation of your Federal air regulations or airmen's certificates. There is no appellate jurisdiction any longer in the CAB in this area; is that correct?

Mr. CROOKER. In the area to which you refer, there is no jurisdiction in the CAB.

Mr. THOMPSON. Does the CAB have the authority as original jurisdiction to commence any actions other than economic actions as set forth in the 1958 act? Is only economic jurisdiction remaining in the CAB?

Mr. CROOKER. Yes, sir. I guess the thought I am struggling with is, are you trying to imagine a situation where some person holding authority from us would have such a terrible record in employment of personnel that—

Mr. THOMPSON. I am trying to clear up in my own mind as to how the Department of Transportation legislation and the NTSB figure in. Several years ago, of course, the FAA would write an action. They would have a hearing. You could appeal this hearing to the CAB which would in effect be in the form of an appellate jurisdiction in this matter dealing with airmen's certificates and the like. Has this all been transferred completely to the—

Mr. CROOKER. The Department of Transportation.

Mr. THOMPSON. And you are only involved with economic functions?

Mr. CROOKER. Yes, sir.

PART 2—PROGRAM REVIEW

Mr. BROOKS. Thank you, Mr. Chairman.

Would you now call on your various program directors?

A. PROGRAM CATEGORY 1—AWARDS OF OPERATING AUTHORITY

Mr. CROOKER. Mr. Andrews, the Director of the Bureau of Operating Rights.

Mr. BROOKS. You may revise your remarks later if you are a little concerned with the exact wording. I will submit, without objection, exhibit E on awards of operating authority.

(Exhibit E follows:)

EXHIBIT E—FACT SHEET—AWARDS OF OPERATING AUTHORITY PROGRAM—CAB

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Awards of Operating Authority	SUBPROGRAM	
200	CODE	CODE	CODE	
300	ANALYSIS AND CONTROL CODES			
400	FISCAL YEAR 1968 (in thousands of dollars)			
		Unobligated Carryover	Appropriation or Current Year Request	Total Available
500	"In house" inputs			
510	Personnel:			
511	Comp.			3,140
512	Benefits			232
513	Travel			50
520	Expenses:			
521	Communications			56
522	Transportation			
523	Printing			11
524	Supplies and Consum- able Materials			28
530	Capital Equipment			96
540	Land and Structures			
541	Additional Investment			
542	Rents			
550	Total			
600	Funds distributed			
610	Contracts			
620	Grants			
630	Loans			
640	Benefits			
650	Other			25
660	Total			
700	Total			3,638
				Prior Fiscal Year
800	Input-output ratio			
810	1. Input			
811	1. Output			
820	2. Input			
821	2. Output			
830	3. Input			
831	3. Output			
840	4. Input			
841	4. Output			
850	5. Input			
851	5. Output			
860	6. Input			
861	6. Output			
870	7. Input			
871	7. Output			
880	8. Input			
881	8. Output			

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AWARDS OF OPERATING AUTHORITY

The Federal Aviation Act of 1958 specifies that air carriers, to engage in air transportation within the United States or to and from the United States, require a certificate of public convenience and necessity, or a permit or an exemption from the Civil Aeronautics Board authorizing such air transportation. Air taxi services are covered by exemptions and services by foreign air carriers are covered by foreign air carrier permits. Intrastate carriers are not subject to Board authority.

The normal activities involved in carrying out this program include:

- (1) The processing of applications for air transportation operating authority or modification of authority either by hearing or nonhearing procedures;
- (2) The conduct of investigations initiated by the Board involving operating authorities;

(3) International aviation work involving obtaining, granting, or exchanging of operating authority with foreign countries generally through bilateral agreements, and the handling of day-to-day operating problems with foreign governments and airline officials;

(4) The issuance of foreign carrier permits; and

(5) The necessary studies, forecasts and analyses not related to processing a specific case or application.

The estimated and actual outputs in terms of workload items are:

Workload item	Items completed or processed			
	1967 actual	1968 estimate	1969 estimate	Increase
1. Regular route authorizations.....	299	409	510	101
2. Cargo and charter licensing.....	1,273	1,170	1,197	27
3. Examiners decisions issued.....	77	78	85	7
4. Negotiations/consultations.....	15	18	19	1
5. Informal intergovernment discussions.....	7	7	7	-----

The officials responsible for the operations of the program:

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Alphonse M. Andrews, Director, Bureau of Operating Rights.

Mr. ANDREWS. I will try to be brief and indicate what I believe to be the thrust of the Board's present program.

As the Chairman mentioned earlier, one of the basic objectives that we spend a considerable amount of time on right now is strengthening the subsidized route carriers. We attempt to give them access to the larger markets. We try to lift restrictions on their operating rights at the moment. The thought behind it all is to attempt to reduce subsidy for these carriers.

There have been some mergers in this field, both in the Alaska area and in the local service area, which have a favorable impact on subsidy.

A second program that I think is fairly distinctive is the improvement of route licenses where markets have grown and there is now the possibility of a single-plane service, for example, in a market where previously there had been only connecting service or there is opportunity for competitive service where previously the market had involved only a monopoly carrier. We have several cases like that. The Gulf States-Midwest points case, the Pacific Northwest-Southwest case and the Southern tier case are examples.

A third kind of objective which the Board has in mind is getting more effective use of the ground facilities now available. I think we are concerned there primarily with the congestion that exists in major airports such as New York, Los Angeles, and Chicago. Some of our route proceedings are designed to permit traffic flows which avoid such places as these. We have possibly a half dozen important cases designed to get the most out of the limited ground facilities which now exist.

Internationally, the Board's program is designed to take a look at broad geographical areas that have not been reviewed for some period of time where possibly now with technological advances in aircraft we can provide flights to interior points—overflying gateways. We believe the traffic has grown and the prospects are good for additional competitive services. We are in the process of looking at the South American situation, the Caribbean area, and, of course, the Trans-Pacific area.

We also have to take reciprocal actions in relation to licenses of foreign airlines. They permit our carriers to fly into their countries and on a reciprocal basis we have to take steps to grant similar authorities to them.

In the nonroute area we have granted fairly broad licenses to supplemental carriers to engage in charter flights, primarily group tours and all-expense tours, inclusive tours, which the Chairman previously mentioned.

For the air taxi operators, there are blanket rights permitting them to operate when and where they please and charging what rates they please, and there is a program in conjunction with the Post Office to permit the transportation of mail. This is a growing program.

Also, we have relatively free entry into airfreight forwarding. These are companies which do not operate aircraft. Rather, they consolidate cargo and utilize space provided by the airlines.

In summary, I would say the Board's attitude in providing adequate service to the public is really based upon providing competition where competition is economically feasible. That is its means, its basic means, of providing good service to the public.

That is a very sketchy statement.

Mr. BROOKS. How many people are in your Bureau?

Mr. ANDREWS. In my own Bureau there are 90 authorized positions.

Mr. BROOKS. Ninety?

Mr. ANDREWS. Yes.

Mr. BROOKS. Mr. Wrenn is your chief hearing examiner?

Mr. CROOKER. Yes.

Mr. BROOKS. I want to ask him, how long are the hearing reports? I understand that in some of the hearings the exhibits and so forth are as tall as this room.

Mr. WRENN. Mr. Chairman, in the Trans-Pacific case I suspect that is probably an accurate statement, but there were 18 applicants in that case. They presented their exhibits in bound volume form. Some of them had a couple of bound volumes. If you take a volume or two several inches thick and take 18 carriers, their direct and their rebuttal exhibits, I expect it would approximate the height you have indicated.

Mr. BROOKS. Have you read all that?

Mr. WRENN. I didn't.

Mr. BROOKS. Did any one person in this whole world ever read it all?

Mr. WRENN. I believe I can tell you that Examiner Park, who rendered his decision in about the middle of April, looked at everything in there.

Mr. BROOKS. Do I interpret "looking at" as "reading" or do you just say he looked at that stack?

Mr. WRENN. No. Let me clarify this. The text he read; the figures he looked at. I don't know how much of them he read.

Mr. BROOKS. Has any effort been made to consolidate those applications in some way? Has any effort been made to explain to the advocates that they might present their best case in more concise form?

Mr. WRENN. Yes, sir, Mr. Chairman, there has been. I have constantly passed that word to other examiners, and they urge them at the prehearing conference to make as precise presentations as they can and to consolidate presentations where they can.

Also, where a city and a chamber of commerce intervene in a proceeding, we urge them to make one concise presentation.

Mr. BROOKS. Do the examiners just accept it for the record when it is possibly redundant and it is long and drawn out and doesn't contribute much to the real evaluation of their own case?

Mr. WRENN. Mr. Chairman, rather than forget it, I think I would say they give very little weight to it.

Mr. BROOKS. Are the ones that win the ones that have the biggest, fattest material submitted?

Mr. WRENN. No, sir.

Mr. BROOKS. I think that would be a case in point that the lawyers would understand. If you just load them up with exhibits it doesn't necessarily help.

Mr. CROOKER. I would like to comment, Mr. Chairman.

Mr. BROOKS. Before you comment, let me add that these long records that are very involved and complicated don't necessarily better represent the various applicant's position; instead, I think they rather obscure the basic issues that the Board later will verify or approve. It is difficult for an independent applicant to compete with a full draft presentation of printed and bound volumes of statistics and exhibits.

Mr. CROOKER. Since the Trans-Pacific decision by the examiner, Mr. Wrenn and I have talked about possible method of simplification. We used the printed sheet that the Internal Revenue Service sends out on which you put capital gains and losses as an example of one sheet that points up a problem. We talked about whether we should have a sheet that invited carriers to state very succinctly the flight equipment they would use if they got the operating authority they sought, the number of frequencies, even their scheduling. We even discussed the possibility of summarizing statistics about particular cities, population, utility connections, bank deposits, building permits, and then stopping. We do not want to cut off counsel for a carrier to try to interpret those statistics and to say, "Oh, yes, they have only so many people, but this is a more well-to-do town—more people travel here because there is a university or there is a State capital." Mr. Wrenn and I have met on more than one occasion since Mr. Park's decision to try to get to the very point that you ably suggest: simplifying and shortening exhibits in future matters.

Mr. BROOKS. I think this is highly desirable because it is obvious that every member of the Board can't read a stack of volumes like that. It is probably not necessary that he read them or look at all those exhibits. You are just asking for the impossible if you think every member of the Board and the General Counsel are going to read them all. They wouldn't have time to do anything else, Mr. Wrenn. I think it merits some real serious thought, because the only way the Board or an examiner can reach a decision is to have usable facts. Facts that you can't extract readily for consideration are unnecessary.

I think that is a fine idea, Mr. Chairman. It takes brains to do it in a short sentence, but anybody can do it in 10 pages. I think the lawyers should draw their pay on the basis of how short and concise and to the point their statement is rather than how long and verbose and how many exhibits they have or how many bound volumes and how many statements they have from the chamber of commerce in every city in that State.

B. PROGRAM CATEGORY 2—REGULATION OF RATES AND FARES

Mr. BROOKS. Could we move on to the next program now?

Mr. CROOKER. Might we now present Mr. Roth, whom the committee has already met, to discuss the Bureau of Economics.

Mr. BROOKS. Yes, sir. I want to put in the record at this point, exhibit F, without objection.

(Exhibit F follows:)

EXHIBIT F—FACT SHEET—REGULATION OF RATES AND FARES PROGRAM—CAB

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Civil Aeronautics Board	Regulation of Rates and Fares			
200	CODE	CODE	CODE		
300	ANALYSIS AND CONTROL CODES				
400	FISCAL YEAR 1968 (in thousands of dollars)				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			1,422	
512	Benefits			105	
513	Travel			21	
520	Expenses:				
521	Communications			25	
522	Transportation			-	
523	Printing			6	
524	Supplies and Consumable Materials			22	
530	Capital Equipment			46	
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total				
600	Funds distributed				
610	Contracts				
620	Grants				
630	Loans				
640	Benefits				
650	Other			11	
660	Total				
700	Total			1,658	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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REGULATION OF RATES AND FARES

The Board is authorized by the Federal Aviation Act of 1958 to regulate rates, rate structures and related practices and services of domestic air carriers. This

includes the fixing of service mail rates paid by the Post Office Department and rates paid by the Department of Defense for military traffic carried by commercial airlines.

The activities involved in carrying out this program include :

- (1) Review of domestic and overseas passenger and cargo rate tariffs to determine those rates and fares that should be permitted to become effective without investigation, those that should be permitted to become effective but at the same time investigated, and those that should be suspended pending investigation ;
- (2) Review of complaints against air carrier rates filed by competing carriers or by users of those services to determine whether such complaints warrant a formal investigation of the provisions complained of ;
- (3) The conduct of formal (hearing process) investigations of those rates, fares, rules, or related tariff provisions that the Board has found may be unlawful or contrary to the public interest ;
- (4) Establishment of minimum rates applicable to foreign, overseas, and domestic charter services performed by the civil air carriers for the Military Airlift Command (MAC), on the request of the carriers or the Department of Defense, or the Board's initiative, so as to maintain these services on a sound economic footing ;
- (5) Review of petitions for the establishment or revision of service mail rates filed by the air carriers or the Post Office Department ; and
- (6) The necessary studies, forecasts, and analyses not related to processing a specific case or application.

The estimated and actual program outputs in terms of workload items are :

Workload item	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Passenger and property rates:				
a. Review of tariff filings.....	47,616	50,000	52,000	2,000
b. Special tariff permission applications.....	1,599	2,000	2,100	100
c. Free transportation tariffs.....	1,635	1,700	1,700	-----
d. Processing tariff referrals and complaints.....	956	1,000	1,100	100
e. Passenger and property rate investigations.....	19	18	25	7
f. Passenger and property rate exemptions.....	225	225	250	25
2. Government rates: Service mail rates.....	10	25	28	3

The officials responsible for the operation of this program :

John H. Crooker, Jr., Chairman.
Charles F. Kiefer, Executive Director.
Irving Roth, Director, Bureau of Economics.

Mr. ROTH. Sir, on the subject of rates and fares, the statute leaves the initiative with air carrier management for the initial determination of rates and fares through the filing of tariffs setting forth domestic rates and fares for the passenger and property services offered to the general public. The carriers must file the tariffs and they are obligated by law to comply with the terms of the tariff.

In the domestic area they are required to publish rates that are just and reasonable and without unjust discrimination. The Board has wide latitude to suspend tariffs before their effective date in connection with domestic and overseas air transportation but not in connection with international air transportation. The power of the Board to suspend a domestic tariff is limited to 180 days, during which time the Board is obligated to conduct a formal hearing. If the hearing process is not completed in the 180 days, the carrier is free to have the suspended rate become effective. Normally, tariffs are filed on either 30 or 45 days' notice, and the Board must review that tariff and make a policy determination whether to suspend before the effective date of the tariff. Once the tariff becomes effective, the Board cannot lawfully suspend the rate. The Board can only institute a formal rate hearing, which frequently will take a few years to complete, and it is only after

the completion of that hearing process—usually time consuming—that the Board can order that an air carrier change an already effective rate.

This means that in the ordinary sense of reviewing tariffs there is no such thing as a backlog. In other words, by virtue of the statutory concept the tariff becomes effective on its intended effective date unless the Board issues a rate order suspending the effectiveness of the tariff.

In situations where there is a major policy problem for the Board to resolve, where there is a complaint either by a member of the general public, by an air shipper, by a competing airline, or sometimes by a travel agent, very little time is afforded for the Board to resolve the facts and get at the bottom of the problem because of the very limited time in advance of the effective date for the tariff to be filed.

Complaints must be filed within 12 days and the filing carrier has only 1 week within which to file an answer. The Board is therefore under extreme pressure to act with dispatch.

I believe, sir, we covered earlier the general question of international rates and fares. The Board is getting into that through the approval of agreements between air carriers.

There is just one other area I will touch on for 1 minute—the matter of Government rates in two separate categories. The Board must prescribe, by section 406 of the statute, the rate of mail compensation to be paid by the Postmaster General to each carrier for the service of transporting the mail that goes by air. This is not a rate initiated by a carrier tariff filing and reviewed by the Board. It is a rate established by the Board in proceedings established for that purpose. These proceedings do not usually go to hearing; however, rather informal procedures are adopted in which the views of the various parties are advanced and through negotiation a rate is established, thus avoiding the time-consuming nature of a public hearing.

The rates are generally based on costs, primarily on costs, and where there are competing carriers the Board has usually prescribed the same rate for each carrier so that the Post Office Department is free to select the most desirable carrier without any financial penalty.

Finally, the Board has had a very active program in the last 7 or 8 years for an annual determination of the rates to be paid to the civil air carriers by the Air Force, the Military Airlift Command for military charter services. This has become a very substantial volume activity. I believe the estimate was something in excess of \$600 million for military charter services a year ago.

Those are the highlights of the rate and fare program of the Board.

C. PROGRAM CATEGORY 3—ENFORCEMENT OF APPLICABLE LAWS AND REGULATIONS

Mr. CROOKER. You heard from Mr. Hord, the Director of our Accounts and Statistics Bureau, during the earlier presentation, and we discussed subsidy at some length. I wonder if in view of the time involved you would like to hear briefly from the Director of our Bureau of Enforcement, Mr. Burstein.

Mr. BROOKS. I think that would be an excellent suggestion. Without objection, I will insert exhibit G at this point.

(Exhibit G follows:)

**EXHIBIT G—FACT SHEET—ENFORCEMENT OF APPLICABLE LAWS AND
REGULATIONS—CAB**

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Enforcement of Appli- cable Laws & Regulations	SUBPROGRAM
200	CODE	CODE	CODE
300	ANALYSIS AND CONTROL CODES		
400	FISCAL YEAR 1968 (in thousands of dollars)		
500		Unobligated Carryover	Appropriation or Current Year Request
510	"In house" inputs		Total Available
511	Personnel:		Total Obligated or Expended
512	Comp.		
513	Benefits		416
520	Travel		31
521	Expenses:		22
522	Communications		7
523	Transportation		2
524	Printing		6
530	Supplies and Consum- able Materials		3
540	Capital Equipment		
541	Land and Structures		
542	Additional Investment		
550	Rents		
600	Total		490
610	Funds distributed		Prior Fiscal Year
620	Contracts		
630	Grants		
640	Loans		
650	Benefits		
660	Other		3
700	Total		
800	Input-output ratio		
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

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ENFORCEMENT OF APPLICABLE LAWS AND REGULATIONS

The Board's enforcement program seeks to obtain compliance with the economic provisions of the Federal Aviation Act and with all of the regulations, orders, certificates, permits, exemptions, and other requirements issued thereunder; preventing improper claims for subsidy and unfair, deceptive, and restrictive competition and practices; protecting the public from unjust discrimination and mistreatment by air carriers and their agents; and improving the quality and dependability of air transportation service, thereby promoting the sound growth and development of air transportation.

Within the Board's jurisdiction and purview are included 48 certificated air carriers, 131 foreign air carriers, 13 supplemental air carriers, 145 authorized domestic and international air freight forwarders, almost 3,000 air taxi operators

who are subject to some degree of economic regulation, a number of intrastate and commercial operators who become involved in interstate or foreign common carriage, and thousands of travel agents who are subject to section 411 of the act.

The activities involved in carrying out this program include:

- (1) The handling of passenger and shipper complaints;
- (2) Investigation of alleged or suspected violations of the economic provisions of the Federal Aviation Act and with all of the regulations, orders, certificates, permits, exemptions, and other requirements issued thereunder;
- (3) The taking of enforcement action and the achievement of compliance by informal (nonhearing) enforcement action, formal (hearing) administrative proceedings, and the prosecution of enforcement cases in the courts.

The estimated and actual program output in terms of workload items are:

Workload item	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Formal actions.....	26	28	38	10
2. Informal actions.....	421	441	450	9
3. Court cases.....	2	0	2	2
4. Investigations.....	260	254	284	30
5. Consumer complaints.....	2,561	3,000	3,250	250

The officials responsible for the operation of this program:

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Robert Burstein, Director, Bureau of Enforcement.

Mr. THOMPSON. May I ask a question?

Mr. BROOKS. Yes.

Mr. THOMPSON. Mr. Roth, how is it that the fare differs slightly from carrier to carrier? I am going on personal experience that from here to Atlanta and return, tourist with one airline is about \$82 and with another airline about \$85. Why is this?

Mr. ROTH. This is almost the exception that proves the rule. In all the years I have been involved with the Board's rate program, I would say in 999 out of 1,000 instances the competing carrier meets the fare of the lowest priced carrier.

There is, however, a situation where Eastern Air Lines in the past 3 to 3½ years is competing with other trunklines with respect to fares below \$50 where the Board, about January 1965, because Eastern was then in a very heavy loss position, authorized Eastern to raise the fares below \$50 simultaneously with a decrease in fares above \$50; in other words, to increase the taper of the fare structure.

Eastern's competitors reduced all of their fares that were above \$50 to match Eastern's fare reduction, but Eastern's competitors did not attempt to raise the fares that were below \$50 to Eastern's level. In fact, there is substantial doubt whether the Board would have permitted the highly profitable competitors to raise their fares had they sought to do so.

In just about every instance I can recall in the period of more than 20 years, after a reasonable period of months in which the carrier with a higher fare than his competitors would see how traffic develops, the invariable practice is for the higher priced carrier to reduce his fare to meet the competition. I would say this is the one exception to prove the rule I can think of in the last few decades.

Mr. THOMPSON. I think one of the reasons is there are a limited number of flights that can come into Washington National. So you are fortunate to get on any flight, whether it is an Eastern or a Delta or a United or whatever it may be.

Mr. CROOKER. Mr. Burstein, the Director of the Bureau of Enforcement, will make a brief statement about the work of his Bureau.

Mr. BROOKS. Would you include in that statement how many people you have?

Would you also include in your comments how you are doing on your freight forwarding program. Also, what kind of volume you have had in complaints from passengers. If you don't have it pinpointed, put it in the record and submit it to us.

Mr. BURSTEIN. Mr. Chairman, we have a staff of 32 people. The staff hasn't gone up. In the last 6 or 7 years it has really gone down. In 1961 we had 36 people and now we have 32 people.

I think that some of it is due to the fact that we have improved our efficiency in our investigative and enforcement techniques.

I just want to mention briefly the scope of the Board's enforcement responsibilities and the number of entities over whom the Board has enforcement jurisdiction.

We have 48 U.S.-certificated air carriers, 131 foreign air carriers, 13 supplemental air carriers, about 150 domestic and international air-freight forwarders, about 3,000 air taxi operators over whom we have limited jurisdiction or limited regulation.

There are also a number of intrastate and commercial operators with whom we get involved in enforcement problems, and then there are thousands of travel agents who are subject to section 411 of the Federal Aviation Act. This is the one dealing with unfair or deceptive practices or unfair methods of competition.

So the area is broad, and we can't do a perfect job with the staff we have. What we try to do is concentrate on important areas.

I will just briefly enumerate the important areas that we go into. We try to enforce violations of conditions in terms of certificates and permits. We try to enforce unauthorized air transportation by unauthorized carriers. We try to get into various passenger and cargo tariff violations, such as indirect and direct rebates.

We try to cope with various forms of discriminatory practices. We get into situations of unauthorized interlocks or control relationships.

We try to enforce section 411 which is comparable to section 5 of the Federal Trade Commission Act: unfair and deceptive practices and unfair methods of competition such as misleading advertising and anticompetitive practices.

We get into accounting violations, violations of our accounting regulations, which may have an impact on subsidy, or improper claims for subsidy. Also, we enforce reporting violations.

We do the best we can with the staff we have. We try to emphasize voluntary and informal compliance rather than punitive enforcement.

Nevertheless, there are situations in which we have to take formal action, punitive action, if I may mention two or three examples.

Recently we had filed complaints against six foreign air carriers charging them with giving indirect rebates to freight forwarders. We found that our freight forwarders were giving most of their business to foreign air carriers, and this may have been the reason the forwarders gave them this business because they got rebates. This, of course, has an impact on the balance-of-payments problem.

In the case of another major foreign air carrier, we discovered a practice for a number of years of giving rebates to passengers. It was really a system set up through a separate bank account. We settled this

case by one of the biggest civil penalties, certainly in the Board's history if not in the case of other regulatory agencies. The amount was \$75,000.

In another case it was necessary for us to file a complaint for revocation against a big airfreight forwarder, because we found it was engaged in wholesale violations of the tariff regulations, particularly excessive charges to shippers.

Mr. BROOKS. The shipper was the Government, wasn't it?

Mr. BURSTEIN. In one case it was the Government, and the Government is now reviewing these shipments. I don't know what the status of their review is.

As I say, we try to be selective; we have to be selective. If we tried to do a complete enforcement job, we would probably need twice as many people.

Turning to the consumer area, we have a consumer complaint section that handles complaints from passengers and shippers. The rate of complaints has increased considerably.

In 1967 we had twice as many complaints as in 1966. It rose from 1,500 to 3,000. As a result of that, the Board instructed the Bureau of Enforcement to make a consumer survey, to go to all the airlines, see how they handle their complaints, see what the causes of the complaints are. We did this, and we hope as a result of it service will be improved and we will get fewer complaints. As a matter of fact, it appears now that the rate of increase will be less in 1968 and 1969 than it was in 1967.

Mr. BROOKS. Will you give us those figures compared to the volume of passenger traffic totals? You can do this for the record, if you will.

Mr. CROOKER. We will supply that, Mr. Chairman.

(The information furnished follows:)

The latest traffic statistics available are for the month of February 1968. Therefore, we have used the 12 months to the end of February as a basis for comparing consumer complaint receipts and revenue passenger enplanements.

Number of consumer complaints received:

March 1, 1967 to February 29, 1968, inclusive	3,696
March 1, 1966 to February 28, 1967, inclusive	2,254

Increase (64 percent)	1,442
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Revenue passenger enplanements for total certificated route air carriers:

March 1, 1967 to February 29, 1968, inclusive	145,865,000
March 1, 1966 to February 28, 1967, inclusive	120,816,000

Increase (20.7 percent)	25,049,000
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It should be noted that approximately 10 percent of the complaints received involved air taxi operators, supplemental air carriers, foreign air carriers, travel agents, or unauthorized operators rather than certificated route air carriers or pertained to carriage of cargo. The ratio of complaints to passengers enplaned increased from 1 to 536,000 for the year ended February 28, 1967, to 1 to 395,000 for the year ended February 29, 1968.

Mr. BURSTEIN. I might say, Mr. Chairman, that the complaints we get are just the peak of the iceberg, because the carriers themselves get many more complaints than we get. These are the highlights.

D. OTHER PROGRAMS

Mr. CROOKER. Mr. Chairman, we will submit for the record the requested program statement on support of air service through subsidy

payments—it was probably covered pretty well in the questions you previously asked—and also the program statement on regulation of agreements and interlocking relationships along with the other information you requested.

Mr. Brooks. And on the regulation of air carrier accounting and reporting.

We will put in exhibits H, I, and J, on those programs, without objection.

(Exhibits H, I, and J follow:)

EXHIBIT H—FACT SHEET—SUPPORT OF AIR SERVICE THROUGH SUBSIDY PAYMENTS PROGRAM—CAB

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Support of Air Service Through Subsidy Payments	SUBPROGRAM
200	CODE	CODE	CODE
300	ANALYSIS AND CONTROL CODES		
400	FISCAL YEAR 1968 (in thousands of dollars)		
	Unobligated Carryover	Appropriation or Current Year Request	Total Available
500	"In house" inputs		
510	Personnel:		
511			663
512			49
513			6
520	Expenses:		
521			12
522			
523			4
524			
			10
530			29
540			
541			
542			
550			
600	Funds distributed		
610			
620			
630			
640			
650			5
660			
700			778
			Prior Fiscal Year
800	Input-output ratio		
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

SUPPORT OF AIR SERVICE THROUGH SUBSIDY PAYMENTS

The Civil Aeronautics Board administers subsidy under the Federal Aviation Act. U.S. carriers, certificated for carriage of U.S. mail, are entitled to service mail pay, and are generally eligible for subsidy in those situations where the carrier demonstrates a statutory need for subsidy. The dollars of subsidy in each case consist of an amount to cover the carrier's operating loss incurred under honest, economical, and efficient management and to provide it an opportunity to earn a fair return on the investment used and useful in its air transportation services to the communities.

The activities involved in carrying out this program include :

- (1) The processing of subsidy rate cases by hearing or nonhearing procedures, including the class subsidy rate for the local service carriers;
- (2) The necessary studies, forecasts, and analyses not related to processing a specific case or application;
- (3) The provision of economic assistance to Board components on cases with subsidy implications;
- (4) Making recommendations to the Secretary of Transportation as to the Government guarantee of private loans to air carriers for the purchase of more modern aircraft; and
- (5) The verification of subsidy claims submitted by the air carriers.

The estimated and actual program outputs in terms of workload items are :

Workload item	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Subsidy analyses and policy assistance.....	51	50	50	-----
2. Subsidy rates.....	56	50	50	-----
3. Guaranteed loan matters.....	18	18	18	-----
4. Verification and payment of subsidy claims.....	1,634	1,756	1,767	11

The officials responsible for the operation of this program :

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Irving Roth, Director, Bureau of Economics.

**EXHIBIT I—FACT SHEET—REGULATION OF AGREEMENTS AND INTERLOCKING
RELATIONSHIPS PROGRAM—CAB**

100	DEPARTMENT OR AGENCY Civil Aeronautics Board CODE	PROGRAM Regulation of Agreements & Interlocking Relationships CODE	SUBPROGRAM CODE
200	ANALYSIS AND CONTROL CODES		
300			
400	FISCAL YEAR 1968 (in thousands of dollars)		
		Unobligated Carryover	Appropriation or Current Year Request
			Total Available
			Total Obligated or Expended
500	"In house" inputs		
510	Personnel:		
511	Comp.		481
512	Benefits		36
513	Travel		4
520	Expenses:		
521	Communications		9
522	Transportation		
523	Printing		3
524	Supplies and Consum- able Materials		8
530	Capital Equipment		16
540	Land and Structures		
541	Additional Investment		
542	Rents		
550	Total		
600	Funds distributed		
610	Contracts		
620	Grants		
630	Loans		
640	Benefits		
650	Other		4
660	Total		
700	Total		561
			Prior Fiscal Year
800	Input-output ratio		
810	1. Input		
811	1. Output		
820	2. Input		
821	2. Output		
830	3. Input		
831	3. Output		
840	4. Input		
841	4. Output		
850	5. Input		
851	5. Output		
860	6. Input		
861	6. Output		
870	7. Input		
871	7. Output		
880	8. Input		
881	8. Output		

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REGULATION OF AGREEMENTS AND INTERLOCKING RELATIONSHIPS

In accordance with the Federal Aviation Act of 1958, the Civil Aeronautics Board has approval jurisdiction over all consolidations, mergers, and acquisitions of control between or among air carriers, and any other common carrier, or any person engaged in any other phase of aeronautics. This jurisdiction also includes agreements under which U.S.-flag carriers participate in the International Air Transport Association (IATA). IATA's activities cover relationships with travel agents and many other matters, including agreements on international rates and fares. The authority to approve or disapprove these agreements gives the Board a voice, in an indirect way, in the determination of international rates and fares.

The Board's basic objective in administering this program is to insure that agreements, interlocks, and other forms of control involving air carriers are consistent with the public interest and do not involve conflicts of interest which may be detrimental to the development of air transportation.

The activities involved in carrying out this program include:

(1) The review and approval or disapproval of applications requesting Board approval of consolidations, mergers, and of acquisitions of control, applications for approval of route transfers and interlocking directorates, and agreements between air carriers and any other common carrier affecting air transportation;

(2) Review and approval of agreements on rates and fares under which U.S.-flag carriers participate in the International Air Transport Association (IATA).

The estimated and actual program outputs in terms of workload items are:

Workload item	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Acquisitions and interlocking directorate matters.....	2,357	2,229	2,231	2
2. Inter-carrier rate agreements (IATA).....	861	1,050	1,300	250

The officials responsible for the operation of this program:

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Alphonse M. Andrews, Director, Bureau of Operating Rights.

EXHIBIT J—FACT SHEET—REGULATION OF AIR CARRIER ACCOUNTING AND REPORTING PROGRAM—CAB

100	DEPARTMENT OR AGENCY Civil Aeronautics Board	PROGRAM Regulation of Air Carrier Accounting & Reporting	SUBPROGRAM
200	CODE	CODE	CODE
300	ANALYSIS AND CONTROL CODES		
400	FISCAL YEAR 1968 (in thousands of dollars)		
500		Unobligated Carryover	Appropriation or Current Year Request
510	"In house" inputs		Total Available
511	Personnel:		Total Obligated or Expended
512	Comp.		
513	Benefits		1,003
520	Travel		76
521	Expenses:		143
522	Communications		20
523	Transportation		6
524	Printing		18
530	Supplies and Consum- able Materials		17
540	Capital Equipment		22
541	Land and Structures		
542	Additional Investment		
550	Rents		
600	Total		1,313
610	Funds distributed		Prior Fiscal Year
620	Contracts		
630	Grants		
640	Loans		
650	Benefits		
660	Other		
700	Total		
800	Input-output ratio		
810	1. Input		
820	1. Output		
830	2. Input		
840	2. Output		
850	3. Input		
860	3. Output		
870	4. Input		
880	4. Output		
890	5. Input		
900	5. Output		
910	6. Input		
920	6. Output		
930	7. Input		
940	7. Output		
950	8. Input		
960	8. Output		

Printed for use of House Government Activities Subcommittee, Chairman Jack Brooks

89-541-b GPO

REGULATION OF AIR CARRIER ACCOUNTING AND REPORTING

The purpose of this program is to provide, in accordance with section 407 of the Federal Aviation Act of 1958, for the collection and maintenance of a body of facts required in the regulatory processes of the Board. The Board's program for maintaining air carrier accounting and reporting is essential to effective regulation of the air carrier industry.

The activities involved in carrying out this program include:

- (1) The design, prescription, and administration of uniform systems of accounts and reports;
- (2) Substantiation of carriers conformance with prescribed accounting and reporting regulations through desk analysis of carriers reports;

(3) Preparing special analyses and evaluations of air carrier financial data ;

(4) Field audit of carrier's books, records, and reports ; and

(5) Performance of special financial and accounting factfinding services in the field.

The estimated and actual program outputs in terms of workload items are :

Workload items	Items completed or processed			
	Actual, 1967	Estimate, 1968	Estimate, 1969	Increase
1. Regulation of carrier accounting and reporting systems.....	867	874	900	26
2. Policing and conformance of carrier reports.....	2,063	2,297	2,270	(27)
3. Accounting and financial analysis.....	143	123	135	12
4. Field audit of air carriers:				
a. Audit of subsidized carriers.....	12	19	19	-----
b. Audit of nonsubsidized route carriers.....	6	15	19	-----
c. Special examination.....	22	38	45	7

The officials responsible for the operation of this program :

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Warner H. Hord, Director, Bureau of Accounts and Statistics.

Mr. BROOKS. Any further questions, Mr. Thompson?

Mr. THOMPSON. No further questions.

Mr. BROOKS. I want to thank you, Mr. Chairman, for a very pleasant and informative morning and thank you and your staff for being here and cooperating. We look forward to seeing you again.

The committee is adjourned.

(Whereupon, at 12:15 p.m., the subcommittee was adjourned.)

APPENDIX

WRITTEN RESPONSES OF THE CIVIL AERONAUTICS BOARD TO QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I. GENERAL QUESTIONS AFFECTING THE AGENCY AS A WHOLE

A. *Justification of Personnel Not Chargeable to Specific Programs*

1. What are the total funds available to your agency as a whole for fiscal 1968?

For salaries and expenses (an appropriation of \$8,983,000, an anticipated supplemental appropriation of \$99,000 for pay raise costs and estimated reimbursements from other Government agencies of \$40,000) ----- \$9, 122, 000
For payments to air carriers (an appropriation of \$52,500,000 and cash brought forward from fiscal year 1967 of \$12,091,000) ----- 64, 591, 000
Total funds available for fiscal 1968 ----- 73, 713, 000

2. How many employees does your agency employ?

The Board's authorized position level in fiscal 1968 is 669 positions. Average employment is estimated at 650.

3. What is the geographical extent of your operations?

Of the 669 authorized positions 639 are here in Washington. There are 30 field auditors of which 11 are located in New York City, 13 in San Francisco, and six in Miami, Fla.

The Board's jurisdiction is worldwide. Through bilateral agreements with foreign nations throughout most of the world, U.S. air carriers are licensed to operate in foreign countries and carriers of foreign countries are licensed to operate in the United States.

4. Under your program budgeting breakdown, do you have a support program covering the operations of your office as well as other policymaking personnel?

Yes. This we call management support. It covers those functions that facilitate the work of the Board members and the program staff. These services include personnel management, budgeting and accounting, management analysis, pay-rolling, providing supplies, equipment, space, messenger services, central files, distribution of publications, and payment of bills for operating expenses.

5. How much money is available in fiscal 1968 for expenditures under this support program?

A total of \$644,159.

6. Briefly justify expenditures for the support program in terms of the nature and extent of your operations and responsibilities.

DISTRIBUTION OF MAN-YEARS BY BUDGET FUNCTION AND PROGRAM PURPOSE, FISCAL YEAR 1968

	Program purpose							Total, CAB
	Awards of operating authority	Regulation of rates and fares	Regulation of agreements and interlocking relationships	Subsidy support of air service	Regulation of air carrier accounting and reporting	Enforcement of applicable laws and regulations	Management support	
Offices of members.....	18.0	8.4	2.8	4.0	0.3	0.2	---	33.7
Office of General Counsel.....	25.8	7.5	2.7	1.1	2.0	1.1	---	43.2
Office of the Secretary.....	21.0	6.0	2.2	1.2	5.6	1.2	---	37.2
Bureau of Accounts and Statistics.....	28.8	14.7	6.3	8.1	80.6	---	0.4	139.5
Bureau of Economics.....	15.7	69.6	5.3	34.2	1.0	---	---	125.8
Bureau of Enforcement.....	---	---	---	---	---	29.8	---	29.8
Bureau of Hearing Examiners.....	28.8	1.4	2.7	---	---	1.4	---	34.3
Bureau of International Affairs.....	72.3	---	13.5	---	---	---	---	85.8
Bureau of Operating Rights.....	17.4	6.2	---	4.7	---	---	58.8	87.1
Management Staff Offices.....	---	---	---	---	---	---	---	---
Total, CAB.....	256.9	113.8	39.1	53.3	89.5	33.7	59.2	645.5

Note: Based on 669 positions (15 new positions).

CAB ANALYSIS OF PROGRAM AND MANAGEMENT SUPPORT SERVICES IN TERMS OF MAN-YEARS, POSITIONS,
AND COSTS

PROGRAM AND MANAGEMENT SUPPORT—POSITIONS AS PERCENT OF TOTAL

	Actual		Estimate		Increase or decrease
	1966	1967	1968	1969	
Program operations.....	89.4	90.2	91.2	91.4	0.2
Management support.....	10.6	9.8	8.8	8.6	(.2)
Total.....	100.0	100.0	100.0	100.0	

PROGRAM AND MANAGEMENT SUPPORT—MAN-YEARS AS PERCENT OF TOTAL

Program operations.....	89.5	90.3	90.8	91.2	0.4
Management support.....	10.5	9.7	9.2	8.8	(.4)
Total.....	100.0	100.0	100.0	100.0	

PROGRAM AND MANAGEMENT SUPPORT—COSTS AS PERCENT OF TOTAL

Program operations.....	91.5	92.1	92.9	93.2	0.3
Management support.....	8.5	7.9	7.1	6.8	(.3)
Total.....	100.0	100.0	100.0	100.0	

RATIO OF MANAGEMENT SUPPORT SERVICES TO PROGRAM OPERATIONS

Costs.....	1:11	1:12	1:13	1:14	
Man-years.....	1:9	1:9	1:10	1:10	
Program operations.....	557	590	610	629	19
Management support.....	66	64	59	59	
Total.....	623	654	669	688	19

MAN-YEARS

Program operations.....	540.6	565.4	586.3	611.3	25.0
Management support.....	63.6	60.8	59.2	59.2	
Total.....	604.2	626.2	645.5	670.5	25.0

COSTS (THOUSANDS)

Program operations.....	\$7,252.3	\$7,969.4	\$8,437.8	\$9,035.6	\$597.8
Management support.....	671.1	686.8	644.2	664.4	20.2
Total.....	7,923.4	8,656.2	9,082.0	9,700.0	618.0

Explanation of Method Used in Distribution of Man-Years by Program Purpose

All but about 14 percent of the total CAB manpower is directly assignable to one or more of the Board's programs. Only in the case of the Office of Members (including the Office of the Executive Director, Office of Community and Congressional Relations, and the Office of Information), and the statistics and cost-finding and ADP activities of BAS, where manpower cannot be identified with specific programs, is it necessary to make an allocation of man-years to program areas.

For the Office of Members the basis of allocation is direct program man-years of BE, BOR, BIA, BHE and OGC. To derive man-years by program of the Office of Members, the percentage distribution of the manpower of these bureaus to the six economic programs was applied to the total man-years in the Office of Members.

The allocation of the statistics and cost-finding activity was made in basically the same manner, except that no part of the activity is spread to the enforcement program.

The ADP allocation was made on a 50-percent fixed, 50-percent variable basis. Half of the total man-years used in the ADP function were allocated on a fixed percentage basis, 12.5 percent to the regulation of accounting and reporting program and 37.5 percent equally to the other four economic analysis programs. The remaining 50 percent was spread on a variable basis (metered hours), with the portion allocated to the regulation of accounting and reporting program being reallocated to the four programs on the same percentage distribution basis used to allocate the statistics and cost-finding activity.

Explanation of Method of Distribution of Dollars to Programs

For all bureaus and offices, except BAS and OS, the distribution of dollars to programs was made on the basis of each bureau's average cost per man-year applied to the number of man-years in each program.

To illustrate, the amounts shown by program for the Bureau of Economics were calculated by applying an average cost of \$15,022.59 per man-year (\$1,995,000 divided by 132.8 man-years) to BE's man-years by program as follows:

	Man-years	Multiplied by \$15,022.59
Awards of operating authority.....	16.4	\$246,370
Regulation of rates and fares.....	74.9	1,125,192
Regulation of agreements and interlocking relationships.....	6.3	94,642
Subsidy support of air service.....	34.2	513,773
Regulation of air carrier accounting and reporting.....	1.0	15,023
Total, BE.....	132.8	1,995,000

For the assignment of BAS costs to programs a two-part allocation method was used. First, an average cost per man-year was obtained for BAS excluding the Data Processing Division and all ADP supplies, equipment, and rental costs. This unit cost was then applied to the non-ADP man-year distribution of program man-years. For the second allocation, the automatic data processing man-year cost, including supplies, equipment, and rental costs, was applied to the ADP man-year distributions by program.

The following tabulation shows the man-year costs of BAS for the years 1967-69. The increase in the ADP average cost in 1969 is to provide for increased usage of the equipment, new components and exchange of components to increase the system's effectiveness to meet the data information needs of the Board.

	1967	1968	1969
BAS excluding ADP:			
Costs.....	\$1,479,601	\$1,621,800	\$1,701,000
Man-years.....	98.6	108.5	111.6
Average cost.....	\$15,006	\$14,947.47	\$15,241.94
ADP activity:			
Costs.....	\$480,576	\$491,100	\$546,600
Man-years.....	27.5	31.0	31.3
Average cost.....	\$17,475	\$15,841.94	\$17,463.26
Total BAS:			
Costs.....	\$1,960,177	\$2,112,900	\$2,247,600
Man-years.....	126.1	139.5	142.9
Average cost.....	\$15,545	\$15,146.24	\$15,728.48

The OS program cost distribution follows the same method used for the other bureaus except that the cost of the bound volumes of Board reports are distributed only to the awards of operating authority and regulation of rates and fares programs. The distribution is made on the basis of the relationship of material in the volumes to these two programs.

B. Budget Processes

7. Has your program breakdown been approved by the Bureau of the Budget?

Yes. The fiscal year 1969 budget estimates submitted to the Bureau of the Budget last fall were based on the program structure. The budget justifications submitted to the Congress for fiscal 1969 were also on this basis.

8. Does your program structure flow generally along functional lines of the agency?

The program structure follows the functional lines of the Board.

9. Has the program budgeting concept been fully implemented within your agency as yet in operational terms?

The program budgeting concept has been implemented within CAB in operational terms to the extent we know how to do so. We are going through a period of learning and expect through experience to be able to improve on what we now have and be able to make better use of it.

10. To what extent do you believe that your new budget concept will improve the efficiency of agency operations?

I am unable at this time to determine the full extent to which the new budget concept will improve the efficiency of CAB operations. We have already been able to reduce the amount of work and time involved in preparing the budget, and we have not had to employ more people. I can see advantages of this concept in establishing objectives by program and allocating resources to programs. This year, for the first time, Board plans, resources, and output have been expressed on a program basis. Actual performance will also be expressed on this basis. After some experience with the program budget concept we will be better equipped to more fully evaluate the benefits to CAB.

C. Accounting Systems Development

11. Has the GAO given its approval of your accounting system?

Yes. The Board's entire accounting system was approved (without qualifications) in its entirety by the Comptroller General on January 18, 1968, letter reference, B-161-885.

12. Is the accounting system basically established in terms of accrual costs as the GAO and this subcommittee have recommended?

Yes. The Board's books of account are maintained on the accrual basis of accounting in accordance with the Budget and Accounting Procedures Act of 1950, as amended, and the standards and principles prescribed by the Comptroller General of the United States.

13. What is the target date for completely implementing an accrual accounting system throughout the Agency?

It is already implemented. The Agency's accounting system has been on an accrual basis since 1962 and on July 1, 1967, accrual accounting procedures were amended and implemented to conform with the requirements of the Comptroller General as reflected in the approved accounting system.

14. Is your accounting system output oriented so that it will be on the same basis as budgeting and planning?

Yes. The accounting system fully supports the Board's operating budget and provides data on both a fully accrued expense basis and an obligation basis. Expenditures and obligations are recorded and controlled on an organizational (responsibility) basis which is capable of conversion to reflect the costs of the Board's programs.

15. What basis do you use for establishing the charges for products or services provided to other agencies, and how are these handled in your accounting system?

Charges to other agencies are generally based on out-of-pocket costs pursuant to interagency agreements and are recorded as earned, on the accrual basis, in the Board's books of accounts.

16. Are capital assets, such as building and equipment items, formally recorded in the accounting system, and upon what basis are they depreciated?

The Board's capital assets are recorded in the accounting system on an accrual basis and are depreciated on the basis of the estimated life of major classes of assets.

17. Are the costs of the agency's physical assets considered in establishing the charges for services to other agencies?

Cost of the agency's physical assets are not included in charges to other Federal agencies for services furnished by CAB. These costs, however, together with all other costs, are considered in establishing charges for services furnished to others outside of the Federal Establishment.

18. Are agency accounting reports used regularly in program management?

Yes. Each month, financial statements are prepared for each organizational (responsibility) center showing the operating budget, accrued costs to date, and accrued projections to the end of the period, for controllable costs. Overall financial statements, which include all accrued costs, obligations, and the operating budget are also prepared for the Board as an entity. These statements are used by management to follow the utilization of funds in relation to the budget so

that significant variances from plan may be investigated and corrective action taken as may be found necessary. Further, oral discussions and reviews with respect to the financial statements are held periodically with the Executive Director, Comptroller's staff and responsible program officials.

19. Are agency accounting policies summarized in an accounting manual with which your staff accountants must comply?

Yes. An accounting manual has been prepared and has been distributed to all persons concerned with the applicable policies and procedures.

D. Management Information System

The Board's management information system comprises both formal and informal procedures and is composed of three basic components:

1. Environmental data :
 - (a) Economical.
 - (b) Political.
 - (c) Social.
2. Technical data :
 - (a) Industry statistics.
 - (b) Analyses.
 - (c) Research.
 - (d) Studies.
3. Internal data :
 - (a) Financial.
 - (b) Workload.
 - (c) Manpower.
 - (d) Organization.

The following statements and chart will allow one to see how the information is fed into and utilized in the Board's management and decisional processes.

Management Information System (Environmental Data)

The Bureau of Economics contains the principal economic advisory and research staff. In addition to providing economic assistance to the Board in considering and deciding cases, the Bureau of Economics through its Division of Planning, Programing, and Research also has the responsibility for looking into the future and anticipating new developments which are likely to be of consequence for the air transportation system, hopefully anticipating further potential critical problems in time to avert avoidable crises.

Research outputs are used to develop a body of policy guidelines which enable the Board to deal quickly and effectively with both routine and novel air transportation situations as they develop. Development of such guidelines represents improvement over past practice under which, of necessity, the Board dealt with matters coming before it on an extemporaneous or ad hoc basis.

As a result of effective research and planning in the CAB, we have a clearer picture and better understanding of the air transport industry as it exists today. With this understanding we are better able to foresee the changes that are likely to occur in the industry in the future. Our research and evaluation outputs of the existing airline market structure and industry performance are designed to provide answers to questions such as:

- (1) What are the present passenger and cargo market characteristics?
- (2) Are there deficiencies in the existing route structures causing inadequate air service for the public?
- (3) Do the current rates and fares meet the requirements of an expanding industry and of anticipated changing consumer markets?
- (4) What are the current financial conditions and operating characteristics of the airline industry, of carrier groups, and of selected carriers?
- (5) What is the interrelationship of air transport to the other transport modes and to general economic conditions?

Based on the outputs and understanding from the above analysis our present research is directed to answer the following questions:

- (1) Will present passenger and cargo demand trends persist?
- (2) What economic problems will the CAB have to deal with because of new aircraft technology?
- (3) What will be the future financial requirements of the airlines prior to and during the acquisition of new aircraft and related equipment facilities?

Due to the relatively small staff and limited resources for the research and planning activities we have established rigid priority criteria. The highest priority is given to applying research data to the day-to-day operating problems of the

Board. The second priority is given to research which leads to the development of guidelines for Board policy. The following current listing of manpower priority assignments in the division to specific projects illustrate these priorities.

Studies and projects in priority order

1. Quarterly Airline Industry Economic Report.
2. Balance of Payments.
3. Impact of New Large Jets and SST's on the U.S. Transportation System, 1970-72.
4. Airline Profitability.
5. Study of Traffic, Fares, and Competition in City-Pair Markets.

More detailed descriptions of the research and planning studies and projects follow:

(1) *Quarterly Airline Industry Economic Report.*—This Report pulls together quarterly and annual traffic and financial data for the major segments of the airline industry on a timely basis.

(2) *Balance of Payments.*—This Study measures the impact on the balance of payments of the sale of U.S. and foreign built aircraft and international travel. This Study will update the prior one dated April 1965.

(3) *Impact of New Large Jets and SST's on the U.S. Transportation System, 1970-72.*—The objective of this Study is to project the range of possible economic effects on the air transportation system resulting from the introduction of these large aircraft; to develop policy guidelines to deal with the potential impact on passengers, shippers, stockholders, labor, and taxpayers; to define potential problem areas both domestic and international which would be of concern to the Board and to provide alternative solutions in keeping with the Board's promotional and regulatory responsibilities.

(4) *Airline Profitability.*—This Study is an attempt to isolate and measure those factors most closely related to, and responsible for, the changing level of profitability of the domestic trunkline carriers.

(5) *Study of Traffic, Fares, and Competition in City-Pair Markets.*—This study is analyzing the difference in economic and traffic characteristics of those markets with competitive airline service and of those without such competition. Some of the characteristics are being studied over the time period 1960-65 to see if there have been differential rates of change in these characteristics in the competitive markets.

Management Information System (Technical Data)

20. Do you have an automated management information system for your agency?

No. The Board has a tier of coordinate systems which in composite serves its mission directed and administrative information needs. Some are automated, others are not.

21. In general, what functional areas are included in the management information system? (Examples: financial, planning, and program budgeting, inventory, personnel, etc.)

In general, automated information system components exist with respect to the environmental, technical, and internal information required by the Board.

22. Briefly describe the state of development of your system and how it operates.

The CAB is a very small agency for which an elaborate, automated internal administrative information system is neither required nor economically supportable. Primary emphasis is placed upon those functions which will contribute most to performance of the Board's regulatory responsibilities. A program therefore exists for disseminating basic air transport statistics through a system of internal and external reference reports and for maximum utilization of ADP directly for meeting detailed informational needs of the regulatory processes. The major bodies of air carrier statistics have been largely mechanized and are in process of upgrading through a continuing 5-year plan for more effectively exploiting the potentials of ADP in both information collection and application processes. Mechanization of administrative information systems have been to date limited, largely on a "byproduct" basis, to payroll and closely associated recurrent or special reports covering such matters as staffing plans, financial activities, employee distributions by categories, and employee leave analyses. Upgraded or new mechanized systems are projected for: (a) Payroll, personnel, and position control; (b) property control and accounting; and (c) docket status control.

23. Did you perform a "requirements" analysis of the entire agency, or just selected areas?

Requirement analyses are performed, as a matter of practice, for the entire agency with reference to each integral automated and nonautomated information system component under development.

24. To what extent have you considered the need of other agencies for exchanging information with your agency in the development of your system?

With respect to technical information systems, continual liaison is maintained with other transportation agencies generally with the objective of maximizing coordinate actions. Similarly, in developing internal administrative information systems close adherence to standards and practices, as well as needs of the Civil Service Commission, is maintained to the extent feasible.

25. Are you developing a standard data base of information for the entire agency?

As a matter of objective, each system component as implemented is directed at the development of a standard or general information base for the entire agency.

26. In reporting statistical information, what standards for coding are you using?

In the technical information systems, codes prevailing within the air carrier industry are generally used. Such codes are largely promulgated by the Board or FAA initially. In the administrative area, codes promulgated by the Civil Service Commission are used.

27. Have you explored all of the information requirements common to your agency which might exist within the data base of other agencies?

To the extent feasible. Utilization of economic information maintained by INS and the Bureau of Census are two specific examples.

28. Are you performing the work in-house, or are you utilizing contractor personnel?

The work is performed in-house, supplemented very infrequently by external contract.

29. What main benefits do you feel your management information system will provide in the management of your agency's activities?

Enhances both the quality and timeliness of necessary regulatory actions and additional administrative decisions.

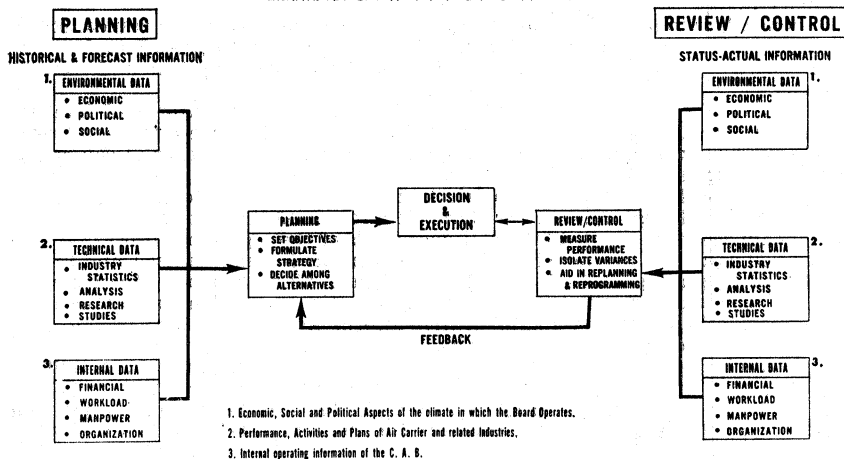
30. What is your estimated dollar cost for the completion and operation of the basic parts of your management information system?

Unquantifiable at this point.

31. At what level is the determination made concerning what is needed in the management information system?

Needs of the Board's management information system are determined on a concerted basis by the Executive Director, his immediate staff and the head of each Board program concerned.

CIVIL AERONAUTICS BOARD MANAGEMENT SYSTEM



Management Information System (Internal Data)

The Board utilizes a variety of methods for informing management and reviewing process and accomplishments. The present system has been developed over the past several years and is compatible with the nature of the Board's work and methods of operation.

Because the Board is small in size and nearly all of the operating bureaus and offices are located in one building a reasonable amount of reporting and review is performed on an oral and informal basis. This is considered to be both effective and efficient in managing the regulatory programs and administrative activities of the Board.

The reporting system is generally comparative in nature. The comparison is actual progress or accomplishment in relation to the operating budget, target dates, time-phased projects or other standards or benchmarks.

The management information system includes these components:

A. *Chairman's weekly staff meetings.*—The Chairman's weekly staff meetings with Bureau and office heads and their deputies serve as a means of communicating both up and down the line of command and across organizational lines on major or important items of work or events affecting the Board's work or work plans.

B. *Monthly management report.*—This report, which is distributed monthly to all persons in managerial positions, is one of the more important vehicles of management information in the Board. It includes, by responsibility center, a narrative report on accomplishments during the past month and plans for the months ahead, quantitative reports on selected workload items, and progress reports on particular bureau or office cases and projects.

The report for the last month of each calendar quarter includes quantitative reports on all significant workload items.

This report serves the purpose of informing management of the accomplishments during the past month, the plans for the month ahead, a coordinating device between responsibility centers, accountability for progress on cases and projects with completion dates, report of work receipts and accomplishments, and work on hand.

C. *Monthly financial statements.*—Each month, financial statements are prepared for each responsibility center showing the operating budget, costs to date, and projections to the end of the period, for controllable costs. Overall financial statements, which include all costs, are also prepared for the Board as an entity.

These statements are used by executive and program management to follow the utilization of funds in relation to the budget so that significant variances from plan may be investigated and corrective action taken as may be found necessary.

Oral discussions and reviews with respect to the financial statements are held with the Executive Director, Comptroller's staff, and responsible officials as the need arises.

D. *Quarterly reviews.*—After the close of each calendar quarter the head of each responsibility center with his top level supervisors review with the Executive Director and the Comptroller's staff operations during the past quarter and the plans and outlook for the ensuing quarter.

As a result of these quarterly reviews, program and budgetary adjustments are made as may be required.

E. *Special reports.*—Special reports both oral and written may result during any reporting period because of unusual or unanticipated problems or events. These vary widely as to nature and frequency and are submitted as required.

E. Internal Auditing

32. Do you have a centrally organized internal audit system within your agency which operates independently of department and agency operations?

An internal audit function was established in CAB this fiscal year. However, because of the relatively small size of the Board and the limited resources available, only part of a man-year was allocated to this function in fiscal year 1968. The capability was allocated from our Field Audits Division which is located in the Bureau of Accounts and Statistics and is concerned predominantly with the external audits of airlines.

33. Is your internal audit staff made up of persons with experience in accounting and auditing?

Yes, the entire technical staff of the Field Audits Division is comprised of qualified accountants. These accountants, qualified academically and by experience, fully meet the requirements of the Civil Service Commission relating to the

professional accountants and auditors series. All internal audit work is done by professional auditors.

34. Is the scope of review by the internal audit staff limited in any way?

The scope of internal audit has been limited; not by management direction, but basically because of limited manpower resources. As a first step in the institution of the internal audit program, the audit work has been limited to a review of the agency's payroll system and procedures, including the application of ADP to payroll preparation and related output.

35. Are all reports and recommendations of the internal audit staff submitted in full directly to the head of the agency?

The initial report under the internal audit program is nearing completion. The audit report will be submitted to the Chairman of the Board.

36. Is the audit staff responsible to or subject to direction by any official who is also primarily responsible for an activity which might be audited?

The auditor assigned to do internal audit work will report directly to the Chairman of the Board.

37. Are the personnel assigned to the internal audit function adequately protected from recriminations and arbitrary personnel action that might result from an adverse effect of their reports upon other agency employees?

We believe the auditor is adequately protected from any recriminations and arbitrary personnel actions that might result from an adverse effect of his reports upon other agencies, employees or officials.

38. Are all reports and recommendations of the internal audit staff available to the Comptroller General and to appropriate congressional committees?

Yes. It is expected that the internal CAB audit reports will facilitate the work of the GAO auditors and others authorized to have access to such reports.

F. Automatic Data Processing

39. Do you have a central organization in your agency which is responsible for ADP management?

Yes. The Board's Bureau of Accounts and Statistics, which reports directly to the Executive Director.

40. Will you describe its functions?

The Bureau of Accounts and Statistics is the Board's fact-finding arm. It is responsible for the collection, validation and processing of bodies of information to be generally used in the performance of CAB mission-directed functions.

41. Who has the responsibility for deciding whether or not the use of a computer for a particular function within your agency is justified?

The Executive Director, in concert with the Director, Bureau of Accounts and Statistics, and ADP liaison staff of all operating Bureaus involved. The initial decision to install a computer was approved by the Chairman.

42. On what basis is the decision made? Are there documented systems studies available for review in all cases?

The CAB has only one computer installation. It was installed following a documented systems study. Where new applications are sufficiently material, or novel, a further documented study is made.

43. Can you cite instances in which a request for a computer system was disapproved for lack of adequate justification?

Prior to selecting equipment for the Board's present single installation, a number of staff suggestions for computer installation were turned down by the Director, Bureau of Accounts and Statistics, for lack of adequate justification. Disapproval of an IBM RAMAC system is one such specific example.

44. Assuming the use of a computer has been fully justified by a proper study, are there procedures for determining whether the requirement can be satisfied by using (sharing) equipment already installed in your agency? Will you describe the procedure?

All suggested computer applications are referred to the Bureau of Accounts and Statistics. A review is made as to the feasibility of application; the relative economy of alternative processing modes, either on the Board's central facility, facilities of another Government agency or new Board facilities; and a recommendation on a course of action is made to the Bureau concerned and Executive Director.

45. To what extent have you been successful in getting the users to share equipment instead of acquiring their own?

The Board has no multiple computer installations acquired by individual users. On the basis of a study, per item 44, a time-sharing terminal utilizing a commercial GE computer facility was acquired, as an alternative to a request for individual electronic calculator facilities and as a supplement to the Board's centralized

computer to serve directly the small-scale computational needs of all operating Bureaus.

46. Do you review the GSA lists of available excess equipment before going to the open market to acquire equipment?

GSA lists of excess equipment are reviewed as they are received to keep informed of any equipment available which the Board could economically use.

47. Who makes the determination that excess equipment can or cannot do the job?

ADP equipment is acquired only infrequently by the Board. When equipment is acquired, the action is a significant event in which the Executive Director, Comptroller, and ADP liaison staff of the operating Bureaus participate in decisions based upon recommendations of the Director, Bureau of Accounts and Statistics, reflecting technical staff analyses of alternatives available—including the potentials of excess equipment.

48. What has been your experience in making use of excess equipment?

Under the limited equipment acquisition experience of the Board, but little opportunity has existed to make use of excess equipment. At such times as equipment has been acquired, however, it has been our experience that excess equipment listed by GSA has characteristically been either of a scale or so specialized that they could not be economically adapted to the Board's work.

49. Assuming it is necessary to acquire equipment from the commercial market, do you normally invite all qualified suppliers to submit proposals? What are the exceptions?

In initially selecting ADP equipment for the Board's single installation, a detailed study was made by staff of the characteristics of equipment offered by qualified suppliers in terms of Board needs and overall economy; qualified manufacturers were invited to and in fact submitted specific proposals; and an independent equipment selection study was made by an external contractor. Similar procedures have been followed in subsequent upgradings of the initial system except that studies have not been made by external contract.

50. Who makes the final selection of equipment, and on what basis is the decision made?

The Executive Director in concert with the Comptroller, the Director, Bureau of Accounts and Statistics, and heads of involved operating Bureaus. Decisions are made on the basis of ADP technical studies of projected applications and the tradeoffs involved in costs and benefits as between alternative courses of action reflected in recommendations by the Director, Bureau of Accounts and Statistics.

51. Describe your program for evaluating the actual results of computer use against the results anticipated when the use of the computer was approved.

The actual uses of the computer in relation to those originally intended is reviewed recurrently and modified as necessary to conform with changes in emphasis of the Board mission-oriented objectives. Review is made each quarter generally and, in depth, annually by the Executive Director in concert with the Director, Bureau of Accounts and Statistics as part of a continuing review of work performance and control of annual budgets.

52. In general, have your computers produced the benefits that were expected?

In general, progressive application of the computer has been proceeding in accordance with a continuing 5-year plan. The plan is updated in conjunction with the annual budget review, directed at optimum computer production of information end-products. Emphasis is being placed initially upon the Board's major two statistical systems used in performance of its mission objectives. These applications are proceeding about as expected.

53. How many computers do you now have, and how many of these are purchased?

The Board has but one in-house computer installation supplemented by one GE-Dartmouth time-sharing terminal. Neither facility has been purchased.

54. Who makes the decision on whether computers are purchased or leased? On what basis are the decisions made?

The Executive Director, in concert with the Comptroller and Director, Bureau of Accounts and Statistics. Standards of measurement outlined by the Bureau of the Budget and Comptroller General are used as a basis for decision; namely, cumulative purchase versus lease cost over the expected use period considering interest, maintenance, and residual values in measuring relative costs.

55. Is your agency now using any leased ADP equipment? If so, how much longer do you expect to use it?

Except for supporting EAM equipment, which has been purchased in large part, all of our ADP equipment is leased. It was expected, when acquired, largely

in 1966, that the computer would be used about 5 years. This expectation has not changed.

56. Have you made use of third-party leasing arrangements. If so, what has been your experience with these arrangements?

No use has been made of third-party leasing arrangements. Our experience with such arrangements has been restricted to negotiations with GSA concerning the various avenues available for most economically funding particular equipment acquisitions. Negotiations commenced about a year ago to join with other Federal agencies through GSA in soliciting a third-party leasing arrangement but were suspended upon inquiry from GSA concerning the potential purchase of such equipment through the Government ADP revolving fund. It is understood the policy for assigning a purchase position with respect to the fund has not been fully formulated.

Our agency has previously proposed (for example, November 12, 1966, report of ADP accomplishments to the Bureau of the Budget) that present Government policy which inhibits the use of installment purchase arrangements might well be re-examined with a view to developing standards for the employment of commercial sources as a means of funding equipment acquisitions and of minimizing a significant one-time impact on the budget of a small-scale Government agency.

57. To what extent have you developed standard systems or applications which are used by your computer installations?

Since the Board has but one computer installation, the problem of coordinating multiple installations does not exist. Emphasis is being placed upon general purpose systems design and programing and the use of common ADP languages, particularly Fortran, RPG, and now Mark IV instead of "Assembly Language," as means of optimizing coordination and use of data applications throughout the Board.

58. Will you describe the steps you have taken for the development of standard data elements for use by your Department under the program recently established by Bureau of the Budget Circular A-86?

The Board has held consistently to the policy of adhering to such standards as may be promulgated to facilitate the exchange of information between Government agencies. However, to date, the Board has not been involved in any significant intra-Government information exchange, does not have multiple installations between which information is internally exchanged, but is continuously engaged in the exchange of information with the air carrier industry subject to its regulation. The general policy has, therefore, carried the necessary reservation that internal Board standards must be consistent with prevailing air carrier standards. We are not aware of any conflicts with the general policy to date, however, inasmuch as the standards being used for exchange of information between the Board and air carriers have largely originated either directly with the Board or indirectly with the Federal Aviation Administration and are already used on a fairly universal basis.

59. What do you consider to be the most pressing problems that need to be overcome for you to make better and more efficient use of computers in your agency?

All specific problems revolve around the need for additional, highly skilled manpower to meet the increasing demands of:

- (1) Third generation computer environment;
- (2) Developing and applying new ADP systems; and
- (3) Maintaining operational systems.

G. Personnel Management

60. Where is the responsibility placed for manpower planning?

The Executive Director has the basic manpower planning responsibility. He relies on the heads of offices and bureaus to develop estimates of manpower needs and on the Comptroller and Director of Personnel to assist him to evaluate these needs. Staff action in this area is subject to approval of the Chairman and of the Board members.

61. What manpower requirements are forecast for your agency and how are these determined?

Manpower requirements are determined primarily through the budgetary process, in which the offices and bureaus estimate their workload and their manpower needs, which are evaluated by the Comptroller and the Director of Personnel. The

Executive Director then critically reviews and discusses program objectives and manpower requirements in meetings with bureau and office representatives, after which he submits his proposals to the Chairman for approval.

Turnover figures for recent years are analyzed and the impact of factors such as the draft and the changes in retirement eligibility are studied. Thereupon recruiting programs for attorneys, accountants/auditors, economists, and air transport analysts are projected.

62. Is the work organized with some consideration of the effect on position classification so that the mission can be accomplished with the minimum number and cost of positions?

Salary cost is one of the major factors in considering internal organization. Other considerations relate to the established principles of organization which also serve the objective of economy of operations.

63. Is the classification of positions in accordance with applicable civil service standards?

Except for 11 positions specifically exempted from the classification provisions of law by the Federal Aviation Act of 1968, as amended, all other positions in the Board are classified in accordance with the applicable Civil Service Commission standards. The most recent Civil Service Commission inspection found the Board to be in full compliance with all legal and regulatory requirements with respect to position classification, as well as other aspects of personnel management.

64. Has the agency established career possibilities to assist in development and advancement of employees?

While career ladders have not yet been formally described and publicized, there are established and recognized "lines of promotion" to assist in the development and advancement of employees. Most of the Board's upper level positions have been filled by promotion from within.

65. Describe the means used to recruit quality persons.

The Board makes positive efforts to recruit high quality persons to fill vacancies at all levels to fill entrance level jobs. We interview on college campuses, occasionally talk to student organizations, utilize Civil Service Commission registers, and draw a few employees from private industry to fill jobs above the entrance and we promote qualified persons from within to the maximum extent. To fill jobs for which we have no qualified persons we recruit from other agencies and from the private sector.

66. Does your agency emphasize promotion of employees on the basis of merit?

Almost all vacancies above the entrance level are advertised among all employees and selection is made from the best trained and experienced people available to us without regard to race, creed, sex, national origin, marital status, political affiliation, physical handicap, or age.

67. How does your agency consider complaints, grievances, and appeals?

These matters are considered in accordance with the procedures prescribed by the Board pursuant to Civil Service Commission regulations. These procedures are predicated on the premise that the employees have the right to have their complaint, grievance, or appeal aired fully, fairly, and promptly without fear of reprisal in any form and the resultant "airing" is beneficial to efficiency.

68. Is personnel management considered to be an integral part of the agency?

A comprehensive, positive personnel management program is considered essential to the effective, efficient, and economical accomplishment of the Board's mission. Top management supports, and operating officials welcome, such a personnel program.

69. How do you treat equal employment opportunity and employment of the handicapped?

We consider that these two programs support and strengthen our efforts to accomplish our mission effectively, as well as being consistent with the right of qualified citizens to seek a career in the Federal service.

H. GAO Audit Reports

70. Has the General Accounting Office issued any audit reports on the overall operations of your agency, that is, reports not directed at a functional program of the agency, but rather at the management and administration of the agency?

No.

71. If so, to what extent have the recommendations contained in these reports been carried out?

Not applicable.

II. QUESTIONS ON AGENCY OPERATIONS AT THE PROGRAM LEVEL

A. Awards of Operating Authority

1. What is the nature of and authority for this program?

The Federal Aviation Act of 1958 specifies that air carriers, to engage in air transportation within the United States or to and from the United States, require a certificate of public convenience and necessity, or a permit or an exemption from the Civil Aeronautics Board authorizing such air transportation. Air taxi services are covered by exemptions, and services by foreign air carriers are covered by foreign air carrier permits. Intrastate carriers are not subject to Board authority.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

The officials responsible for the operations of this program:

John H. Crocker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Alphonse M. Andrews, Director, Bureau of Operating Rights.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$3,734,000 is available under this program, primarily for payment of salaries and expenses. Capital equipment includes the normal office furniture, typewriters, and office machines. This program is served by the Board's centralized, rented ADP equipment.

4. Would you describe the output generated by this program?

The output is in the form of written decisions issued in some instances by the Board and in others by the staff (under authority delegated by the Board). The decisions are responsive to various kinds of applications filed by U.S. domestic and international air carriers, as well as by foreign airlines serving the United States. In general, the actions of the Board and its staff serve to approve or deny requests which, for example, seek new air routes, authority to suspend service, permission to operate as an air freight forwarder, or a license to operate one or more special charter flights.

5. Can you quantify this output in any way?

The licensing program as a whole is comprised of perhaps 60 hearing cases processed annually, plus determinations as to recommended courses of action to follow in many more. In addition, several hundred decisions are reached through informal (nonhearing) means. Extensive use is made of authority delegated to the staff by the Board. The preponderance of all cases acted on involve some degree of business urgency, for example, the opportunity to conduct a charter flight requiring special authority from the Board will be lost unless a decision is reached promptly by the Board. In view of the high volume, the turnover of cases necessarily must be extremely rapid. Specific output are quantified below:

Output	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
1. Regular route authorizations.....	299	409	510
2. Cargo and charter licensing.....	1,273	1,170	1,197
3. Examiners decisions issued.....	77	78	85
4. Negotiations/consultations.....	15	18	19
5. Informal intergovernment discussions.....	7	7	7

6. Would you describe the principal operations that are involved in producing this output?

The principal operations involved in carrying out this program include:

- (1) The processing of applications for air transportation operating authority or modification of authority either by hearing or nonhearing procedures;
- (2) The conduct of investigations initiated by the Board involving operating authorities;
- (3) International aviation work involving obtaining, granting, or exchanging of operating authority with foreign countries generally through bilateral negotiations and agreements, and the handling of day-to-day operating problems with foreign governments and airline officials;
- (4) The issuance of foreign carrier permits;
- (5) The necessary studies, forecasts, and analyses not related to processing a specific case or application.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are approximately 257 man-years involved in this program and their employment categories include—accountants, lawyers, hearing examiners, industry economists, air transport analysts, and a proportionate number of clerical support types.

8. What is the grade structure and how many supergrade—quota and non-quota—are involved?

Positions with designated grades including supergrades are assigned to each organizational unit of the Board. The time of employee's filling these positions is charged to the programs on which they work on a man-year basis and an employee's time may be charged to more than one program. Therefore, the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

None—except the usual office equipment and the output from the Board's centralized, rented ADP equipment services this program.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The resources of the Board necessary to maintain adequate output and to keep pace with new developments undoubtedly will expand. A growth of 10 percent in the immediate future probably will be required.

There should be significant increased benefits to the traveling and shipping public, measured in such terms as available capacity and added markets enjoying first single-plane service or additional competitive service. Continued reduction in Federal subsidy is a general benefit.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Board, Chairman, and Executive Director levels. Lateral coordination is also carried out at the office and bureau level.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine if the program as a whole is being efficiently carried out?

The Board's review process is an integral part of its management system as presented on the chart and text in exhibit D. The major components, both formal and informal, include Chairman's staff meeting, monthly management report, monthly financial statements, quarterly reviews, and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

In the immediate future, particular attention will be focused on the following:

A. Developing techniques to expedite important route cases so as to shorten the time between initial applications and final decision;

B. Handling of cases so as to alleviate problems at the most congested airports, while encouraging operations at satellite airports and underutilized facilities; and

C. The developing cost squeeze resulting from inflationary pressures affecting the industry generally.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No loans or grants are administered under this program.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

By an overall reduction in the level of effort, which would result in a general slowdown in the processing of applications. Most activities performed under this program are prescribed by law and cannot be suspended.

19. If additional funds were available, what would you do with the new money?

A. Increase the manpower of this program in order to achieve substantial reduction in subsidy, additional funds would be used to accelerate the Board's route improvement activities for subsidized carriers. Twelve additional positions are requested in the Board's budget for fiscal year 1969.

B. Attainment of a current docket in route application matters.

C. Attainment of a current docket in cargo licensing matters.

D. Economic analysis of individual carrier performance to be used in the Board's decisional processes.

E. Economic evaluation of the degree of success by the Board in reaching its objectives in specified areas and markets. This information can be used to help determine future Board decisions.

F. Assessment of the role of supplemental carriers.

G. Economic impact of air taxi operators.

H. Analysis of the distributive characteristics of international air passenger movement involving U.S. carrier participation.

I. Analysis of technical assistance provided by American carriers to foreign carriers, and the record of experience and results.

J. Analysis of aircraft leasing in the international aviation field: nature, developments, trends, and prospects with special reference to U.S. interests.

B. Regulation of Rates and Fares

1. What is the nature of and authority for this program?

The Board is authorized by the Federal Aviation Act of 1958 to regulate rates, rate structures, and related practices and services of domestic air carriers. This includes the fixing of service mail rates paid by the Post Office Department and rates paid by the Department of Defense for military traffic carried by commercial airlines.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Irving Roth, Director, Bureau of Economics.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$1,658,000, primarily for salaries and expenses of the personnel associated with this program. There is no capital equipment except the usual office equipment.

4 and 5. Would you describe the output generated by this program?

Can you quantify this output in any way?

Output	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
A. Passenger and property rates:			
(1) Review of tariff filings.....	47,616	50,000	52,000
(2) Special tariff permission applications.....	1,599	2,000	2,100
(3) Free transportation tariffs.....	1,635	1,700	1,700
(4) Processing tariff referrals and complaints.....	956	1,000	1,100
(5) Passenger and property rate investigations.....	19	18	25
(6) Passenger and property rate exemptions.....	225	225	250
B. Government rates: Service mail rates.....	10	25	28

6. Would you describe the principal operations that are involved in producing this output?

The principal operations involved in carrying out this program include:

(A) Review of domestic and overseas passenger and cargo rate tariffs to determine those rates and fares that should be permitted to become effective without investigation, those that should be permitted to become effective but at the same time investigated, and those that should be suspended pending investigation;

(B) Review of complaints against air carrier rates filed by competing carriers or by users of those services to determine whether such complaints warrant a formal investigation of the provisions complained of;

(C) The conduct of formal (hearing process) investigations of those rates, fares, rules, or related tariff provisions that the Board has found may be unlawful or contrary to the public interest;

(D) Establishment of minimum rates applicable to foreign, overseas, and domestic charter services performed by the civil air carriers for the Military Airlift Command (MAC), on the request of the carriers or the Department of Defense, or the Board's initiative, so as to maintain these services on a sound economic footing;

(E) Review of petitions for the establishment or revision of service mail rates filed by the air carriers or the Post Office Department; and

(F) The necessary studies, forecasts and analyses not related to processing a specific case or application.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

Man-years totaling 114 are authorized for this program for fiscal year 1968. The general type of employment categories are air transport analysts, industry economists, attorneys, and clerical positions.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Positions with designated grades, including supergrades, are assigned to each organizational unit of the Board. The time of employee's filling these positions is charged to the programs on which they work on a man-year basis and an employee's time may be charged to more than one program. Therefore the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

Output from the Board's centralized, rented ADP equipment and the usual office equipment.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

It is expected that both expenditures and benefits of the program will grow appreciably as described more fully in question No. 16.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Executive Director and Chairman level. Lateral coordination is also carried out at the office and bureau level.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The Board's review process is an integral part of its management system as presented on the chart and text in exhibit D: Management Information System. The major components, both formal and informal, include the Chairman's staff meetings, the management report, monthly financial statements, quarterly reviews, and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Problems in accomplishing program objective. The workload in all areas is expected to increase during the next several years reflecting increased use of air transportation and additional complexity of rate problems. Carrier expansion of equipment will require significant expenditures which are expected to bring pressure for fare increases. Continued surveillance will be required to prevent unwarranted increases as well as achieve appropriate adjustments in the fare structure. In this regard, the domestic fare structure study now in process will

provide a basis for structure improvements. Implementation of structural improvements will constitute a significant workload during the future period.

Air cargo is growing rapidly in volume, but continues marginal economically. Domestic cargo tariffs, complaints, and informal proceedings are expected to increase in this area.

Mail rate activity is expected to grow in volume and complexity. The Post Office Department is considering basic changes in the mail distribution which will require revision of currently effective service mail rates. This Department is now expanding the use of air taxi operators for the carriage of mail, necessitating numerous service rates for these operators.

The Department of Defense now requires an annual full scale review of the minimum charter and other rates applicable to civil air carrier service for the military establishment. To meet the Department's requirements such proceeding must be telescoped into a few months' time and must be supported by an effective audit program.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

There are no grants or loans under this program.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

By overall reduction in the level of effort. The Board has very little discretion as to processing the work of this program. Most of the work must be processed within statutory deadlines. The quality of the work would be affected.

19. If additional funds were available, what would you do with the new money?

A. Increase the manpower of this program progressively in future years to process the growing volume of work in the two main categories of work—Government rates and passenger fares and property rates. Five additional positions are requested for this work in the Board's fiscal year 1969 budget.

B. Study international fare and rate structures in order to provide a better basis for the Board's decisional process and provide increased service to the public.

C. Study the effect of promotional fares on the movement of traffic, carrier revenues, and on the public and government as consumers. This information will be used in the Board's decisional process and provide better service to the public.

C. Enforcement of Applicable Laws and Regulations

1. What is the nature of and authority for this program?

The Board's enforcement program seeks to obtain compliance with the economic provisions of the Federal Aviation Act and with all of the regulations, orders, certificates, permits, exemptions, and other requirements issued thereunder; preventing improper claims for subsidy and unfair, deceptive, and restrictive competition and practices; protecting the public from unjust discrimination and mistreatment by air carriers and their agents; and improving the quality and dependability of air transportation service, thereby promoting the sound growth and development of air transportation.

Within the Board's jurisdiction and purview are included 48 certificated air carriers, 131 foreign air carriers, 13 supplemental air carriers, 145 authorized domestic and international air freight forwarders, almost 3,000 air taxi operators who are subject to some degree of economic regulation, a number of intrastate and commercial operators who become involved in interstate or foreign common carriage, and thousands of travel agents who are subject to the act.

2. Who is the person primarily in charge of this program at the operative level?

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Robert Burstein, Director, Bureau of Enforcement.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$490,000 primarily for salaries and expenses of the personnel associated with this program. There is no capital equipment except the usual office equipment. Outputs are being developed for this program on the Board's centralized, rented ADP equipment.

4. Would you describe the output generated by this program?

The output generated by the enforcement program includes reprimand letters, civil penalties and Board proceedings which may result in cease-and-desist orders or suspension or revocation of authority. In addition, there is a large amount of correspondence with complainants and carriers in connection with consumer complaints.

5. Can you quantify this output in any way?
The estimated and actual program output are:

Output	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
A. Formal actions.....	26	28	38
B. Informal actions.....	421	441	450
C. Court cases.....	2	0	2
D. Investigations.....	260	254	284
E. Consumer complaints.....	2,561	3,000	3,250

6. Would you describe the principal operations that are involved in producing this output?

The principal operations involved in carrying out this program include:

A. The handling of passenger and shipper complaints;

B. Investigation of alleged or suspected violations of the economic provisions of the Federal Aviation Act and with all of the regulations, orders, certificates, permits, exemptions, and other requirements issued thereunder;

C. The taking of enforcement action and the achievement of compliance by informal (nonhearing) enforcement action, formal (hearing) administrative proceedings, and the prosecution of enforcement cases in the courts.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are approximately 34 man-years authorized for this program in fiscal year 1968 and the employment categories are air transport analysts, attorneys and the clerical support required.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Positions with designated grades, including supergrades, are assigned to each organizational unit of the Board. The time of employees filling these positions is charged to the programs on which they work on a man-year basis and an employee's time may be charged to more than one program. Therefore the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

None—except the usual office equipment.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The results of this program are productive and salutary. Expenditures are not expected to increase although benefits from this program should continue to grow.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Board, Chairman, and Executive Director level. Lateral coordination is also carried out at the office and bureau level.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The Board's review process is an integral part of its management system as presented on the chart and text in exhibit D. The major components, both formal and informal, include Chairman's staff meeting, monthly management report, monthly financial statements, quarterly reviews, and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

The program objectives can only be realized to the extent that legal and investigative manpower is available to implement the objectives. Thus, the accomplishment of the program objectives is dependent upon the manpower available to the Bureau.

17. Do you administer any grants, loans, or other disbursed funds related to this program?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

By an overall reduction. There is no particular activity which could be reduced or eliminated without affecting the overall quality and quantity of the work of this program.

19. If additional funds were available, what would you do with the new money?

Increase the manpower of this program in order to insure a climate of compliance. Particularly significant is the necessity to check compliance with cease-and-desist orders of the Board.

D. Support of Air Service Through Subsidy Payments

1. What is the nature of and authority for this program?

The Civil Aeronautics Board administers subsidy under the Federal Aviation Act. U.S. carriers, certificated for carriage of U.S. mail, are entitled to service mail pay, and are generally eligible for subsidy in those situations where the carrier demonstrates a statutory need for subsidy. The dollars of subsidy in each case consist of an amount to cover the carrier's operating loss incurred under honest, economical, and efficient management and to provide it an opportunity to earn a fair return on the investment used and useful in its air transportation services to the communities.

2. Who is the person primarily in charge of this program at the operative level?

The officials responsible for the operation of this program are:

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Irving Roth, Director, Bureau of Economics.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$778,000 primarily for salaries and expenses of the personnel associated with this program. There is no capital equipment except the usual office equipment. Outputs from the Board's centralized, rented ADP equipment also serve this program. The local service and Alaskan carriers will earn an estimated \$59 million in subsidy for fiscal year 1968.

4. Would you describe the output generated by this program?

This program generates the following output:

A. Board orders establishing subsidy payments to be made to eligible air carriers pursuant to section 406(b) of the Federal Aviation Act.

B. In some cases these orders require refunds of subsidy by the carriers to the Board where the carrier's rate of return would otherwise exceed prescribed limits.

C. Recommendations to the Board as to policy and program objectives in the field of subsidy payments to subsidized air carriers.

5. Can you quantify this output in anyway?

Outputs	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
A. Subsidy analyses and policy assistance.....	51	50	50
B. Subsidy rates.....	56	50	50
C. Guaranteed loan matters.....	18	18	18
D. Verification and payment of subsidy claims.....	1,634	1,756	1,767

6. Would you describe the principal operations that are involved in producing this output?

The principal operations are:

A. Continuing review and analysis of each subsidized carrier's reports to the Board, including scheduling, traffic, expense, revenue, and investment data.

B. Review of staff field audit reports as to each subsidized carrier.

C. Determination, by various yardsticks, as to whether in significant areas the carrier is or is not meeting the "economical and efficient" standard of the statute, and ascertainment as to whether each particular carrier cannot conduct adequate and safe operations with reduced levels of subsidy support.

D. Preparation of memorandums to the Board presenting the above data, staff analyses, recommendations as to whether subsidy can be further reduced, and necessary orders and related documents for implementing the staff recommendation and/or the Board's action.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

Approximately 53 man-years are authorized for this program in fiscal year 1968. The general type of employment categories are air transport analysts, industry economists, attorneys, and the required clerical support positions.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Positions with designated grades, including supergrades, are assigned to each organizational unit of the Board. The time of employee's filling these positions is charged to more than one program. Therefore the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

Only the usual office equipment. Output from the Board's centralized, rented computer also serves this program.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The expenditure for subsidy accruals for fiscal 1968 is currently estimated at \$59.3 million, which is some \$28 million less than in the peak year 1963. It is anticipated that the future expenditures for subsidy will continue to decline. The 1969 estimate is \$4.6 million less than for 1968. Program expenditures for salaries and expenses have also declined.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Board, Chairman, and Executive Director levels. Lateral coordination is also carried out at the office and bureau level.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The Board's review process is an integral part of its management system as presented on the chart and text in "Exhibit D, Management Information System." The major components, both formal and informal, include the Chairman's staff meetings, the management report, monthly financial statements, quarterly reviews, and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

The basic problem being faced is the continuation in subsidy reduction, despite a deterioration in the financial position of the local service industry (accounting for 90 percent of the subsidy) in 1968 due essentially to the lag between the introduction of the larger type jet aircraft on both old and new routes and the buildup of traffic to make operation with such aircraft more economical. To meet

the problem the Board is continuously reviewing and revising the subsidy payment formula for the carriers and adopting techniques for making their operating authority more flexible so as to enable them to profit from the better routes in order to cut down the subsidy required for their system operations. These carriers, of course, serve many cities where the traffic is simply not large enough to enable other than loss operation and, without subsidy support, these cities would not have the benefits of air services.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlay?

Subsidy accruals for fiscal 1968 are currently estimated at \$59.3 million, which is some \$28 million less than in the peak year 1963. It is anticipated that the future expenditures for subsidy will continue to decline. The 1969 estimates is \$4.6 million less than for 1968. Expenditures for salaries and expenses have also declined.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

By overall reduction. The Board has very little discretion as to processing the work of the program. The quality of work would be affected if certain activities were curtailed.

19. If additional funds were available, what would you do with the new money? The Board intends to decrease expenditures of this program in the future.

E. Regulation of Agreements and Interlocking Relationships

1. What is the nature of and authority for this program?

In accordance with the Federal Aviation Act of 1958, the Civil Aeronautics Board has approval jurisdiction over all consolidations, mergers, and acquisitions of control between or among air carriers, and any other common carrier, or any person engaged in any other phase of aeronautics. This jurisdiction also includes agreements under which U.S.-flag carriers participate in the International Air Transport Association (IATA). IATA's activities cover relationships with travel agents and many other matters, including agreements on international rates and fares. The authority to approve or disapprove these agreements gives the Board a voice, in an indirect way, in the determination of international rates and fares.

The Board's basic objective in administering this program is to keep agreements, interlocking relationships, and other forms of control from contravening the antitrust laws, and to prevent conflicts of interest that might be detrimental to the development of air transportation and the public interest.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

The official responsible for the operations of this program:

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Alphonse M. Andrews, Director, Bureau of Operating Rights.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$561,390, primarily for salaries and expenses of the personnel associated with this program. There is no capital equipment except the usual office equipment. Outputs from the Board's centralized, rented ADP equipment also serve this program.

4. Would you describe the output generated by this program?

The output chiefly takes the form of orders (decisions) issued by the Board disposing of intercarrier agreements and formal applications for approval of relationships involving the acquisition of control of one company by another and interlocking directorates between air carriers and other companies. Staff advisory service is also provided to the Board on matters involving agreements and other forms of interlocking relationships.

5. Can you quantify this output in any way?

The estimated and actual program outputs are:

Outputs	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
A. Acquisitions and interlocking directorate matters.....	2,357	2,229	2,231
B. Intercarrier rate agreements (IATA).....	861	1,050	1,300

6. Would you describe the principal operations that are involved in producing this output?

The principal operations involved in carrying out this program include:

A. The review, analysis and approval or disapproval of applications requesting Board approval of acquisitions of control, applications for approval of interlocking directorates, and agreements between air carriers and any other common carrier affecting air transportation;

B. Review and approval of agreements on rates and fares under which U.S.-flag carriers participate in the International Air Transport Association (IATA).

7. How many employees are involved in the program and in what general type of employment categories do they fall?

Approximately 39 man-years are authorized for this program for fiscal year 1968. The general type of employment categories are air transport analysts, attorneys, industry economists and the required clerical and administrative support positions.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Positions with designated grades including supergrades are assigned to each organizational unit of the Board. The time of employee's filling these positions is charged to more than one program. Therefore the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

None except the usual office equipment. Outputs from the Board's centralized, rented ADP equipment also serve this program.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

We do not expect the expenditures to grow. The benefits are those which flow from maintaining a competitive system in the light of anti-trust principles.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Board, Chairman, and Executive Director level. Lateral coordination is also carried out at the office and bureau level.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The Board's review system is an integral part of the management system as presented on the chart and text in Exhibit D—Management Information System. The major components, both formal and informal, includes the Chairman's staff meetings, the management report, monthly financial statements, quarterly reviews and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Based upon experience in the recent past, the complexity of cases involving acquisitions of control and interlocking relationship is expected to increase in coming years. Thus, there are indications that air carriers may begin to diversify their activities by acquiring businesses engaged in fields related to air transportation, such as aircraft maintenance companies and distributors of general aviation equipment. Similarly, many interlocking relationships submitted for approval in the recent past have posed significant regulatory problems. As in such cases, it may be that carriers increasingly will select as their officials persons who, because of experience and reputation, are officers and directors of large corporations subject to section 409 of the act.

During 1968 major emphasis will continue to be placed on multilateral agreements constituting concerted action by air carriers and foreign air carriers through their trade associations. Such agreements generally present the more complex and difficult issues. Also, particular attention will be given to other significant agreements involving important antitrust or other public interest considerations. Thus, a careful review will be made of trade association agreements relating to regulation of the activities of travel agents. These agreements are expected to include questions of compensation, bonding, and criteria for the selection and retention of agents. Otherwise, multicarrier agreements, such as the renewal of the seven-carrier mutual aid pact, will require substantial effort.

Additionally, emphasis will be given to a review of the articles of association and bylaws of the various trade associations to determine whether their activities continue to be consistent with the public interest.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No loans or grants are administered under this program.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

By overall reduction in the level of effort which would result in a general slowdown in processing of applications. Most of the work of this program is prescribed by statute.

19. If additional funds were available, what would you do with the new money?

The Board's present funding level is considered sufficient to carry on this program. Only the increased cost of maintaining the present staff level will be required.

F. Regulation of Air Carrier Accounting and Reporting

1. What is the nature of and authority for this program?

The nature of this program is to provide, in accordance with section 407 of the Federal Aviation Act of 1958, for the collection and maintenance of a body of facts required in the regulatory processes of the Board. This is done through: the design, prescription, and administration of uniform systems of accounts and reports, substantiation of carrier conformance with prescribed accounting and reporting regulations through desk analysis of carrier reports; field audits of carriers' books, records, and reports; and the performance of special financial and accounting factfinding services.

2. Who is the person primarily in charge of this program at the operative level?

John H. Crooker, Jr., Chairman.

Charles F. Kiefer, Executive Director.

Warner H. Hord, Director, Bureau of Accounts and Statistics.

3. How much money and capital equipment is available under the program for fiscal 1968?

\$1,313,000 primarily for salaries and expenses of the personnel associated with this program. Of this amount, \$162,000 is related to the rental of ADP capital equipment, with the exception of minor supporting EAM equipment which was purchased.

4. Would you prescribe the output generated by this program?

The output of this program is varied. For example, with respect to the collection and maintenance of the body of facts required in the regulatory process of the airline industry, this Board receives, examines, and evaluates periodic financial and statistical reports. As a result of field examinations, details validation and verification reports are prepared. These reports often result in substantial revision and modifications of carrier reporting and accounting practices. These reports result from the audit of subsidized, as well as nonsubsidized carriers and special examinations required by the Civil Aeronautics Board. The data processing activities continue to be directed toward increasing the Civil Aeronautics Board's productivity and maximum economies through the maximum extension of data processing techniques, while at the same time collating, and summarizing practically all of the summary traffic and financial publications of the Civil Aeronautics Board.

Also, the Board has continually sought to improve its cost-finding program to meet the boardwide needs for cost analysis and information; develop new and improved systems of expended coverage of statistical information concerning the airline industry; and to implement and monitor origin-destination

passenger traffic surveys. The products of these efforts are primarily reports and briefings.

5. Can you quantify the output in any way?

The estimated and actual program outputs are :

Outputs	Items completed or processed		
	Actual, 1967	Estimate, 1968	Estimate, 1969
A. Regulation of carrier accounting and reporting systems.....	867	874	900
B. Policing and conformance of carrier reports.....	2,063	2,297	2,270
C. Accounting and financial analysis.....	143	123	135
D. Field audit of air carriers:			
1. Audit of subsidized carriers.....	12	19	19
2. Audit of nonsubsidized route carriers.....	6	15	19
3. Special examination.....	22	38	45

6. Would you describe the principal operations that are involved in producing this output?

The principal operations involved in carrying out this program include:

- (1) The design, prescription, and administration of uniform systems of accounts and reports;
- (2) Substantiation of carriers conformance with prescribed accounting and reporting regulations through desk analysis of carriers reports;
- (3) Preparing special analyses and evaluations of air carrier financial data;
- (4) Field audit of carrier's books, records, and reports;
- (5) Performance of special financial and accounting factfinding services in the field.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

Approximately 89 man-years are authorized for this program for fiscal year 1968. The general type employment categories are accountants, auditors, air transport analysts, industry economists, statisticians, professional computer analysts and programmers, and the required clerical support positions.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Positions with designated grades including supergrades are assigned to each organizational unit of the Board. The time of employee's filling these positions is charged to the programs on which they work on a man-year basis and an employee's time may be charged to more than one program. Therefore, the grade structure of a program would not be meaningful as the aggregate of positions by grade would exceed the total number of agency positions. An organizational chart showing the number of positions in each organizational component by grade is attached as an exhibit. The Board has no nonquota supergrades.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

With the exception of some purchased EAM support equipment, this program relies on the availability of leased ADP equipment to fulfill the needs of not only this program but also the entire Civil Aeronautics Board.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

It is not anticipated that expenditures will increase significantly in the future. However, by revising, modifying, or changing reporting procedures there is every indication that more detailed and valuable outputs will accrue to the Board in the foreseeable future.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the Board, Chairman and Executive Director level. In addition there is lateral coordination among office and bureau heads.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The Board's review process is an integral part of its management system as presented in the chart and text of exhibit D—Management Information System. The major components, both formal and informal, includes the Chairman's staff

meetings, the management report, monthly financial reports, quarterly reviews and special studies and reports.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

No.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

There are no operational problems or other significant problems which impede the accomplishment of the program objectives.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No loans or grants are administered under this program.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

Considering the tasks that must be performed by the Bureau of Accounts and Statistics, this year and within the next 2 years, a reduction in appropriations would have to be absorbed by curtailing activities across the board.

The acceleration of changes in the airline industry (mergers, changeover to larger subsonic aircraft, the imminence of supersonic aircraft and the increased activity and concern over accounting principles and financial reporting) all result in a requirement to operate even more efficiently now and in the future. This Board has every intention of meeting these increased requirements with minimum staff. For the above reasons, therefore, a reduction in appropriations would have to be translated into a curtailment of activity.

19. If additional funds were available, what would you do with the new money?

Additional funds are needed to give more adequate audit coverage to the non-subsidized carriers and to extend accounting and reporting regulations to air freight forwarder carriers and to a lesser extent to air taxi operators. Neither of these groups of carriers is presently subject to accounting and reporting regulations and review. The field audit staff is too small to cover the entire industry effectively although improved techniques have been developed for maximizing the efficiency of the audit staff. The data processing workload is growing at a pace which will essentially require further expansion of staff. This activity tends to improve productivity on a boardwide basis.

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SURVEY OF GOVERNMENT OPERATIONS
PART 9—POST OFFICE DEPARTMENT

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HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
NINETIETH CONGRESS
SECOND SESSION

MAY 21, 1968

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SURVEY OF GOVERNMENT OPERATIONS

PART 9—POST OFFICE DEPARTMENT

TUESDAY, MAY 21, 1968

HOUSE OF REPRESENTATIVES,
GOVERNMENT ACTIVITIES SUBCOMMITTEE
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 2247, Rayburn House Office Building, the Honorable Jack Brooks, chairman of the subcommittee, presiding.

Present: Representatives Jack Brooks, William S. Moorhead, Ogden R. Reid, Fletcher Thompson, and Margaret M. Heckler.

Also present: Ernest C. Baynard, staff administrator; William M. Jones, counsel; Irma Reel, clerk; Lynne Higginbotham, clerk, and William Copenhaver, minority counsel.

Mr. Brooks. The Government Activities Subcommittee, having been duly organized under the rules of the House of Representatives and a quorum being present, the meeting is hereby called to order.

The subcommittee today is reviewing the operations of the Post Office Department. We welcome the recently appointed Postmaster General, Marvin Watson, and other officials representing the Department here today.

The Postmaster General brings a broad background in business experience and, more directly, the benefit of long hours of applied management at the White House with our very distinguished President Lyndon Johnson. If he indoctrinates the Post Office staff with those same hours they will be doing the 35-hour workweek by each Wednesday.

The postal system is one of the oldest and most fundamental Government services, having been provided for in the Constitution itself. It is also one of the largest businesses in the world, employing hundreds of thousands and serving millions. It is the Government agency with which the citizens of this Nation have the most direct and frequent contact.

Just as a dependable, efficient postal service was of prime concern in the 18th century, it remains so today. American business relies heavily on the Post Office Department. An inefficient, slow, outdated, inadequate postal service could paralyze the growth of the national economy.

The Post Office Department has had to move from the horse and buggy days through the era of mechanization and now seeks to apply the most modern techniques in handling the mammoth volume of mail which is increasing annually. It is mandatory that the Post Office use the resources available to it in the most efficient manner if it is to meet the needs of the Nation during the coming years. An effective postal service is essential to the continued progress of this Nation.

On August 27, 1962, this subcommittee held hearings on the effectiveness and efficiency of the Post Office Department's procedures in handling large shipments of currency. On the evening of August 14, 1962, two postal employees in a panel truck were stopped by hijackers on Route 3 near Plymouth, Mass. An hour or so later they were bound, blindfolded, and gagged, and mailbags containing a sum of money in unmarked currency were taken. A gang of six to eight criminals apparently was involved.

The subcommittee made certain recommendations relating to the shipment of large sums of currency in a report adopted by the House Government Operations Committee on April 10, 1963 (H. Rept. 207, 88th Congress). Several copies were forwarded to the then Postmaster General for the special attention of Inspector Montague. First let me say, General Watson, I realize you have just come in down there, but knowing your assiduous interest in updating yourself on all the problems that the Post Office Department has faced and is facing, I am sure you have heard about this one. However, if any of the questions on this or other matters require more detail than you have readily available, I would want you to call on the appropriate bureau heads for full explanation.

Now, we understand that the Federal statute of limitations has now run on this robbery. First, without mentioning any names or identifying any particular individuals, I wondered if you or your staff, possibly Mr. Montague, could give the subcommittee a reconstruction of the Plymouth mail robbery on the basis of the information that you and your team of inspectors turned up during the 6 years of the Post Office Department's investigation. You might characterize your remarks to a hypothetical case if you so desire.

Second, I would like for you, for the record, to furnish for us a report on the extent to which the subcommittee's recommendations issued at that time, in 1963, were accepted and whether or not they have been followed. Could you give us a statement on that?

STATEMENT OF HON. W. MARVIN WATSON, POSTMASTER GENERAL; ACCOMPANIED BY FREDERICK C. BELEN, DEPUTY POSTMASTER GENERAL; WILLIAM M. McMILLAN, ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS; FREDERICK E. BATRUS, ASSISTANT POSTMASTER GENERAL, BUREAU OF TRANSPORTATION; RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE AND ADMINISTRATION; AMOS J. COFFMAN, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES; DR. LEO S. PACKER, ASSISTANT POSTMASTER GENERAL, BUREAU OF RESEARCH AND ENGINEERING; HENRY B. MONTAGUE, CHIEF POSTAL INSPECTOR; A. C. ANTEROINEN, DIRECTOR, DIVISION OF INTERNAL AUDIT, BUREAU OF THE CHIEF POSTAL INSPECTOR; JAMES R. THOMASON, DEPUTY ASSISTANT POSTMASTER GENERAL AND CONTROLLER, BUREAU OF FINANCE AND ADMINISTRATION; WOODROW G. DOAK, ASSISTANT CONTROLLER FOR BUDGET AND PROGRAMS, BUREAU OF FINANCE AND ADMINISTRATION; EUGENE R. FEAGAN, DIRECTOR, BUDGET DIVISION, BUREAU OF FINANCE AND ADMINISTRATION; AND ADAM G. WENCHEL, ASSISTANT GENERAL COUNSEL, LEGISLATIVE DIVISION, OFFICE OF THE GENERAL COUNSEL

Mr. WATSON. Mr. Chairman, I am familiar with the recommendations made by your committee and the Post Office to prevent or avoid any reoccurrence of the situation that did take place some 7 years

ago this summer. I understand that your committee has been advised of certain safeguards by the Post Office Department. Your committee has been advised in executive session.

Publicly, I can state that we know of much better programs, we believe, and that the men with the responsibilities in the Post Office Department are much better trained, we hope and we believe, in the use of firearms. I think Plymouth was a costly lesson for all of us, but I trust that it was a lesson and we have gained much insight into what we need to do in the Post Office Department so we might do a good job.

Mr. BROOKS. You will recall, at the time we examined the guards, we asked them if they carried a pistol. They said, "yes, we sure do." We asked them if they had ever fired it? "No, sir, I never fired it." This was pretty much of a shock because a man carrying a pistol who has never fired it is more dangerous than a man without anything just sitting there—to himself, his friends, other employees—and a minimum danger to somebody who would assault him and maybe take it away from him.

Mr. WATSON. Yes, sir; I do recall that lesson.

Mr. BROOKS. You were not involved in that, and I know you are well aware of the use of firearms yourself.

Mr. WATSON. Yes, sir. I think for a fuller explanation on this subject I would like to refer to Mr. Henry Montague.

Mr. MONTAGUE. To go back to the Plymouth case, Congressman, the investigation continued until—

Mr. BROOKS. Would you like to move up here and sit at the table?

Mr. MONTAGUE. The investigation continued until an indictment was returned July 31, 1967. That covered three persons. The trial started on November 6, 1967. One of the three persons, Thomas R. Richards, was missing on the day the trial started. The trial of the other two persons continued, and they were acquitted. The third person, Richards, who was under indictment, and still is, has not been found. Therefore the prosecution features have not yet been finished.

While the Federal statute runs for 5 years, the State statute runs for 10 years. Therefore it is still possible to get further prosecutions in this case if further evidence is developed.

With regard to the recommendations made by this subcommittee on the handling of valuable shipments, Postmaster General Gronouski addressed a letter to you in December 1963, wherein he commended the recommendations of this subcommittee and stated that they had been put into effect to a great degree, and he found them to be beneficial. I have a copy of the report—

Mr. BROOKS. Did you concur in that letter, Mr. Montague?

Mr. MONTAGUE. Yes, sir. I have a copy of your report dated April 10, 1963, with me. In that report you list five recommendations and all of those recommendations have been followed in full or in part. When I say in part, I mean that the Post Office Department went as far as it thought advisable and feasible to go with regard, for instance, to the use of armored vehicles.

Concerning the firearms training program, however, as stated by Postmaster General Watson, it has been greatly improved. Anyone who is scheduled to use a firearm on a permanent basis or on a regular unscheduled basis—when I say that I mean who is not on a regular schedule but who may use it from time to time—is required to qualify. They are required to requalify every year. Part 859 of the Postal Manual contains full instructions on the use of firearms in the Post Office Department.

Mr. BROOKS. Do you know what the status of recommendation "E" was that Federal Reserve and Treasury Department officials study and review possible means by which local banks could devalue wornout currency prior to shipment? In other words, in some way stamp it or clip it or void it in some fashion so that when shipped it would be easily identified and known to be valueless rather than of a tremendous market value?

Mr. MONTAGUE. The Federal Reserve and Treasury Department tells us that it would be too expensive to put a system of that sort into effect. However, shipments of great value which we have been receiving from two specific points are being mutilated by punching holes in the bills. These happen to be the shipments which are of the greatest value today.

In addition to that, there has been a diversion of about one-third of the valuable shipments. That is, one-third of those that were carried in the mail in 1963 have been transferred to armored car service at the present time. So more of it is being carried in the armored car service—plus these two points which I mentioned from which the bills are being mutilated.

Mr. BROOKS. One thing more. I noticed that you had indicted only three people. Would you reconstruct this crime? I thought there were four to seven people involved. How was that set up?

Mr. MONTAGUE. We thought and still do think there were six or eight people. However, three was the number on which we had evidence enough to obtain an indictment and to go to trial. This doesn't mean that we feel that there were no more involved.

When I previously mentioned the statute of limitations still runs for at least 4 years as far as the State is concerned, there are possibilities. This case quite closely parallels the Brinks holdup which was a similar amount of money occurring in the same neighborhood and on which an indictment wasn't returned until 6 years after the crime. In that case they had hundreds of rumors and thousands of leads they had to investigate. We had the same difficulties in this investigation. Before the end of 5 years we did come up with three indictments. That doesn't mean that we feel that these people are the only ones who were involved or that it is not possible that some further action might not be taken.

Mr. BROOKS. What do you think happened to the money?

Mr. MONTAGUE. It was hidden, no doubt, right after the crime. We think that it has been used. A considerable amount of it at any rate has been used. Whether it has all been used we don't know.

Mr. BROOKS. We recovered none of it?

Mr. MONTAGUE. Correct.

Mr. BROOKS. Do you have any idea where this man you indicted has escaped to or vanished to? Do you think he is alive?

Mr. MONTAGUE. There has been some speculation that he is no longer alive but it is only speculation. As far as we are concerned he is a fugitive from justice and we are looking for him.

Mr. BROOKS. When they indicted him, was he picked up?

Mr. MONTAGUE. He was arraigned; yes, sir, and released on bail.

Mr. BROOKS. How much bail?

Mr. MONTAGUE. \$25,000 bail.

Mr. BROOKS. A million and a half cash missing and \$25,000 bail. He could afford to leave. [Laughter.]

Why did they set the bail so low? It seems a bit low for that type of loot running around somewhere.

Mr. MONTAGUE. As you are aware, this is something out of our jurisdiction. I don't know.

Mr. BROOKS. Does it seem low to you?

Mr. MONTAGUE. Well, apparently the commissioner thought that having attorneys and being known, that \$25,000 would be enough to make them available on the date the trial was to start or whenever they might be needed.

Mr. BROOKS. The commissioner knew of course that the items stolen were an unmarked million and a half in cash.

Mr. MONTAGUE. Yes, sir.

Mr. BROOKS. How many postal inspectors are now assigned to this?

Mr. MONTAGUE. At the present moment the case is assigned to our Boston division. We have one inspector who devotes all his time to it. Others are used as necessary.

Mr. BROOKS. Do you still have some hope of recovering that money?

Mr. MONTAGUE. We never lose hope, Congressman. Since the statute still has 4 years to run, the State statute, we do have hope.

Mr. BROOKS. Thank you very much.

General, I wanted to ask you about a matter that is a sticky one for all of us. I receive letters from constituents objecting to having received unsolicited advertisements of an obviously obscene nature.

A few weeks ago a constituent forwarded me such an advertisement that was so revolting as to be indescribable. The advertisement hadn't been solicited by the recipient and he was pretty much concerned about the possibility of it falling into the hands of his young son. With all the legal problems the Post Office might encounter in this area, is there anything that can be done and is anything being done to prohibit the transmission of such material by the postal service?

Mr. WATSON. To my knowledge there is not anything being done to prohibit this type of mail going in the mail except in this particular type of case, a new law went into effect April 14 of this year which will allow this lady to notify her postmaster that she no longer wishes to receive correspondence from the person or firm sending this type of mail and therefore she will no longer receive it.

Mr. BROOKS. This would be a pretty involved problem for the distribution people, wouldn't it?

Mr. WATSON. Yes, sir.

Mr. THOMPSON. May I interject? Actually does not the law provide that the Postmaster General would notify the mailer to remove this person from his mailing list?

Mr. WATSON. Yes, sir.

Mr. THOMPSON. So it would not be incumbent upon the local postmaster to remove this as it is sent. The mailer, the person sending the mail, is instructed to remove this person from the list and if he refuses to, then you have authority, do you not, to obtain an injunction against this individual under this act?

Mr. WATSON. Yes; that is the way I understand it. The postmaster, as such, is just the middleman involved.

Mr. BROOKS. I get three or four of these letters every year, and I guess other Congressmen do. A couple of the recipients might have ordered an exerciser one time of some sort—I don't know how they get on those lists but maybe half of those who write me in some way have inadvertently and unknowingly gotten on such a list. I guess half are totally innocent.

It seems there ought to be some way to prosecute the mailers, to make them have a signed request. I don't know whether there should be some new legislation that would strengthen the authority—the courts seem pretty general in allowing you to send almost anything you want to send—and I wonder if maybe your counsel might not think about the possibility of some stronger legislation that might be passed by Congress that would give you full authority to either enjoin or fine or restrain in some way the people who habitually make it a practice to send out this kind of material.

Mr. WATSON. Yes, sir. We will make a study of that, Mr. Chairman. I believe the President has a commission now appointed to make a study of this situation. Also, Mr. Adam Wenchel is here from the Office of the General Counsel, who might shed more light on this.

Mr. BROOKS. Mr. Wenchel?

Mr. WENCHEL. Yes. Under the present legislation we can get a cease-and-desist order. After a person has complained, the postmaster notifies the sender to remove from the mailing list this person's name as well as names of members of his family. If there is a further violation of that order then we are authorized to have the Department of Justice seek a cease-and-desist order, and if that is violated, of course you have punishment under the contempt powers of the court. Since this law has only gone into effect in April we have not seen too much in the way of actual results yet.

Mr. BROOKS. You plan to operate then on a basis of written requests to the Postmaster General—or to the local postmaster forwarded to the General—and then under his signature he will write and ask the mailer to remove Mr. and Mrs. Joe Doaks.

Mr. WENCHEL. That is correct. While we don't require the use of a form, we have devised a simple form which may be used for that request.

Mr. BROOKS. We will see how that operates. It might be helpful.

Mr. Thompson?

Mr. THOMPSON. May I ask one further question? Of course this is trying to do something about the problem after the mail, the obscene

literature, has already been distributed. I am familiar with certain rulings of the Supreme Court and apparently this is the only procedure we can use in view of the Court ruling. Do you have any idea whether or not there is a means by which we can set standards to determine obscenity on items that would be handled by the Post Office Department and not run afoul of these decisions of the Court which basically allow you to send anything in the world you want to send?

Mr. WENCHEL. We have struggled with this problem for years and we just have not been able to come up with anything satisfactory. The problem is that when you attempt by legislation to define something as obscene you run into the question of whether the courts will allow that definition to stand.

Mr. THOMPSON. Courts usually require each item to stand on its own, do they not?

Mr. WENCHEL. That is correct.

Mr. THOMPSON. And that you can't prejudge something by a set of standards as to whether it is obscene or not. You have to have that particular item transmitted and then the decision can be made?

Mr. WENCHEL. That is correct. Of course, a good deal of this material passes through the mails as first-class mail and obviously it is not subject to inspection.

Mr. THOMPSON. One further question. With the decisions that have been handed down by the Court, for all intents and purposes the Congress is powerless to do anything about handling obscene mail other than what we have done with this present law. Would that be a fair statement of fact?

Mr. WENCHEL. In my opinion, Congress could not redefine obscenity to make it broader than the courts believe is the constitutional standard for it.

Mr. THOMPSON. So we have in effect done what we can do by simply making known to the public that if they do receive some unsolicited or obscene mail they want to stop—they don't want to receive any more from this particular mailer and it has to be that particular mailer—they can notify their postmaster and the Postmaster General will ask this mailer to remove them from the mailing list. If they fail to, an injunction can be obtained against that person from sending any further mail?

Mr. WENCHEL. Yes. There is one further provision in the law. That is, a person is not only not to send anything further himself, but he is not supposed to sell the mailing list with that name on it.

PART 1.—OVERALL AGENCY OPERATIONS

Mr. BROOKS. The subcommittee today is looking at the programs of the Department to determine if it is operating efficiently and effectively. We plan to look first at the overall management of the Department. Then we will want to look at each of your programs with particular emphasis on how much it is costing, how much is being performed, what the postal user, the taxpayer, is getting in return.

General, would you be so kind as to introduce the officials accompanying you here at this time?

Mr. WATSON. I have Mr. Belen, Deputy Postmaster General; Ralph Nicholson, finance officer; Mr. Amos Coffman, facilities; Dr. Packer,

research and engineering; Mr. Fred Batrus, transportation; and Mr. McMillan of operations.

Mr. BROOKS. General, I understand that you have a commitment that you hope to make shortly. We have a number of detailed questions concerning various aspects of the management of your agency which we would like to submit to you for written responses to be placed in the record.

At this time what we would like to do is discuss some of these management concepts in general that have to do with internal auditing, personnel practices, et cetera. We will go through those briefly and then have a layout by each of your program directors of generally what they do, backed up by the detailed questions on the status of their efforts. We will then have a pretty good idea of where they stand.

I would ask you one question and then I think we could, if the committee members have no further questions of you, let you make your previous appointment without being delayed.

The one thing I wanted to ask you about is this: In the program breakdown of the major divisions of work in the Post Office Department—which seem fairly reasonable as to distribution and so forth—but on the breakdown of your schematic diagram of the organization, they don't seem to correlate. I wonder if you would talk with your budget people and with your staff to see if this really makes sense. We have a few other agencies with this same problem. The schematic on the chain of command is very interesting but seems somewhat unrelated to the program budgeting areas. You have seven or eight programs in the Post Office Department and as I went over this last night I had trouble picking out each of the programs and seeing where it fit in this chain of command. I am sure you are wrestling with that problem yourself right now.

As you go over this agency and evaluate how it operates, I wish you would see if there really is a reason for the programs being on one set of facts and apparently the chain of command system and the schematic diagram on another—I guess they could change those squares but what it says in the squares doesn't correlate to the programs. There are more squares than programs. The division is a little tricky. I think that it might simplify the operation of that very involved agency. Not only would it be simpler for you as the new Postmaster General, it would be simpler for everybody in the Department who is dedicated to delivering the mail efficiently and effectively as most of them are.

Do you have any questions, Mrs. Heckler?

Mrs. HECKLER. Just one question.

General, I think we are terribly presumptuous in even having you come today because you have hardly had a chance to master your own Department. I am impressed that you know those gentlemen's names since you have just recently assumed this very important post. My question however is a general one.

I am sure that considering your previous responsibilities you were aware of all the popular concepts which have been advanced in general and particularly in regard to the postal service. One has caught the fancy of the people and the press, and I personally am very intrigued by it. I wonder what your opinion is on the proposal advanced by your predecessor regarding bringing in public enterprise or private enterprise or the establishment of a postal service corporation. What is your

attitude toward this concept in general as to its feasibility, applicability to the present manpower of the Department and so forth?

Mr. WATSON. Mrs. Heckler, I will be very interested in reading the Kappel report as it is commonly referred to, the Commission appointed by the President to make a study of this type. It was discussed several times in general terms by Postmaster General Larry O'Brien. Basically I think if this Commission does give us some new ideas of management techniques and solutions to problems that we find in the postal system, obviously I will adopt them.

Often, so it seems to me, we can plan and we can, in our mind and maybe on paper, put down an ideal situation. To make that ideal situation work and make it a reality sometimes is a little more difficult.

As you and the committee know, the Post Office Department is controlled by Congress. Any thoughts or any programs we might develop obviously will be presented to the appropriate committees for their consideration and recommendations. I am sure the Kappel report findings will follow in that same category. I have not seen the report as yet and have not had an opportunity to study it. I understand that it is in its final phase of drafting for presentation to the President so I join with you in looking forward to seeing exactly what they have in mind.

Mrs. HECKLER. No further questions.

Mr. THOMPSON. As you have a greater volume of mail, mechanization seems to be coming more into the picture. Have you had an opportunity to discuss with your subordinates whether or not there are going to be additional positions created for the people handling the machines that are going to be sorting the mail and distributing the mail or whether there will be a decrease in employment in the Post Office Department. In other words, should we mechanize to a much greater degree? What will this do to the salary level and the experience level of the post office employees? What is going to be required of them? Will we need more employees or fewer employees?

Mr. WATSON. Mr. Thompson, I have not gone into specific details of that type with the idea of mechanizing the Post Office. All my staff, all the people I have met with in the field and here in headquarters have convinced me that they are 100 percent in favor of new ideas and new machines to be developed and put into the Post Office. I think it is not only desirable but I think it is a necessity as we look at the trend of mail volume. It has to be this way.

Basically, as I see the thing that I might be able to contribute to the Post Office Department in the way of a program which Congress would have to study, is that we must have more than buildings. We do not have more than buildings in most places. We have one little plan that is so obvious. We must double the space we now occupy in the next 5 years if we are to maintain our existing position.

I do not think that new modern management techniques have been brought forth in the Post Office Department. There are many reasons for this but we are going to try to find some solutions to these two problems through financing and through management techniques.

Mr. THOMPSON. Then basically you will be looking into the question of whether or not the budget of the Post Office Department has programmed an adequate amount of money for research and development of these machines for your new facilities, and further, when you will have new machines, you will require certain skills of post office em-

ployees that have not been required before, as to whether or not these people should fall into a special category and what their relation would be to the other post office employees.

Mr. WATSON. I have no doubt in my mind that existing postal employees, when jobs are lost because of the machines, they can be brought back in through a training program and remain a part of the postal system. My background of some 10 years ago in watching people being trained to do a job that they may not have known existed 2 years before and then watching the success of that leads me to believe that obviously it would be true in the postal system.

Mr. THOMPSON. Thank you very much.

Mr. BROOKS. I think the increase in the Postal Department's request for money for research was 55 percent. Is that correct?

Dr. PACKER. Fifty-five and a half percent; yes, sir.

Mr. WATSON. I must point out, however, that if Congress granted the entire amount requested by the Department for research and development—which the House didn't—but if we received all of it, we would still have only 3 percent of our investment based on our income in research which in the utility business is a very small amount.

Mr. BROOKS. One other thing—on facilities, it has long been established that it is cheaper to buy the land, build the building, pay for it all out of public money, and use it for 10 years, 30 years, or 40 years. The difficulty has been that for some years now Congress has refused for budgetary reasons to appropriate enough money for the Post Office Department to meet the need for new facilities. They have not even come close. As a result of this, we have taken—I say this very sadly—the pennywise, dollar-foolish system of leasing facilities all over the country.

In your district and in mine we lease them for 5 years, renew it for 5 and they are paid out. We have nothing left. We don't own the building. We don't own the land. We still have the requirement. The next 10 or 20 years is strictly gravy to the owner at additional cost to the Federal Government. This is the problem the Post Office Department is facing. We will go over it and get the facts outlined but the real problem is with the Congress in not facing up to the necessity. Right now we are trying to cut everything but every time you cut you don't always save money. This is an excellent example of the foolishness of failing to spend the money that is necessary to maintain the facilities that the country has to have.

We certainly appreciate your testimony here, General Watson. We are honored to have you and delighted you could come. Is there anything further you want to add?

Mr. WATSON. I thank you. The other committee members might want to know why I feel it necessary to leave for this prior commitment. We are unveiling a research center and the "Register and Vote" stamp today. It is nonpartisan and so I thought that maybe we could get a few more people to vote in your districts and it would be helpful to you individually.

Thank you very much.

Mr. BROOKS. Thank you very much, General.

Mr. Belen, we have a number of detailed questions concerning various aspects of the management of your agency which we would like to submit for you to have written responses placed in the record as I explained.

(The written responses of the Post Office Department are in the appendix.)

Mr. Brooks. At this time we would like to discuss some of those management concepts in general terms and I wish you would handle them. If you have any hesitancy about it or think it appropriate, ask your agency head to do it directly.

Mr. BELEN. Thank you.

Mr. Brooks. At the conclusion of these general questions we will go to your program people and get a thumbnail analysis from each one of them.

Mr. BELEN. All right.

Mr. Brooks. To begin the questions, do you have a fact sheet indicating the total funds available to your agency as a whole for fiscal 1968?

Mr. BELEN. Yes, sir. For fiscal 1968 we will have a total of \$6,954,493,000 available. This includes reimbursements of \$156,816,000 which we get from the departments and agencies.

Mr. Brooks. Without objection, I will submit for inclusion in the record, exhibits A, B, and C.

(Exhibits A, B, and C follow :)

EXHIBIT A—SUMMARY—TOTAL FUNDS AVAILABLE

DEPARTMENT OR AGENCY		PROGRAM	SUBPROGRAM		
100	Post Office Department	Summary			
CODE		CODE	CODE		
200	ANALYSIS AND CONTROL CODES				
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			4,984,114	
512	Benefits			410,229	
513	Travel			28,343	
520	Expenses:				
521	Communications			10,194	
522	Transportation			104,612	
523	Printing			9,488	
524	Supplies and Consumable Materials			152,349	
530	Capital Equipment			168,731	
540	Land and Structures			86,855	
541	Additional Investment			11,993	
542	Rents			129,396	
550	Total			6,096,304	
600	Funds distributed				
610	Contracts			330,911	
620	Grants				
630	Loans				
640	Benefits				
650	Other			527,278	
660	Total			858,189	
700	Total			6,954,493	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

Printed for use of House Government Activities Subcommittee, Chairman Jack Brooks

SP-641-B GPO

FINANCIAL AND STATISTICAL SUMMARY, 1967-69

[In thousands of dollars]

Item	1967 actual	1968 estimate	Increase		1969 estimate	Increase	
			Amount	Percent		Amount	Percent
Administration and regional operation.....	\$94,528	\$107,521	\$12,993	13.7	\$120,231	\$12,710	11.8
Research, development, and engineering.....	16,397	23,396	6,999	42.7	36,386	12,990	55.5
Operations.....	5,010,336	5,492,285	481,949	9.6	5,720,000	227,715	4.1
Transportation.....	634,503	650,000	15,497	2.4	684,000	34,000	5.2
Building occupancy.....	163,921	185,889	21,968	13.4	210,000	24,111	13.0
Supplies and services.....	76,855	93,556	16,701	21.7	110,000	16,444	17.8
Plant and equipment.....	136,409	195,030	58,621	43.0	225,000	29,970	15.4
Postal public buildings.....		50,000	50,000		88,252	38,252	76.5
Amounts included above for Public Law 90-206 costs.....		(261,590)			1 (350,747)		
Absorption in "Operations".....		(-49,181)					
Total obligations.....	6,133,449	6,797,677	664,228	10.8	7,193,869	396,192	5.8
Net revenue.....	-4,962,702	2 -5,642,090	679,388	13.7	3 -6,287,552	645,462	11.4
New obligatory authority used.....	1,170,747	1,155,587	-15,160	-1.3	906,317	-249,270	-21.6
Net change in selected working capital.....	-29,562	-86,732	-57,170		-145,274	-58,542	
Budgeted expenditures.....	1,141,185	1,068,855	-72,330	-6.3	761,043	-307,812	-28.8
Cost basis:							
New obligatory authority used.....	1,170,747	1,155,587	-15,160	-1.3	906,317	-249,270	-21.6
Adjusted to accrued cost.....	-23,703	-120,507	-96,804		-208,039	-87,532	
Accrued net expense.....	1,147,044	1,035,080	-111,964	-9.8	698,278	-336,802	-32.5
Loss on public service.....	-556,800	-804,700	-247,900		-624,578	-19,878	
Revenue deficiency accrual basis.....	590,244	430,380	-159,864	-27.1	73,700	-356,680	-82.9
Volume of mail—pieces (thousands).....	79,165,000	82,159,000	2,994,000	3.8	83,966,000	1,807,000	2.2
Special service—transactions (thousands).....	600,000	576,000	-24,000	-4.0	591,000	15,000	2.6
Employment (man-years).....	675,849	703,748	27,899	4.1	713,854	10,106	1.4
Positions.....	716,603	741,922	25,319	3.5	762,532	20,610	2.8

1 Does not include \$280,000,000 for Public Law 90-206 costs and transportation public law adjustments of \$4,500,000 which will be a part of a Bureau of the Budget supplemental.

2 Includes \$380,900,000 part-year revenue due to rate increase effective Jan. 7, 1968, and \$7,600,000 fee increases all due to Public Law 90-206.

3 Includes \$873,800,000 full-year revenue due to rate increase effective Jan. 7, 1968, \$70,000,000 increase in parcel post rates and \$15,300,000 fee increases all as a result of Public Law 90-206.

SUMMARY OBLIGATIONS

[In thousands of dollars]

Category I—Direct services to mailers.....	1,358,534
Category II—Processing of mail.....	1,530,061
Category III—Delivery services.....	2,092,797
Category IV—Transportation.....	781,516
Category V—Enforcing postal laws and regulations.....	28,211
Category VI—Research, development, and engineering.....	22,495
Category VII—Administrative postal support.....	326,808
Category VIII—Logistical postal support.....	814,071
Total (gross).....	6,954,493
Less reimbursements.....	—156,816
Total (net).....	6,797,677

SUMMARY POSITIONS

Category I—Direct services to mailers.....	186,415
Category II—Processing of mail.....	216,462
Category III—Delivery services.....	271,571
Category IV—Transportation.....	—
Category V—Enforcing postal laws and regulations.....	2,083
Category VI—Research, development, and engineering.....	470
Category VII—Administrative postal support.....	35,119
Category VIII—Logistical postal support.....	29,802
Total.....	741,922

EXHIBIT B—ORGANIZATION CHART
POST OFFICE DEPARTMENT

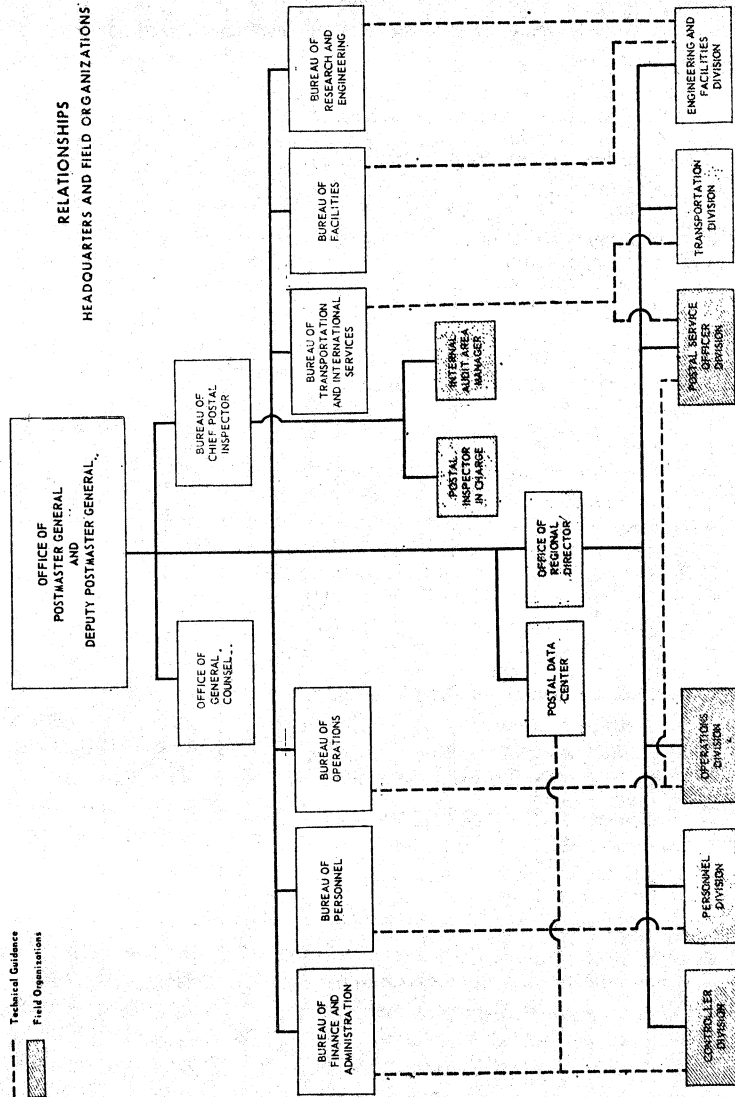
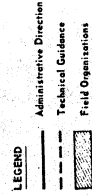


EXHIBIT C—PROGRAM STRUCTURE BREAKDOWN

POST OFFICE DEPARTMENT PROGRAM STRUCTURE

I. Direct services to mailers

- A. Combined postal services at small offices.
- B. Window and/or vending services.
- C. Collection service.
- X. Logistical postal support (non-add).

II. Processing of mail

- A. Combined mail processing.
- B. Platform operations.
- C. Mail preparation.
- D. Mail distribution.
- X. Logistical postal support (non-add).

III. Delivery services

- A. Government vehicle service mail transportation.
- B. Preparation of mail for delivery.
- C. City delivery.
- D. Special delivery.
- E. Rural delivery services.
- X. Logistical postal support (non-add).

IV. Transportation

- A. Intercity transportation.
- B. International transportation.
- C. Other transportation—funded functions.
- X. Logistical postal support (non-add).

V. Enforcing postal laws and regulations

- A. Postal crimes and prohibited mailings.
- B. Administrative compliance.
- X. Logistical postal support (non-add).

VI. Research, development, and engineering

- A. General research.
- B. Applied research and development.
- C. Engineering.
- X. Logistical postal support (non-add).

VII. Administrative postal support

- A. Departmental administration.
- B. Regional and intermediate level administration.
- C. Post Office Administration (large offices WMS).
- D. Management information systems (non-add).
- E. Special administrative support projects.
- X. Logistical postal support (non-add).

VIII. Logistical postal support

- A. Capital investment.
- B. Expense.
- C. Depreciation and related items (non-add).

Mr. BROOKS. Would you give us the total number of employees in the agency and the geographical extent of your operations?

Mr. BELEN. At the end of April of this year the Post Office Department had 711,660 employees. We have 30,000 post offices that extend to every part of the country and the geographic operation is actually worldwide.

A. GENERAL SUPPORT PROGRAM

Mr. BROOKS. Under your budget breakdown, do you have a support program covering the operations of your office and other policymaking personnel not directly attributable to a program function?

Mr. BELEN. Yes, that would be category 7, Administrative Postal Support, which provides for the executive direction of the administration of the entire postal service and includes all bureaus. It includes only the administrative portion of the Bureau of Engineering. It also includes the Washington headquarters, 15 regional offices, and six postal data centers. It includes the headquarters staff.

Mr. BROOKS. I would submit exhibit D at this time.
(Exhibit D follows:)

EXHIBIT D—PART I—PROGRAM CATEGORY VII—ADMINISTRATIVE POSTAL SUPPORT

DEPARTMENT OR AGENCY		PROGRAM		SUBPROGRAM	
100	Post Office Department	Administrative Postal Support			
CODE		CODE		CODE	
200	VII				
ANALYSIS AND CONTROL CODES					
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			296,222	
512	Benefits			23,933	
513	Travel			4,442	
520	Expenses:				
521	Communications				
522	Transportation			101	
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total			324,698	
600	Funds distributed				
610	Contracts			2,110	
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total			2,110	
700	Total			326,808	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

VII. ADMINISTRATIVE POSTAL SUPPORT

A. Description

This program category covers—(1) The Postmaster General and Deputy Postmaster General executive direction and administration of the Post Office Department, the functions of their offices and headquarters services. (2) The technical direction and functions of the Bureaus of Operations, Transportation, Finance and Administration, Facilities, Personnel and Chief Inspector and the Office of General Counsel. (3) The administration functions of the Bureau of Research and Engineering. (4) The functional responsibilities of the 15 regional offices. (5) The administrative functions of the Field Inspection Divisions. (6) The operations of the six Postal Data Centers. (7) The operations of the Postal Service Institute. (8) The operation of the two Automatic Data Processing Centers and four teleconcentrator sites of the Postal Source Data System. (9) The operation of area supply centers, mailbag depositories and repair centers, the envelope agency, and work performed by area equipment specialists. (10) The executive direction and administration support functions of WMS post offices.

B. Services provided

Program category VII provides for the administration of the postal service at the departmental, regional, and local level, through the offices of the Postmaster General, the Deputy Postmaster General, bureaus and offices, advisory and planning boards, regional directors and their staffs and postmasters and their immediate staffs.

This category provides direction and guidance for the handling and transportation of mail, the appointment and administration of personnel, the management of its finances, the procurement of operating supplies and equipment and the promulgation of rules and regulations for its operations. In addition to his administrative duties, the Postmaster General maintains liaison with the Congress, appoints postmasters at fourth-class offices and submits nominations to the President on appointments for other class offices.

The Bureau of Operations: (a) provides functional direction for the execution of policies and programs governing the operational activities of the postal service which involve the admissibility, classification, collection, processing, dispatch and delivery of mail; (b) directs the establishment and discontinuance of mail handling facilities; (c) determines the establishment, change, and discontinuance of city and rural routes; (d) determines space, mechanization, and equipment requirements for postal installations; (e) determines staffing standards, maintains personnel complement controls, and directs the work measurement program; and (f) promotes a patron relations program.

The Bureau of Transportation: (a) provides functional direction for the execution of policies and programs governing the transportation activities of the postal service which involve the distribution, routing, and dispatch of outgoing and transit mail; (b) prescribes the regulations governing the selection of transportation media and the procurement of transportation from and supervision of service performance by mail carriers; (c) determines establishment and discontinuance of mobile post offices, airport mail facilities, transfer offices and truck terminals, and issues standards for their staffing; and (d) effects operating arrangements for the exchange of mail with other countries.

The Bureau of Finance and Administration: (a) develops and administers the Department's financial management program including the handling of funds and accountable paper, budget formulation and execution, accounting, costing and cost ascertainment, postal rate and fee development, postal economics, money order systems and financial and statistical reporting; (b) serves as financial adviser to the Postmaster General; (c) develops and directs programs to improve the organization and performance of the Post Office Department; (d) develops policy for application, operation, and administration of automatic data processing; (e) directs preparation and distribution of official orders and regulations; and (f) designs and develops statistical programs and provides professional staff services in applying mathematical and statistical principles and techniques to the solution of financial management and operating problems.

The Bureau of Facilities: (a) formulates and administers policies and programs governing the acquisition, management, maintenance, improvement, and disposal of real property occupied by the Post Office Department, and of utilities, operating equipment and supplies, and vehicles used in the postal service; (b) directs operation of the supply system, the production, repair, and storage of mailbags, production of keys and locks, and the production, distribution and control

of bulk lots of accountable paper supplies; and (c) exercises procurement authority, including personal and real property and services.

The Bureau of Personnel: (a) formulates and administers policies and programs required to develop and maintain an effective personnel management program; (b) acts on personnel management matters relating to industrial relations, compensation administration and employee training; (c) represents the Postmaster General in dealing with employee organizations; (d) administers the incentive awards program; (e) provides technical assistance in the preparation and administration of negotiated contracts; and (f) has responsibility for equal opportunity in the postal service.

The Bureau of Research and Engineering: (a) directs research, development, and engineering activities of the postal service; (b) provides new concepts, systems, and techniques for the processing, movement, and delivery of mail and the related machinery and equipment to transform the concepts into efficient operating tools; and (c) assists the Bureau of Operations in development and analysis of basic planning data, in designing and supervising construction of facilities including utilities and mechanization, and conducts postinstallation audits to evaluate prior planning and plant and equipment design and arrangement.

The Bureau of the Chief Postal Inspector directs the execution of policies, regulations, and procedures governing all investigations, including presentation of evidence to the Department of Justice in those of a criminal nature, and directs operating inspections and audits for the postal service.

The Office of the General Counsel: (a) serves as legal adviser to the entire Postal Establishment and acts as legislative officer for the Department by drafting bills, preparing reports on proposed legislation, and representing the Department in hearings and conferences on legislative matters; (b) acts for the Postmaster General in the settlement of personal injury or property damage claims; and (c) initiates and prosecutes mailability proceedings under laws prohibiting the mailing of fraud, lottery, obscene, subversive, extortive, or threatening matter and firearms.

The 15 regional directors: (a) administer the execution of policies, regulations, and procedures governing, and takes final action within his delegated authority on, matters relating to management, operations, transportation, finance, engineering, equipment, supply, facilities and personnel; (b) are responsible for the efficient management, utilization, and control of manpower, allotted funds, facilities, and equipment; and (c) provides guidance and specialized assistance to post offices on mail processing, mail movement methods, and other postal operations.

The six postal data centers: (a) provide ADP support to the 15 regional offices; (b) issue U.S. Treasury checks for all payments made, including biweekly payrolls for over 700,000 employees, and U.S. savings bonds; (c) maintain general and subsidiary ledgers; (d) examine postmasters' statements of account and (e) examine and settle claims.

Field units of the Bureau of Facilities, including the stamped envelope agency, mail equipment shops, mail bag depositories and area supply centers, provide specialized logistical support to the more than 30,000 post offices and other field installations of the postal service.

Postal source data system comprises two automatic data processing centers and four teleconcentrators linked together by telephone lines to receive and process information on mail volume, work in process, vehicle utilization, manpower distribution, time and attendance, and inventory from the 75 largest post offices through 1968. Data is transmitted back to the originating office in the form of management information reports of a real time early turnaround type.

The Postal Service Institute, located in Bethesda, Md., provides a centralized training facility oriented strongly toward career development of about 70,000 postal managers through personal attendance, extension centers throughout the Nation and through correspondence courses.

Postmasters at large post offices provide executive direction and administer the operations, transportation, controller, personnel, facilities, and engineering programs in their respective post offices.

C. Financing

Funds for administrative postal support are provided by the appropriations. "Administration and regional operations," "Operations," "Transportation," "Facilities," and "Research, development, and engineering." For 1968, it is estimated that the aggregate of these portions of the above appropriations will total \$318,686,000, including transfers and supplementals.

D. Employment

Grade or level:

Administration and regional operation:

Executive direction:

Professional:	Number
Level I.....	1
Level III.....	1
Level IV.....	6
Level V.....	1
GS-18.....	11
GS-17.....	21
GS-16.....	51
GS-15.....	145
GS-14.....	191
GS-13.....	210
Subtotal.....	638

Technical:

GS-12 and below.....	1, 204
Industrial wage board.....	11
Lithographic wage board.....	24
Temporary employees.....	170
Reimbursable employees.....	3
Subtotal.....	1, 412

Total executive direction..... 2, 050

Field inspection service:

Professional:	
PFS-20.....	6
PFS-19.....	20
PFS-18.....	15

Subtotal..... 41

Technical: PFS-13 and below..... 42

Total field inspection service..... 83

Regional operation:

Professional:	
PFS-21.....	15
PFS-20.....	15
PFS-19.....	19
PFS-18.....	132
PFS-17.....	107
PFS-16.....	468
PFS-15.....	630
PFS-14.....	412

Subtotal..... 1, 798

Technical: PFS-13 and below..... 1, 412

Total regional operation..... 3, 210

Postal Data Center:

Professional:	
PFS-19.....	6
PFS-18.....	6
PFS-17.....	6
PFS-16.....	19
PFS-15.....	54
PFS-14.....	39

Subtotal..... 130

Grade or level—Continued

Administration and region 11 operation—Continued

Postal Data Center—Continued

Technical: PFS-13 and below.....	1,399
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Total Postal Data Center.....	1,529
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Total administration and regional operation.....	6,872
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Research, development, and engineering:

Professional:

Level IV.....	1
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GS-17.....	1
------------	---

GS-16.....	1
------------	---

GS-15.....	5
------------	---

GS-14.....	8
------------	---

GS-13.....	11
------------	----

Subtotal.....	27
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Technical: GS-12 and below.....	41
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Total research, development, and engineering.....	68
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Operations:

Professional:

PFS-20.....	5
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PFS-19.....	8
-------------	---

PFS-18.....	23
-------------	----

PFS-17.....	59
-------------	----

PFS-16.....	104
-------------	-----

PFS-15.....	285
-------------	-----

PFS-14.....	556
-------------	-----

Subtotal.....	1,040
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Technical: PFS-13 and below.....	26,026
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Total operations.....	27,066
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Supplies and services:

Professional: PFS-15.....	4
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Technical: PFS-13 and below.....	1,109
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Total supplies and services.....	1,113
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Total—Category VII.....	35,119
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E. Statutory authority

Title 39, United States Code:

Section 301. Post Office Department.

Section 302. Postmaster General.

Section 303. Seal.

Section 304. Deputy Postmaster General.

Section 305. Assistant Postmaster General.

Section 306. Advisory Board.

Section 307. General Counsel.

Section 308. Judicial officer.

Section 309. Delegation of authority.

Section 501. General duties of the Postmaster General.

Category Manager, Mr. Ralph W. Nicholson, Assistant Postmaster General, Bureau of Finance and Administration, coordinates for the Postmaster General and the Deputy Postmaster General the activities of developing plans for this category.

EXHIBIT D—PART II—PROGRAM CATEGORY VIII—LOGISTICAL POSTAL SUPPORT

DEPARTMENT OR AGENCY		PROGRAM	SUBPROGRAM		
100	Post Office Department	Logistical Postal Support			
CODE		CODE	CODE		
200	VIII				
ANALYSIS AND CONTROL CODES					
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp. I			158,665	
512	Benefits			15,586	
513	Travel			821	
520	Expenses:				
521	Communications			10,194	
522	Transportation			29,086	
523	Printing			9,488	
524	Supplies and Consumable Materials			152,345	
530	Capital Equipment			168,531	
540	Land and Structures			86,855	
541	Additional Investment			11,993	
542	Rents			125,463	
550	Total			769,027	
600	Funds distributed				
610	Contracts			45,044	
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total				
700	Total			814,071	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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89-511-1 GPO

VIII. LOGISTICAL POSTAL SUPPORT

A. Description

This category describes the capital investment and expense expenditures required by the Post Office Department. By means of four appropriations, supplies and services, building occupancy, plant and equipment, and postal public buildings, the land, buildings, supplies, services, vehicles and equipment necessary to keep the postal service functioning is procured. In addition, corresponding maintenance and vehicle service expense is included. Funding is allocated by essential purpose, such as, capital investment or expense; while a third subcategory includes depreciation and related items. The investment allocation includes funds for facilities, mail processing equipment, vehicles, customer service equipment, information processing and accounting equipment, administrative, maintenance and general support equipment, and the capitalized activities and output of the mail equipment shops. Within the expense allocation are funds for building occupancy, supplies and services, maintenance and vehicle service.

B. Services provided

Within the capital investment subcategory, funds are used for: site, design and construction of Federal postal facilities required for Post Office purposes; extension and modernization, air conditioning and other alterations to federally owned buildings, and leasehold improvements and minor alterations for leased facilities; fixed mechanized systems, nonfixed mechanized and other mail handling equipment; vehicles for carrier motorization, bulk transfer of the mail and for other uses; lobby, window and self-service equipment to serve the postal patron; information processing and accounting equipment for the Department's data processing and office activities; nonexpendable administrative, maintenance and general postal support equipment; and the capitalized industrial operation of the mail equipment shops. Within the expense subcategory, funds are used for: rental of postal space, heat, utilities, communications and moving expenses; supplies and contractual technical services; general housekeeping of buildings and grounds under the control of and operated by the Post Office Department, such as cleaning, guard service and general building maintenance; maintenance of Government-owned vehicle fleet by Post Office personnel and vehicles under contract, and the procurement of vehicle operating and maintenance supplies and materials. The third subcategory, depreciation, includes those activities that place logistical postal support on an accrued cost basis; included are such items as depreciation of post office buildings and equipment, of GSA buildings occupied by postal installations, building services provided by GSA and expendable equipment written off. With the use of this third subcategory, current and prior capital investments are converted into operating expense compatible with labor, material, and services.

C. Financing

Funds for logistical support are provided by the appropriations "Operations," "Building occupancy," "Supplies and services," "Plant and equipment," and "Postal public buildings." For 1968 it is estimated that the applicable portions of these appropriations will total \$802,820,000, including transfers and supplementals.

D. Employment

Grade or level:	Number
Professional:	
PFS-15	1
PFS-14	1
Technical: PFS-13 and below	29, 800
Total	29, 802

E. Statutory authority

Authority for these activities is found in the following:

Title 39, United States Code; operation and administration of the postal service.

Title 5, United States Code, section 5901; procurement of supplies and services, including uniforms, stamps, and accountable paper and postal supplies.

Postal Public Buildings Act of 1959, 73 Stat. 479, section 15; GSA delegation to the Postmaster General for the design and construction of postal facilities.

Title 39, United States Code, 2102, 2103; 20-year leasing authority and 30-year leasing authority including lease-purchase and authority for condemnation.

F. Allocation of other categories

The capital costs in this category are allocated to the other program categories as follows:

I—Direct service to mailers	\$26, 688
II—Processing of mail	90, 967
III—Delivery services	55, 793
IV—Transportation	4, 456
V—Enforcing postal laws	5, 212
VI—Research and development	
VII—Administrative postal support	11, 914
Total	195, 030

Category manager—John L. O'Marra, Assistant Postmaster General, Bureau of Facilities.

Mr. BROOKS. Mr. Belen, would you give us the estimate of the total number of pieces of mail handled annually by the Department?

Mr. BELEN. Yes. We will handle this year about 80 billion pieces of mail and it increases by about 3 billion pieces of mail annually.

Mr. BROOKS. How much?

Mr. BELEN. Three billion is the increase. There are 80 billion pieces currently, and it increases about 3 billion pieces each year.

Mr. BROOKS. Would you give us a brief justification for the size and extent of your support program?

Mr. BELEN. Category 7, Administrative Postal Support, basically provides the executive direction and administration of the entire postal service. This direction flows from headquarters through the regions to the post offices and is essential in an operation as diverse and complex as that of the Post Office Department which has over 700,000 employees, over 32,000 post offices, and a budget of almost \$7 billion.

Intensive effort is continually required to assure the most efficient use of these resources. It is only through very effective management that the Post Office Department can continue to cope with the constantly increasing mail volume and it is the personnel in this category who provide his management.

B. BUDGET PROCESSES

Mr. BROOKS. Mr. Belen, would you outline briefly and give us a status report on the efforts of your Department in the implementation of program budgeting?

Mr. BELEN. I would like to call on Mr. Nicholson to answer that particular question, if he would.

Mr. NICHOLSON. Mr. Chairman, we have recently revised our program structure and it has been approved by the Bureau of the Budget just last April on the revised form.

This program structure does, as you indicated, in some ways follow lines different from the organizational chart. However, the program structure itself is basically on functional lines and those functional lines, in the case of our largest single category of activity, do follow the organizational lines in the Bureau of Operations.

We are in the process of expanding and improving our program budgeting operation, but during the last two and a half years we feel we have made very substantial progress in this direction. We have established an Office of Planning and Systems Analysis to give leadership to both short- and long-range planning. We have established a Division of Programing, a Programing Division is the proper title, to administer the Department's programing system. We have established program category managers for each of our major activities.

In the 1969 budget justifications we broke out our conventional appropriation presentations by program categories and in 1970 we will prepare the budget on program lines. We have installed test installations in 54 post offices of an operating budget that extends the usefulness of this system to the field. And we have established a task force to develop a nationwide management information system to support program budgeting throughout the postal service.

C. ACCOUNTING SYSTEM DEVELOPMENT

Mr. BROOKS. What, Mr. Belen, is your agency doing regarding the accounting system development?

Mr. BELEN. Well, we have received approval of the General Accounting Office for several important segments of our accounting system.

Mr. BROOKS. Have they turned any suggestions down?

Mr. BELEN. Oh, yes. It took us 3 or 4 years to get three or four segments of our accounting system approved. It was just about a year ago, I believe, when we had a top level meeting with Mr. Staats, the Comptroller General, shortly after he had been appointed. As a result of that meeting we have had several segments approved.

The Post Office Department's Financial Control Act of 1950 requires that the Department's system of accounting and internal control conform to the principles, standards, and related requirements prescribed by the Comptroller General.

One of these requirements is that accounting manuals describe the system in detail, display the forms used, state the procedural steps, illustrate the reports issued, and be adequate for day-to-day use by accounting and other personnel in the actual maintenance of the system. This requirement is proving to be administratively difficult to fulfill.

The Post Office has a comprehensive system of accounting manuals. We have a division in the Bureau of Finance and Administration, which is Mr. Nicholson's bureau, whose primary responsibility is to develop and implement improved financial management procedures.

Mr. BROOKS. Mr. Belen, pardon me. Is the whole Department going to be on a cost accrual basis? Is that the gist of this new program you have had approved by GAO?

Mr. BELEN. This is what we are moving toward.

Mr. BROOKS. Moving toward. How far along would you say you are from zero to 100 on that movement forward?

Mr. NICHOLSON. In the conversion to accrued costs, we are practically complete. There are one or two details that are still in discussion between us and the General Accounting Office. They have to do, for example, with the time at which we expense material that has been ordered but not yet received. We are making an adjustment on a cost basis on a quarterly basis and an annual basis. There is still discussion whether or not we should do it on an accounting period or monthly basis. But except for those one or two very small details, we are totally on an accrued cost basis.

Mr. BROOKS. Good. Mr. Belen, is there anything you want to add on that?

Mr. BELEN. No, sir.

D. MANAGEMENT INFORMATION SYSTEM

Mr. BROOKS. What is the status of your management information system?

Mr. BELEN. We have a series of management information activities. One is our work measurement program which measures the performance of about 480 million hours of work a year. We have a cost ascertainment system which is a costing system. We have various means

of testing the performance of our activities and we also have a number of internal communications.

The management information system for the Post Office Department involves the exchange of information and provision of management control for a world-wide postal system. The management information system is based upon three levels of management in the postal system: national (headquarters), regional and local post offices. The postal service is administered by the headquarters through the regional offices.

One of the most important aspects of management information is the regularly scheduled monthly meetings which the Office of Regional Administration holds with the regional directors. The Department's telephone system, especially the telecon, is also a vital part of the information system. The telecon permits headquarters to convey information not only to regional directors but to all regional staffs promptly and at the same time. Postal Bulletins, issued weekly, provide management information as do a variety of routine directives which are sent from headquarters to the regions and from the regions to the postmasters of local post offices.

Mr. BROOKS. All postmasters?

Mr. BELEN. Yes, sir.

Mr. BROOKS. In an effort to update them on the current status of your management program?

Mr. BELEN. Yes. And it also is a very popular item with the large mailers. It allows them to learn of our administrative procedural changes.

Mr. REID. Mr. Chairman?

Mr. BROOKS. Mr. Reid.

Mr. REID. Mr. Belen, I would like to welcome you and your associates warmly here this morning. I am sorry I wasn't here earlier.

On this point of management, might I just ask what you are doing vis-a-vis the morale of the postal clerks and carriers, because I think the morale is getting relatively low in some areas.

One specific suggestion that has been made to me is whether it would be possible for someone after a relatively brief period as a carrier to reach the top level. Many tell me now that to get to whatever grade it is, is a matter of a number of years, whereas this is no longer the case, we will say, in the New York City Police Department or Fire Department or other areas.

As a result a number are not now going into the postal service. In terms of overall management, I just wondered how you feel you are faring around the country on attracting the kinds of career ability that is so important.

Mr. BELEN. Of course, the postal clerks and carriers are paid based on the way the pay schedules are set up. Congress goes into some detail on that through another committee. The employee leaders are the ones who prefer this kind of stratification or development based strictly on seniority or time in service. The only other way would be an opportunity for promotion.

We have tried several promotion plans. We are now trying a region-wide promotion plan whereby everybody in that region can be considered for a promotion, but that in itself creates a lot of controversy, since the people in a particular post office know when someone plans

to retire and they all have their eyes on that job. When we move somebody else in from another office, it creates some problems.

As far as morale is concerned, we have done many, many things in the past 7 years to improve the morale, not the least of which is congressional approval of comparability of pay scales with private industry.

We have set up one of the largest or the largest of labor-management programs. We have some 600,000 employees who are covered by union contracts. In 1963 we had the largest labor-management election ever held, around 385,000 votes, all cast by mail. We now have 24,500 individual bargaining units. We have signed our fourth national agreement with them. It covers all kinds of things that should improve morale, such as the manner in which employees will select prime vacation time and many matters concerning working conditions.

We have a presidentially appointed board which just concluded a study on motivation.

But, when you do have such a large group of people, all at level 5, which is the level now, it is very difficult to make everybody happy. It is also difficult to get people, let's say college students who want to be a supervisor shortly, since they get bogged down in the promotion practice which gives, and I think necessarily so, some consideration to seniority.

Mr. REID. I have long supported the principle of comparability and I appreciate the various steps you have taken and are taking.

Am I correct that there is now a relatively serious morale problem among the carriers, for example, particularly in the East—

Mr. BELEN. You have a problem when you have—

Mr. REID. Versus comparable areas of potential employment? I have always thought the postal service was one of the most important in the sense that it was the service that was directly in touch most frequently with the American people, and the carriers are ambassadors, if you will.

But I increasingly hear comments that disturb me, because many are not now as anxious to become a carrier as they used to be.

Mr. BELEN. The problem exists where there is a national pay scale as against a regional pay scale, which is bound to be not quite as comparable, let's say, in a high pay area as it would be in a lower pay area. The jobs would become much more desirable in a small community.

Mr. REID. Would you favor cost of living differentials to meet that?

Mr. BELEN. I think that might be rather difficult to administer.

Mr. REID. Is there a morale problem among the clerks and carriers in certain parts of the country?

Mr. BELEN. People say there is. As I drive to the office sometimes in the winter with snow all over the Northeast I realize that the postal worker is as handicapped by the weather as a farmer. I find in the postal business that just putting chains on our trucks costs a lot of money—

Mr. REID. We used to in the newspaper business, too.

Mr. BELEN. When I realize there are tens of thousands of carriers going out and delivering that mail, I think we have the greatest morale of any organization.

Mr. REID. Perhaps I haven't been clear. I think the morale is magnificent among the carriers in the main. But what the older men are

telling me is that the new men are not coming in and that some come in on a temporary basis and do not stay in. There are greater lures, advantages, career opportunities in other areas, so that the service is no longer competitive.

Mr. BELEN. The older employee has a sort of built-in reason to stay because of the retirement program. But I think every industry will tell you—and we are light industry in a sense—that there is a high rate of turnover in the new hires.

Mr. REID. What is that rate?

Mr. McMILLAN. Regular employees, it is only 8 or 9 percent. In the temporary category, it ran as high as 80 percent at one time.

Mr. BELEN. And lots of times, you know, when new employees enter the postal service, they find it is a tough job, being a carrier is a tough job, and being a mail handler is a tough job. It is a materials-handling kind of operation. I know even some of the summer people have been surprised at how hard they have had to work to move this 200 million plus pieces of mail. Much of it is heavy.

One example: Last December 20 to January 20 we moved 58 million pounds of catalogs, coming in from just five firms.

Mr. BROOKS. Mr. Belen, did you say 200 million pieces? Didn't you mean 80 billion?

Mr. BELEN. 200 million a day.

Mr. BROOKS. Oh; pardon me.

Mr. REID. I thank the chairman for yielding. I would just have one final question. I am aware that the other committees have interests in this; but what, Mr. Belen, would you suggest that would be imaginative and creative that would make a substantial difference to this morale question? If you could just speak in broad terms of what you would like to see, what do you think would be of most help here to really start to build up certain areas where you do have this turnover rate?

Mr. BELEN. In my judgment one of the greatest things for morale is supervisory consideration. This is something that postmasters and supervisors and Postmasters General just have to give. I can tell you that Mr. Watson, on his weekends off, has been going around to post offices and meeting employees. As he did in Cincinnati last Saturday. All of our officials do that. We go to employee conventions. We try to be responsive to the things that concern them.

But what you are talking about I think has to be done by the local post office leadership.

Mr. REID. I think it goes a little deeper if I may say so. I think it relates partly to the conditions of employment and career opportunities.

I am sure you are doing what you say, and I think that is very helpful; but there is no substitute for making a service competitive with private industry. What I suspect is that, increasingly in certain areas of the postal service, they are not competitive in career terms. What I would ask you is not what you can do in a public relations sense, but what structurally could you do that would make a major difference?

Mr. BELEN. Of course, what you spoke about, acceleration, going to the top of the grade is not the solution. Once the top step of a grade is reached, there is the problem of the man with 25 years of service saying "I have been in the same grade for 20 years."

I don't think you can say there is going to be an opportunity under our present situation for new people coming in to become supervisors in a matter of a year or two. There could be an odd promotional situation, or circumstances where an employee is promoted because no one else is available. But in an organization such as those in New York, it is very difficult to move. I understand that it is a very difficult situation; but to try to solve it just seems to create other problems.

Mrs. HECKLER. Would the gentleman yield?

Mr. REID. Certainly.

Mrs. HECKLER. Mr. Belen, I understand that you have recently increased the number of women carriers in the postal service. Is this true and what are your figures on it?

Mr. BELEN. We don't have very many women carriers, but they do have the opportunity to be a letter carrier if they wish. But, the carrier pack is 35 pounds and is difficult to carry. Most of our women employees go into the clerk part. Of course, we also have a lot of lady postmasters and they do a tremendous job, I might say.

Mrs. HECKLER. Do you have any women carriers?

Mr. BELEN. Yes. I am told it is about 3,800 out of a total of 215,000.

Mrs. HECKLER. Isn't it possible for women who would be interested in this kind of work to have some kind of a cart rather than merely carrying the mail as the men do?

Mr. BELEN. We have lots of vehicles of all kinds. Of course, they can have carts, and I believe they do have.

Mrs. HECKLER. Do you have more women mail carriers in certain sections of the country than in others?

Mr. BELEN. Most of these are in large cities, as far as I know.

Mrs. HECKLER. Why is it that women are becoming interested in this? Is it because there aren't enough men?

Mr. BELEN. I would say pay is one of the factors. Probably another reason they take the carrier job is because of the hours. When you go into the postal service as a clerk, you have to take the least desirable tour since that is based on seniority too. And so they come on the late night tour, and it just doesn't work out familywise and in other ways. That would be one major reason I imagine, since the clerks' jobs seem to be more adaptable to women than the carriers' jobs.

Mrs. HECKLER. Isn't the number of women, or the very fact that women have become carriers, a recent phenomenon?

Mr. BELEN. We did not encourage women to come into the service until recently.

Mrs. HECKLER. How recently?

Mr. BELEN. Well, it has been a national program for how long?

Mr. McMILLAN. We had an Executive order, Mrs. Heckler, about 4 years ago, I believe, that said that there would be no discrimination because of sex. However, we have had some women employees even on carrier routes for 20 to 25 years.

At one time back in the past we had separate registers for men and women. In other words, this was because there were only certain duties in a post office that we then felt women were capable of performing. The registers were combined a number of years ago, 20 or 25 years ago, and since that time there has been no bar to employment of women except the physical limitations of the work.

But at this time mail-handling work is perhaps our most arduous task, and we have hundreds and thousands of women mail handlers, particularly in Chicago and New York.

Mr. BELEN. That involves lifting sacks up to 80 pounds.

Mrs. HECKLER. Well, I am glad you have taken a step in the direction of emancipation of women.

Mr. BELEN. As I say, we have probably more women managers than any other organization you will find, and they make very fine postmasters. We are very proud of them. They make fine employees generally; we have no complaints.

Mrs. HECKLER. Thank you, Mr. Belen.

Mr. BROOKS. Mr. Belen, do you contemplate a uniform Department-wide computer based management information system?

Mr. BELEN. Yes; we do.

Mr. BROOKS. Do you have one now?

Mr. BELEN. We are in the process of developing source data. Of course we have it in our data centers where we prepare our paychecks, and we are in the process of setting up a \$32 million operation which will provide initial payroll information in 74 large offices, to relate hours to volume of mail. This system will also be useful eventually for mail forecasting. That is, offices dispatching large quantities of mail to other offices will use the system to advise receiving post offices of quantity and class of mail so that the proper manpower can be scheduled.

We have a management information system made up of many interrelated subsystems, as far as we are concerned, organized to provide all of the data processing and information services necessary for our efficient operation.

Financial planning, program budgeting, can all be described as interrelated subsystems to the framework. As I said, an outstanding part of this would be the source data system which we are now developing.

Mr. BROOKS. It is a pretty broad field, and you are just starting into that?

Mr. BELEN. That is correct.

Mr. BROOKS. And you are starting with what you think is the most critical area?

Mr. BELEN. That is right. And it will have various systems that will be related.

E. INTERNAL AUDIT SYSTEM

Mr. BROOKS. In 1963 this subcommittee in cooperation with the Comptroller General promulgated the essential criteria for effective internal audits in Federal departments and agencies. The subcommittee is very interested in determining whether or not your agency has accepted the recommendations made at that time. I have talked with the Postmaster General specifically about this, and I hope that you will bring this to his attention as being of particular pertinence to the new management.

I wonder if you would describe briefly your internal audit system?

Mr. BELEN. Yes. Responsibility for internal auditing, Mr. Chairman, in the Post Office Department has been delegated to the Chief Postal Inspector. He advises the Postmaster General, myself, and other principal assistants on the conditions and needs of the service and directs the execution of policies, regulations, and procedures governing all investigations, inspections, and audits of the postal service.

The postal inspectors conduct audit inspections of post offices, stations, branches, mobile units, mail handling facilities, et cetera. These onsite inspections are used for determining and reporting the effectiveness of operations and use of resources in compliance with policies, regulations, and procedures.

I might say that these inspection reports get a very good follow-through at the regional level, at Mr. McMillan's level, and at my own level.

The Internal Audit Division, as distinguished from the inspectors, makes audits and evaluations of systems, methods, and controls employed in the programs and operations at headquarters, the regional offices, data centers, and other installations.

Audit reports provide a systematic means of focusing attention of management at all levels on problem areas and of recommending corrective action. Normally, when these reports are received, I personally review them and send them to the appropriate official in headquarters or the region, whichever may be concerned, for followup.

The authority to establish and the responsibility to maintain a system of internal auditing is contained in section 2208, title 39, United States Code. The Financial Control Act of 1950, which governs our internal auditing, parallels that of the Budget Accounting Act of the same year.

Mr. BROOKS. Mr. Belen, generally then the analyses of the programs, the evaluation of them by the inspectors, go through the Internal Audit Division directly to you, or go to him first and then to you.

Mr. BELEN. That is right, the internal audit reports come to me first. The auditing at the post office level goes primarily to Mr. McMillan unless there is something unusual to which they direct my attention.

Mr. BROOKS. Do they send information copies of those internal audits to the Postmaster General?

Mr. BELEN. Well, this is really for him. I function for him. When I get those audits, I give him a daily report of what came in, what it was about.

Mr. BROOKS. So, in effect, the people who make an internal audit have access to the Postmaster General?

Mr. BELEN. Oh, yes. If there is something serious, then it will appear in my daily report. If he wishes to follow through, more information will be provided. Although I really haven't had anything of this nature, if it were serious, I would go to him and say "Here is something we have to get on right now." In any event, he is aware of the report.

F. AUTOMATIC DATA PROCESSING MANAGEMENT

Mr. BROOKS. Do you have a central organization responsible for ADP management in your agency?

Mr. BELEN. Yes. That comes under our Bureau of Finance and that is under Mr. Nicholson.

Mr. BROOKS. Would you describe the functions, Mr. Nicholson?

Mr. NICHOLSON. I would be glad to, Mr. Chairman.

This central unit, which is the ADP Management Division, develops the policy recommendations and the plans for the application of automatic data processing.

Secondly, it administers the design and the development and implementation of the ADP systems in the Department and the field service.

Thirdly, it administers and operates the headquarters data processing unit.

Fourth, it provides technical guidance to the six postal data centers located in the field on matters relating to their use of data processing.

Fifth, it develops the budget for departmental and field ADP programs.

Sixth, it determines the departmental and field service expenditures for the equipment and the supplies.

Further, it directs and reviews and evaluates both departmental and field operations. It administers the ADP research program. It directs an ADP standards program. It selects equipment for procurements and approves the release of unnecessary equipment.

So it is a total management facility in the area of policy, developmental work, operations, and technical guidance.

Mr. BROOKS. Mr. Nicholson, what do you consider to be the most pressing problems that need to be overcome for you to make a better and more efficient use of the computers in your agency in the execution of your responsibilities?

Mr. NICHOLSON. Mr. Chairman, I believe it is still in the area of staff. The ability to get qualified people in this rapidly expanding technology, to retain them for substantial periods of time and to get them in satisfactory numbers in order to undertake the magnitude of the work in this area.

Mr. BROOKS. Have you got a training program for your programmers and for your punchcard operators?

Mr. NICHOLSON. Yes, sir; we do. We have put through several groups now. We have surveyed the field, have asked people from all through the postal service, the clerks and carriers and all personnel, and those that qualify on the basis of an initial screening are put through courses and quite a few of those have made very excellent trainees and programmers.

Mr. BELEN. The Bureau of Transportation is also presently using a computer and automatic data processing in the preparation of both air and surface schedules in establishing the transportation network for routing intercity mail. In addition, programs have been established by which air and rail payments to transportation companies are processed by the computer. Quality control programs are maintained for mail transported by rail.

Procedures are being completed for expanding the use of computers for the routing of both first class and airmail, for establishing a quality control program for mail transported by highway, and for maintaining the inventory of our mail equipment.

In the planning stage there are programs which will permit us to route all classes of mail, establish a quality control program for all mail transported by air, and to maintain full control of routing mail under adverse conditions due to weather or mechanical failure.

G. PERSONNEL MANAGEMENT

Mr. BROOKS. Mr. Belen, would you describe for the subcommittee the elements of your personnel management program?

I will submit exhibit E, the Civil Service Commission's "Highlights of the POD Personnel Management System."
(Exhibit E follows:)

EXHIBIT E—HIGHLIGHTS OF POST OFFICE DEPARTMENT PERSONNEL MANAGEMENT SYSTEM (CIVIL SERVICE COMMISSION)

Background information—Post Office Department

The Commission's inspection of personnel management programs and operations in Federal agencies includes the Post Office Department. Inspections were completed in 111 postal installations in fiscal year 1967 and 150 inspections are programmed for fiscal year 1968. Inspection coverage is limited primarily to compliance with Civil Service regulatory requirements, plus a review of personnel management programs. Some general findings can be drawn from these inspections.

1. There is a great deal of variation among local post offices. Much depends on the managerial ability of the individual postmasters.

2. The program for promotion to first level supervisory positions now in effect is regarded generally as an improvement over previous methods of selection. Candidates are ranked on a combination of written test scores and seniority. Selection may be made from among candidates in the zone of consideration, which varies with the size of the register. The zone is the top 15 percent of the register, except that a larger proportion is used when the register is small. The maximum number of eligibles who may be included in the zone is 100. The employee organizations, nevertheless, are definitely interested in restricting selection to the top ranking candidate.

3. Performance evaluation is not being used effectively as a management tool to identify either unsatisfactory or superior postal clerks. Scheme examinations have fixed passing scores, and the employee's capability is thus clearly established. There is no standard of performance on the job, however, which may be used to measure in terms of quantity or quality the degree to which the clerk is utilizing his skill.

4. The incentive awards program in both its aspects (suggestion awards and performance awards) suffers from the same problem: fear that an award will be looked upon as evidence of favoritism. Contributing to the problem is the absence of an objective, systematic approach to performance evaluation. Another factor is the recurring shortage of funds, which prevents the granting of awards even though they have been approved.

5. Training in the art of supervision is in need of great expansion. Offices with fewer than 500 employees are not authorized any training positions as such, and the training effort is a secondary responsibility for, perhaps, the personnel clerk. The Post Office Department regional offices should assume leadership in training programs to coordinate the effort and provide thorough and progressive training for all supervisors.

Mr. BELEN. The primary objective of this program is to encompass virtually all aspects of personnel administration. We have an Assistant Postmaster General in charge of the Bureau of Personnel.

We also include in the Bureau of Personnel the safety program and the labor-management program that I described earlier.

H. GENERAL ACCOUNTING OFFICE REPORTS

Mr. BROOKS. Has the General Accounting Office issued any audit reports on the overall operations of your agency, that is, reports not directed at a functional program of the agency, but rather to the management and administration of the agency?

Mr. BELEN. To my recollection, sir, no. They have all been directed to a specific program like buildings or rural carriers' allowance.

Mr. BROOKS. We have exhibits F and G which I will submit for the record. These are summaries of GAO reports on ownership versus leasing of public facilities, a problem we touched on earlier.

Mr. BELEN. Yes. I would class that as a specific category, rather than overall.

(Exhibits F and G follow:)

EXHIBIT F—SUMMARY OF GAO REPORT—COMPARISON OF FUND REQUIREMENTS FOR LEASE AND GOVERNMENT OWNERSHIP AND OTHER MATTERS RELATING TO LEASING OF SMALL-SIZE AND MEDIUM-SIZE POSTAL FACILITIES (B-145650, SEPT. 30, 1963)

Problem

GAO's comparison showed that the total costs of leasing 91 small-size and medium-size postal facilities for a basic 10-year period would be about \$610,000 less than the total estimated costs under Government ownership. Under Government ownership, however, the Department would have title to land originally costing \$745,000, and to buildings with remaining useful lives of 30 or 40 years which were estimated to cost about \$4.5 million to construct. If the Department exercised its renewal options for 5 or 10 years beyond the basic 10-year lease terms, the costs of leasing these facilities at the end of 15 and 20 years would exceed the costs of Government ownership by about \$2.1 million and \$4.9 million, respectively.

Recommendation

GAO recommended that the Department determine on an individual facility basis whether to acquire postal space by leasing or through Government ownership rather than follow a general policy of leasing.

Agency response

The Postmaster General disagreed with certain statements in our report and therefore disagreed with the specific amounts by which the costs of leasing would exceed, over certain periods of time, the costs of Government ownership.

Current status

This recommendation has not been adopted. GAO is currently making a followup review in this area.

EXHIBIT G—SUMMARY OF GAO REPORT—REVISED PRACTICES NEEDED FOR ACQUIRING CONTROL OF SITES FOR LEASED POSTAL FACILITIES (B-153129, MAY 1, 1968)

Problem 1

The Department had initiated actions to acquire facility sites earlier than it probably would have initiated such actions if the funds for site acquisition would have remained available after the end of the fiscal year. Some of these early actions had resulted in additional costs, and in a few cases the Department may not have made sufficient studies before initiating action to acquire facility sites.

Recommendation

GAO recommended that the Congress give consideration to amending existing legislation to (1) authorize, and provide the Post Office Department with, a revolving fund of an appropriate amount to finance the acquisition of sites and the planning of leased postal facilities and (2) require the Postmaster General to include, in his annual report to the Congress, data regarding the activities of the revolving fund, including the investment in sites for proposed new facilities.

Agency response

The Department wholeheartedly agreed with the recommendation for establishing a revolving fund but did not agree that legislation to require inclusion of data regarding the activities of the revolving fund in the Postmaster General's annual report was necessary because a request by any committee of the Congress would be sufficient to elicit the desired information.

Problem 2

The Department had not established criteria for studies of the feasibility and costs of facilities on alternative sites and had previously made only three such studies. GAO's review of one of these studies revealed several omissions and probable errors in the Department's computations, and its review of another of these studies revealed that the Department might not have given

sufficient consideration to the lower overall costs, indicated by its study, for a facility constructed on an alternative site.

Recommendation

GAO recommended that, to insure implementation of the policy of constructing facilities on sites which adequately meet operational needs at the lowest possible costs, the Department establish (1) guidelines as to when studies should be made of the feasibility and costs of acquiring and operating facilities on alternative sites and (2) specific criteria regarding the factors to be taken into consideration in making and using such studies.

Agency response

The Department did not concur with GAO's recommendation. The Deputy Postmaster General stated that the Department had followed a consistent policy of making economic feasibility studies in all instances where any serious questions of such feasibility existed and that the Department did not believe further specific criteria or guidelines for making studies of the feasibility and costs of acquiring and operating facilities on alternative sites were necessary, desirable, or practical. GAO does not agree with these conclusions.

Problem 3

The Department's procedures for selecting and acquiring control of sites for new postal facilities do not conform to practices commonly used by other Federal agencies and may not provide adequate internal control.

Recommendations

GAO recommended that the Department revise its policies and procedures to provide for (1) obtaining complete and fully documented appraisals of the fair market values of potential facility sites, which are based on consideration of all appropriate techniques for estimating market values, and requiring the regional or headquarters offices to determine the adequacy of the appraisals before selecting the sites to be used or attempting to negotiate purchase options on the properties involved; (2) assigning the functions of making appraisals and negotiating purchase options to different individuals; (3) instructing the regional real estate officers in the techniques and requirements for making appraisals and preparing appraisal reports; and (4) obtaining a second appraisal, by either an independent real estate officer of the Department or an outside professional appraiser under contract, in each case where the initial estimate of the value of a selected site exceeds a specified amount and, by the outside professional appraiser under contract, in each case where the owner of a selected site has declined to grant the Department an option to purchase the site for an amount at or below the fair market value estimated by the first appraiser.

Agency response

The Department did not concur in the first two of the recommendations and concurred only in part with the fourth recommendation. Concerning the third recommendation, the Deputy Postmaster General stated that the Department would attempt to make its instructions and requirements for making appraisals and preparing appraisal reports more specific.

Problem 4

The Department's regulations precluded publicity regarding site requirements before commencing actions to acquire control of sites. The Department agreed with GAO's conclusion that, with adequate publicity, some property suitable for use as sites for new postal facilities might be offered to the Department at prices lower than those which would otherwise be obtained and stated that the Department's manuals and other instructions would be revised to require such publicity. Publicity releases issued subsequent to this change in policy, however, had not provided sufficient details regarding the site requirements to have encouraged property owners to offer purchase options to the Department.

Recommendation

GAO recommended that the Department include in each future publicity announcement relating to authorized construction of new postal facilities (1) information regarding the site size requirements and, to the extent known, the specific area of the city in which the new facility is to be located and (2) an invitation for property owners in the selected area to submit offers of purchase options to a designated postal representative.

Current status

The Department has not revised its regulations to authorize publicity before commencing site control proceedings and, its publicity releases generally have not provided sufficient details regarding site requirements to have encouraged property owners to offer purchase options to the Department.

Problem 5

The Department had not specified detailed requirements for reviews of regional real estate files and, in many cases, reviewers at regional and headquarters levels had reached decisions or made recommendations without requiring real estate officers to supply complete and adequate data in support of proposed real estate actions.

Recommendation

GAO recommended that, to insure implementation of the policy that real estate actions not be approved unless there is complete and convincing support for the actions proposed, the Department develop guidelines for reviews of real estate files by officials at regional and headquarters levels.

Agency response

The Deputy Postmaster General stated that the Department would take action to develop guidelines for management reviews of real estate files. He stated also that, so that more complete attention could be given to regional reviews, consideration would be given to providing additional personnel to review regional real estate files and cases. Neither of these actions has yet been taken by the Department.

Mr. BROOKS. There is also a GAO report on sites, and one on internal auditing and related activities, which is a management function, I would think. It is a new report. Mr. Nicholson; you probably have just received it in the last couple of weeks.

Mr. NICHOLSON. Yes, sir. My recollection of the reading of it is they found our internal audit operation satisfactory and there were no specific recommendations that I recall.

I think it was an excellent report. It gave us a great deal of satisfaction to find we did receive such a clean bill of health.

Mr. BROOKS. That is heartening.

PART 2.—PROGRAM REVIEW

Turning now to the program breakdown, Mr. Belen, I would appreciate a brief explanation of what each of the programs is and how it is performed. You may want to ask your program directors or the Assistant Postmasters General in the various categories that administer these specific programs to respond to this.

We have about 35 minutes. I would like to wrap this up at 12 noon, so they will have 4 or 5 minutes to give us a thumbnail sketch. How do you want to start?

A. PROGRAM CATEGORY 1—DIRECT SERVICES TO MAILERS

Mr. BELEN. The first category is direct services to mailers. That has some subcategories—combined postal services at small offices, window vending services, collection services, and logistical postal support. The manager is Mr. McMillan and I would ask him to describe it briefly.

Mr. BROOKS. We want to welcome you to the hearing, Mr. McMillan, as a distinguished and longtime public servant. We are delighted to have you here. I want to put exhibit H in the record. It is a fact sheet on this program.

(Exhibit H follows:)

EXHIBIT H—PROGRAM CATEGORY I—DIRECT SERVICES TO MAILERS

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Post Office Department	Direct Services to Mailers			
	CODE	CODE	CODE		
200		I			
ANALYSIS AND CONTROL CODES					
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			1,235,711	
512	Benefits			100,542	
513	Travel			5,330	
520	Expenses:				
521	Communications				
522	Transportation				
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents			3,933	
550	Total			1,345,516	
600	Funds distributed				
610	Contracts			13,018	
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total			13,018	
700	Total			1,358,534	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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I. DIRECT SERVICES TO MAILERS

A. Description

This category provides all services where initial contact is made with postal customers and includes the acceptance feature of mail when it is first entered in the mail service. All types of postal transactions handled over windows or through postal vending equipment is included. All postal activity at small offices is grouped and reported in this category.

B. Services provided

Sale of stamps and stamped paper.

Advise postage rates for mail in accordance with its class and destination.

Accepts and collects mail at post office windows, stations, and branches, from street letter boxes and from chutes located on premises of business establishments.

Provides vending equipment and self-service postal units for sale of limited postal commodities to improve customer service.

Provides special services for the protection and benefit of mailers (insurance, c.o.d., registered, etc.).

Issues and pays domestic and foreign money orders.

Provides selected services for other Government agencies which are in the national interest and which can be handled more economically by the postal service (issuance of alien address forms, sale of U.S. saving stamps, etc.).

Provides for special processing of quantity of mail on mailers' premises, and on platforms of post offices.

Delivers mail to patrons through lock boxes and by general delivery.

C. Financing

Funds for direct services to mailers are provided by the appropriation, "Operations." For 1968 it is estimated that this appropriation will total \$5,495,863,000, of which \$1,358,534,000 will be required to provide direct services to mailers, including transfers and supplementals. Some of the window services are provided on a reimbursable basis, amounting to \$2,004,000.

D. Employment

Grade or level:

Professional: PFS-14 and above	None
Technical ¹ : PFS-13 and below	186,415

¹ Includes postmasters at the non-WMS post offices.

E. Statutory authority

Title 39, United States Code.

Category manager—Mr. William M. McMillan, Assistant Postmaster General, Bureau of Operations.

Mr. McMILLAN. Thank you, Mr. Chairman. This category is exactly what the title indicates. This includes all services where we make initial contact with the customers: the collection routes, office buildings, hotels, et cetera. Also, the transactions we handle through the window like the sale of stamps, money orders, et cetera. It also covers the vending equipment, self-service postal units and the special services that we provide like c.o.d. and insurance. And of course it includes issuance, as I indicated, and payment of domestic and foreign money orders.

This also includes all types of service in smaller post offices; that is the fourth, third, second and the smaller first-class post offices. In this category we have some \$1,358,000 plus allocated to this particular category.

Mr. BELEN. The next category, the next two in fact, are also Mr. McMillan's—

Mr. BROOKS. Pardon me a moment, Mr. Belen. Mr. McMillan while we are on this, it is my understanding that the Post Office Department has embarked on a program of installing electronic stamp machines at certain choice locations in office buildings and shopping centers, which may be in competition with some long-established small businessmen in the stamp-vending business.

Would you comment on the Post Office Department's activities in this area, and is it feasible for the Post Office to assume responsibility for this kind of service? Is it a loss operation? What are you doing to protect the small vending operators who might be displaced by this activity?

Mr. McMILLAN. I assume, Mr. Chairman, that you are referring primarily to the activity in the Washington, D.C., area. We did purchase some 50 machines with the thought of putting them in public buildings or places used by the public within the District of Columbia.

We have 10 of these machines, I believe, at National Airport and some nine others located in some other buildings throughout the city. I don't recall the names of all of them. This is 19 out of 50.

Now we do not plan any extensive use of this type of equipment at this time. And your question might encompass this also: we do have numerous self-service postal units in major shopping centers throughout the country.

Mr. BROOKS. I distinguished between those, yes.

Mr. McMILLAN. These, of course, are most times in lieu of a contract or a classified branch. We only put those in areas where we would have to have some type of service.

But I think most of the criticism or the comment that has arisen is out of the 19 stamp vending machines that we now have located in the District of Columbia.

We do not feel that we could ever completely substitute for, nor would we desire to substitute them for, the private enterprise in this area, because obviously we couldn't afford to have one of these machines and have our employees service them in a corner drugstore, for example.

Mr. BELEN. Part of it, Mr. Chairman, is that there have been complaints about the markup, and some Members of Congress have complained about the higher rate charged for the stamps and they blame the Post Office for it since the machines have been identified so that it almost looks like they belonged to the Federal Government. I think even the people themselves recognize they may have gone a little too far in causing the Government to be criticized, when really it is a private activity.

Mr. BROOKS. And they are selling stamps at a markup?

Mr. BELEN. That is correct. When we sell stamps, we sell them for the exact amount.

Mr. BROOKS. All right. I will submit exhibits I and J for the record. These are summaries of GAO reports related to this program. Proceed. (Exhibits I and J follow:)

EXHIBIT I—SUMMARY OF GAO REPORT—POTENTIAL ECONOMIES AND IMPROVEMENTS IN SERVICE THROUGH MODERNIZATION OF THE POSTAL FIELD SERVICE (B-114874, DEC. 7, 1967)

PROBLEM

There are presently about 33,000 independent post offices which, with few exceptions, collect, postmark, sort, and dispatch their own mail. This fragmented operation precludes the Department from realizing the full benefits of mechanization processes which require large volumes of mail for economical operation. Except in the largest post offices, therefore, operations are still conducted much as they were in the 19th century.

RECOMMENDATION

GAO recommended that the Department move toward complete consolidation of mail processing and administrative functions of post offices into about 550 sectional center offices. To obviate the routing of each piece of mail through one of the 33,000 post offices for postmarking before going to one of the 550 sectional center offices for sorting and dispatch. GAO also recommended the elimination of city and community names from postmarks. GAO recommended that the Congress consider amending the law to eliminate certain restrictions against the consolidation of post offices and to provide the Department with support for a program of consolidation in the interests of efficiency and economy.

AGENCY RESPONSE

The Department indicated general agreement with the desirability of consolidating the processing of outgoing mail and of centralizing administrative functions. Although it indicated that eliminating community names from post-

marks would present no operational problems, it disagreed with the desirability of doing so. Subsequently, in a letter dated January 11, 1968, to the House Committee on Government Operations, the Department raised certain new objections to consolidating the processing of incoming mail and stated that elimination of community names from postmarks would hamper the criminal investigation work of postal inspectors. GAO answered these objections in a letter dated April 1, 1968, to the committee.

EXHIBIT J—SUMMARY OF GAO REPORT—NEED FOR REVISING COSTLY PROCEDURES FOR REMITTING C.O.D. COLLECTIONS AND OTHER FINANCIAL PROCEDURES AND PRACTICES (B-114874, AUG. 20, 1964)

PROBLEM

GAO found that substantial savings could be realized if the Department revised its procedures to provide for consolidation of payments when remitting to shippers, proceeds from C.O.D. collections.

RECOMMENDATION

GAO recommended that the Department's procedure for remitting proceeds from C.O.D. collections at larger first-class post offices be revised to require the issuance of a single money order or Treasury check daily or weekly to each shipper having multiple C.O.D. collections instead of issuing a separate money order for each C.O.D. collection. GAO also recommended that the Department prescribe criteria for consolidating C.O.D. payments at certain smaller post offices.

AGENCY RESPONSE

The Deputy Postmaster General informed us that, while the Department agreed that C.O.D. remittance procedures should be revised to reduce costs, it did not agree that our recommendation was practical or would result in reduced costs. He further stated that the Department was studying improved procedures for C.O.D. remittances.

CURRENT STATUS

The Department has advised that the study has not been completed due to personnel staffing problems, and there has been no change in procedures for remitting C.O.D. collections.

ESTIMATED SAVINGS

\$600,000 per year. (Estimate made in 1964.)

Mr. BELEN. The next two categories are Mr. McMillan's processing of mail and delivery services.

B. PROGRAM CATEGORY 2—PROCESSING OF MAIL

Mr. McMILLAN. Mr. Chairman, processing of mail of course is the activity within the post offices. This is primarily the clerk and mail handler crafts. It is the distribution, tying out of mail, putting the mail in pouches, getting the mail ready for transportation.

We separate first the mail by priority; that is, special delivery, air-mail, preferential mail, and then the second, third, and fourth class. Then in this area we also separate mail in a manner—and this is the scheme the clerks have to learn—necessary to distribute most efficiently to meet the transportation pattern, to insure, for example, that a first-class letter mailed here today hopefully will be delivered in Houston or Dallas or Beaumont tomorrow.

We have some other important duties in this particular area. That is checking to see that proper postage has been paid, and if not, rating it up postage due.

It also includes the processing of mail such as forwarding when it is necessary or returning to sender when it is required.

This function is funded by a billion and a half dollars. It is one of our larger areas of responsibility.

The third category, "Delivery services"—

Mr. BROOKS. Pardon me. This, incidentally, has a total cost of what? Mr. McMILLAN. A billion and a half.

Mr. BROOKS. Which, while it is a lot of money, seems to be a fairly minor part of the percentage of the total expenditures of the Post Office Department, and it indicates they have that one worked down pretty well. We will put exhibit K on this program in the record.

(Exhibit K follows:)

EXHIBIT K—PROGRAM CATEGORY II—MAIL PROCESSING

DEPARTMENT OR AGENCY		PROGRAM	SUBPROGRAM		
100	Post Office Department	Processing of Mail			
	CODE	CODE	CODE		
200	II				
ANALYSIS AND CONTROL CODES					
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.				
512	Benefits				
513	Travel				
520	Expenses:				
521	Communications				
522	Transportation				
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total				
600	Funds distributed				
610	Contracts				
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total				
700	Total				
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

II. PROCESSING OF MAIL

A. Description

This category provides for processing of mail in postal plants, railway post offices, and highway post offices.

B. Services provided (process 82.2 billion pieces of mail)

Separates mail by class for priority handling (special delivery—airmail—etc.). Provides for the most efficient method of distribution by destination in order to advance delivery. Applies mechanized procedures where volume warrants and savings can be effected.

Schedules the movement of mail to and from all transportation media.

Checks postage affixed to mail and established amount due, if insufficient.

Processes mail requiring forwarding, return to sender, or of incorrect address.

Provides for the temporary storage of sacks of mail and outside pieces moving in-transit between post offices.

C. Financing

Funds for processing of mail are provided by the appropriation, "Operations." For 1968 it is estimated that this appropriation will total \$5,495,863,000, of which \$1,530,061,000 will be required to provide processing of mail, including transfers and supplementals. Some of the mail handling activity is provided on a reimbursable basis, amounting to \$1,574,000.

D. Employment

Grade or level:

Professional: PFS-14 and above	None
Technical: PFS-13 and below	216,462

¹ This basically includes clerks, mail handlers, and first-line supervisors.

E. Statutory authority

Title 39 United States Code.

Category manager—Mr. William M. McMillan, Assistant Postmaster General, Bureau of Operations.

Mr. McMILLAN. Well, my operating budget is approximately \$5½ billion this year. So it is a little more than 25 percent of the total, of my total operating budget. There are about 216,000 employees engaged in this particular program category activity.

Mr. BELEN. As an answer to your question, I do believe we have made a lot of progress in the mail processing area. I have here a chart which shows that, if we were processing mail at the same rate that we were in 1961, when I became Director of Operations, it would have cost us, this year, \$331 million more in this area. So there has been an increase there in performance.

Mr. BROOKS. May we have this for the record, this chart with the comparison of the improvements in that particular section?

Mr. BELEN. Yes, sir.

(The chart referred to follows:)

POST OFFICE DEPARTMENT
ESTIMATED SAVINGS DUE TO PRODUCTIVITY GAINS 1961-69

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Volume (thousands)	1961 productive rate	Derived man-years	Compara- tive man-years	Man-years saved	Cost per man-year current year	Amount saved (thousands)
1961	64,932,859	112,438	577,498	577,498		\$7,358	
1962	66,493,190	112,438	591,376	584,200	7,176	7,415	\$53,210
1963	67,852,738	112,438	603,468	591,505	11,963	7,805	93,371
1964	69,676,477	112,438	619,688	601,918	17,770	8,133	144,523
1965	71,873,166	112,438	639,225	610,079	29,146	8,495	247,595
1966	75,607,302	112,438	672,435	639,090	33,345	8,809	293,736
1967 (actual)	78,367,000	112,438	696,980	675,849	21,131	9,075	191,764
1968 (estimate)	82,159,000	112,438	730,705	703,748	26,957	9,684	261,052
1969 (estimate)	83,966,000	112,438	746,776	713,854	32,922	10,078	331,788
Total							1,617,039

Mr. McMILLAN. Mr. Chairman, it might be of interest to know that this is the area where we expect to receive maximum benefits from mechanization—in the processing of mail.

C. PROGRAM CATEGORY 3—DELIVERY SERVICES

The third category is delivery services and here again the title is fully descriptive of the work involved. This is the delivery of all types of mail by all methods. That is city delivery, rural delivery, special delivery, et cetera. And on our rural routes we accept mail, sell stamps, sell money orders, et cetera.

It also includes the transportation of mail when Government vehicles are used between post offices and intercity mail movements between stations and branches and also transfers to railroad depots and airmail fields and truck terminals when Government vehicles are used.

The cost of this category is tied directly to the growth of the Nation. In other words, the additional houses that are built, the expansion of the metropolitan areas, and it includes an allocation of some \$2,092,000,000 and some 271,000 employees.

Mr. Brooks. Thank you, Mr. McMillan. Exhibit L is the fact sheet on this program. I will also submit exhibits M and N which are summaries of GAO reports on activities in this program, Mr. Belen?

(Exhibits L, M, and N follow:)

EXHIBIT L—PROGRAM CATEGORY III—DELIVERY SERVICES

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Post Office Department	Delivery Services			
	CODE	CODE	CODE		
200	III				
300	ANALYSIS AND CONTROL CODES				
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			1,854,580	
512	Benefits			154,645	
513	Travel			8,206	
520	Expenses:				
521	Communications				
522	Transportation			75,366	
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total			2,092,797	
600	Funds distributed				
610	Contracts				
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total				
700	Total			2,092,797	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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III. DELIVERY SERVICES

A. Description

This category provides for the delivery of mail to residences and business establishments. It provides also for the intracity and intercity movement of mail in vehicles operated by postal employees.

B. Services provided

Delivery of all classes of mail to businesses and private residences in city delivery territory.

Provides the most expeditious delivery of special delivery mail at all post offices.

On rural routes, accepts and delivers mail, handles special services, sells postage stamps and U.S. savings stamps and arranges for the purchase of money orders.

Provides for transportation of mail in Government-owned vehicles between post offices, and in the intracity mail movement between stations, branches.

Transfers mail to railroad depots, air mail fields, and truck terminals.

Workload—City delivery and special delivery service

Possible deliveries	54,544,000
Possible delivery stops	42,906,000
Square miles served	66,972
Special delivery articles	94,088,000

Workload—Rural delivery service

Number of routes	30,947
Total length of routes June 30	1,972,495
Average length of routes	63.7
Miles traveled annually	600,296,000

C. Financing

Funds for delivery services are provided by an appropriation, "Operations." For 1968 it is estimated that this appropriation will total \$5,495,863,000 of which \$2,092,797,000 will be required to provide delivery services, including transfers and supplementals.

D. Employment

Grade or level:	Number
Professional: PFS-14 and above	None
Technical ¹ : PFS-13 and below	271,571

¹ This basically includes city carriers, rural carriers, and special delivery messengers.

E. Statutory authority

Title 39, United States Code.

Category Manager.—Mr. William M. McMillan, Assistant Postmaster General, Bureau of Operations.

EXHIBIT M—SUMMARY OF GAO REPORT—SAVINGS AVAILABLE IF UNIFORM ITEMS ARE FURNISHED TO POSTAL EMPLOYEES IN LIEU OF ALLOWANCES (B-124597, SEPT. 27, 1966)

PROBLEM

GAO expressed the opinion that substantial savings could be achieved if the Department discontinued the uniform allowances granted to window clerks, carriers, and other employees, and entered into procurement contracts for the furnishing of the authorized uniform items.

RECOMMENDATION

GAO proposed that the Department consider furnishing uniforms in lieu of providing uniform allowances after making a detailed study to determine the most practicable and economical means of furnishing and distributing uniform items to employees.

AGENCY RESPONSE

The Postmaster General initially agreed with GAO's proposals, with certain qualifications. Subsequently, however, he advised the Director of the Bureau of the Budget that certain provisions in the Federal Salary and Fringe Benefits Act of 1966 (Public Law 89-504) precluded the Department from making any change in its current system for providing uniforms to postal employees.

GAO has been informed, however, that the Department now believes that it has the authority to discontinue the uniform allowance, but that certain problems, such as fitting, associated with furnishing uniforms in lieu of an employee uniform allowance may render such a plan infeasible.

CURRENT STATUS

In February 1968, the Department awarded a contract for the procurement of uniforms for a certain group of employees (about 4,935) who had not previously been required to wear uniforms. This procurement was an experiment to determine whether furnishing uniforms is more advantageous than giving employees a uniform allowance.

EXHIBIT N—SUMMARY OF GAO REPORT—SIGNIFICANT SAVINGS POSSIBLE IF RURAL MAIL CARRIERS USE GOVERNMENT INSTEAD OF PERSONAL VEHICLES (B-161392, JAN. 4, 1968)

PROBLEM

On the basis of a review of about 5,100 rural routes operating within or near metropolitan areas, the GAO estimated that the Department could achieve a cost reduction of at least \$4.2 million a year without adversely affecting postal service if certain of the rural mail carriers were furnished with Government-owned vehicles rather than paid an equipment maintenance allowance for using their own vehicles. GAO expressed the belief that these savings were only a part of the savings that could ultimately be achieved if the changeover were made throughout the country.

RECOMMENDATION

Because rural mail carriers are required by law to furnish their own vehicles, GAO recommended that the Congress consider enacting legislation to authorize the Postmaster General to furnish Government-owned or leased vehicles to rural carriers rather than pay them the equipment maintenance allowance when he determines that such action would be more economical and in the best interest of the Government.

AGENCY RESPONSE

The Department and the General Services Administration agreed with our views that the Postmaster General should have the authority to furnish Government-owned vehicles to rural carriers.

D. PROGRAM CATEGORY 4—TRANSPORTATION

Mr. BELEN. The next category is transportation. I would like Mr. Batrus to give a short description of the transportation category, which includes intercity transportation, international transportation, and some logistical support.

Mr. BROOKS. We will put exhibit O in the record at this point.
(Exhibit O follows:)

EXHIBIT O—PROGRAM CATEGORY IV—TRANSPORTATION

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Post Office Department	Transportation			
	CODE	CODE	CODE		
200		IV			
300	ANALYSIS AND CONTROL CODES				
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.				
512	Benefits				
513	Travel				
520	Expenses:				
521	Communications				
522	Transportation				
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total				
600	Funds distributed				
610	Contracts				
620	Grants			254,294	
630	Loans				
640	Benefits				
650	Other			527,222	
660	Total			781,516	
700	Total			781,516	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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IV. TRANSPORTATION

A. Description

The transportation category includes selecting, procuring, and supervising all modes of transportation—air, rail, highway, and water—required to insure the intercity and international movement of all classes of mail in a timely and dependable manner at the least possible cost. To accomplish this, the Bureau establishes the policies governing the distribution, routing, and dispatch of all mail which must move between post offices. Transportation has this same responsibility with regard to international mail up to the point that it passes into the custody of a foreign country for final distribution. Also, transportation is responsible for the routing and transportation of all military airmail from the point of exit to the overseas destination.

B. Services provided

This program includes the transportation of nonlocal mail within the United States; from the United States to foreign countries, including military mail which travels by air; and the payment to foreign countries for U.S. international mail transited through their country. Also included is the transportation of empty mail equipment with the 48 contiguous States.

The cost of these services generally is contingent on the volume of mail transported at rates (1) established by regulatory agencies, or (2) obtained by advertising with award to the lowest responsible bidder. During fiscal year 1968, approximately 60 billion pieces of nonlocal mail will be transported at a cost of \$781,516,000. This includes \$130 million for the transportation of military overseas mail by air, which is reimbursed by the Department of Defense.

In the fiscal year 1968, we estimate 7.784 billion tons of mail will be moved by the various transportation modes in intercity and international services. The ton-miles and cost of each mode is estimated as follows:

1. Intercity transportation (this includes the movement of mail within and between the 50 States, Puerto Rico, and the Virgin Islands, between post offices and transportation facilities, and box delivery service when performed by star route service).

	Ton-miles (billion)	Cost
(a) Water.....	0.053	\$5,096,000
(b) Highway.....	1.583	176,158,000
(c) Rail.....	4.212	254,545,000
(d) Air.....	.565	159,025,000

2. International transportation (this includes the movement of mail from the United States to Guam, the trust territories, and foreign countries).

	Ton-miles (billion)	Cost
(a) Water.....	0.357	\$16,499,000
(b) Air:		
Civilian.....	.071	37,000,000
Military.....	.461	130,886,000

¹ Reimbursed by the Department of Defense.

3. Empty mail equipment (this includes the transportation and the contract handling of empty mail equipment).

	Cost
a. Transportation.....	\$2,144,000
b. Contract facilities.....	163,000

C. Financing

Funds for transportation are provided by the appropriation "Transportation." For 1968 it is estimated that this appropriation will total \$781,516,000, including supplementals.

D. Employment

No employment charged to this category.

E. Statutory authority

United States Code, title 39, chapter 93: Section 6101. Provisions for carrying the mail.

(a) The Postmaster General shall provide for the transportation of mail by land, air, or water as often as he deems proper under the circumstances—

(1) Within, among and between, the United States, its territories, territories under trusteeship, possessions, the Commonwealth of Puerto Rico, and Armed Forces; and

(2) between the United States, its territories, territories under trusteeship, possessions, the Commonwealth of Puerto Rico, or its Armed Forces, and any foreign country.

(b) The Postmaster General shall provide for the transportation of mail to the courthouse of every county in the United States. (Public Law 86-682, Sept. 2, 1960, 74 Stat. 687.)

Category manager: Frederick E. Batrus, Assistant Postmaster General, Bureau of Transportation.

Mr. BATRUS. Category 4, Transportation, includes selecting, procuring, and supervising all modes of transportation—air, rail, highway, and water—required to insure the intercity and international movement of all classes of mail in a timely and dependable manner at the least possible cost.

This does not include, as Mr. McMillan just referred to, the category that covers the local transportation within the city. This is the intercity movement of mail. We have no employees involved in this category and our transportation is procured principally from commercial carriers.

Our expenditures rise or fall depending upon the volume we must transport in the various classes of mail.

Our charges are fixed in connection with air transportation by the Civil Aeronautics Board, in connection with rail principally by the Interstate Commerce Commission, and in connection with highway transportation by law which provides we shall advertise for competitive bids and award it to the lowest responsible bidder.

We will move in this current year about 60 billion pieces of mail—in terms of one measurement, about 7.7 billion ton-miles of mail in both the domestic and international service this year.

Mr. BROOKS. Would you give us the mix between airmail and highway transportation? Do you have that breakdown?

Mr. BATRUS. Yes, sir, I do. On the basis of the 1968 appropriations, our total surface transportation, including domestic and international, water as well as rail and all of the highway, including the use of buses for example, would be \$454 million. Our total air transportation including the international and domestic is \$195 million, on the basis of the fiscal year.

Mr. BROOKS. Mr. Batrus, as they develop larger and larger airplanes—you see the advertisements all of the time and the projections of larger airplanes—they talk about handling passengers primarily and envision they can do it cheaper. Is the Post Office Department going to get the benefit of cheaper rates as they develop the larger planes, or are we going to stay at the same base rate we were at?

Mr. BATRUS. Our rates for air transportation have been declining. We have had two cases before the Civil Aeronautics Board in the last 4 years in which, on our petition, they have reduced our rates, both international and domestic, based on the lower cost of transporting the mail partly because of the type of equipment they have.

Mr. BROOKS. Do you make a determined effort to update those costs along with their cost of operating as they have larger airplanes?

Mr. BATRUS. Yes, sir, we are doing this continuously. We have a major case under review right now before the Civil Aeronautics Board. It is a continuous process with us, trying to make a determination as to when we go to the Civil Aeronautics Board to seek an adjustment, if an adjustment is warranted.

Mr. BROOKS. Thank you. Mr. Belen.

E. PROGRAM CATEGORY 5—ENFORCING POSTAL LAWS AND REGULATIONS

Mr. BELEN. The next category is Enforcing Postal Laws and Regulations, and Mr. Montague is the category manager.

Mr. BROOKS. We will put in exhibit P on this program.
(Exhibit P follows:)

EXHIBIT P—PROGRAM CATEGORY V—ENFORCING POSTAL LAWS AND REGULATIONS

	DEPARTMENT OR AGENCY	PROGRAM	SUBPROGRAM		
100	Post Office Department	Enforcing Postal Laws and Regulations			
200	CODE	CODE	CODE		
	V				
	ANALYSIS AND CONTROL CODES				
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			23,049	
512	Benefits			1,908	
513	Travel			3,254	
520	Expenses:				
521	Communications				
522	Transportation				
523	Printing				
524	Supplies and Consumable Materials				
530	Capital Equipment				
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total			28,211	
600	Funds distributed				
610	Contracts				
620	Grants				
630	Loans				
640	Benefits				
650	Other				
660	Total				
700	Total			28,211	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

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V. ENFORCING POSTAL LAWS AND REGULATIONS

A. Description

This program category entails the activities of the Field Inspection Service and the Division of Internal Audit. The basic functions of postal inspectors include a variety of investigational and inspectional duties involving the total postal establishment. These activities are contained in two broad categories of

work which are criminal investigations and inspections and examination of postal installations. The internal auditors are charged with the responsibility of certifying to the Postmaster General on the accuracy and propriety of the Department's financial statements and the adequacy of its internal controls. The Internal Audit Division develops and maintains comprehensive audit standards and procedures for use in auditing departmental, regional and field installations.

B. Services provided

Criminal investigations are conducted relating to (1) adequacy of protection of mail, funds and property, and (2) detection of postal law violations and the apprehension of persons responsible for mail theft, armed robbery, burglary, forgery, embezzlements, mail frauds, and the mailing of obscene and defamatory matters, poisons, bombs, and similar materials. Arrests by postal inspectors of postal law violators are currently about 14,000 a year. There has been an increase of better than 50 percent in such arrests in the last 7 years. About 55 percent of the investigative time of inspectors is devoted to criminal investigations.

Inspections and examinations of all postal installations and operations thereat are documented by inspectors in their report to management to reflect the condition and needs of the postal service and the degree of compliance by inspected field installations with regulations and other published instructions. The phases of investigation include financial irregularities, claims against the Government, accidents, recovery of losses suffered by the Government, determination of personnel security and suitability, and continuous vigil in all cases of emergencies, casualties, and disasters. The postal inspection service also coordinates the Civil Defense program of the Post Office Department, and serves as liaison with the Department of Defense on postal matters.

Audits are conducted in major programs and functional areas at headquarters, regions, and other installations, including payrolls, postmasters' accountability, disbursements, revenues and settlements, accounting, budgetary, manpower and mail volume controls and procedures, costs analysis and cost ascertainment, accountable paper controls, procurement and contracting functions at all levels, supply and property management, activities at the Money Order Division and Postal Data Centers.

C. Financing

Funds for enforcing postal laws and regulations are provided by portions of the appropriations, "Administration and regional operation" and "Operations." For 1968 it is estimated that the applicable portions of these two appropriations will total \$28,211,000 including transfers and supplementals.

D. Employment

Grade or level:

Professional:	Number
PFS-17 -----	41
PFS-16 -----	49
PFS-15 -----	301
PFS-14 -----	346
Total -----	737

Technical:

PFS-13 and below -----	1,317
Temporaries -----	29
Total -----	2,083

E. Statutory authority

Under authority contained in 39 U.S.C. 309, the Postmaster General may delegate to his subordinates such of the functions as are vested in him. The Postmaster General's authority to investigate offenses against postal laws is contained in 39 U.S.C. 501 and further emphasized in 28 U.S.C. 535. The postal fraud statutes are included in 18 U.S.C. 1341 and 39 U.S.C. 4005. The basic functions of postal inspectors in a typical field assignment are denoted in 39 U.S.C. 3523. Authority to establish and responsibility to maintain a system of internal auditing are contained in 39 U.S.C. 2208.

Category manager—Mr. Henry B. Montague, Chief Postal Inspector, Bureau of the Chief Postal Inspector.

Mr. MONTAGUE. Mr. Chairman, this covers the investigations, the audit inspections, and the law enforcement work of the postal inspectors and the auditing which is done by the Internal Audit Division.

Our experience with crime is about the same as any other law enforcement agency; that is, it has increased considerably in the last few years, about 50 percent or so in the last 7 years.

The inspectors, in connection with their audit inspections, make sure that postmasters and others in charge of Federal installations comply with the regulations.

The internal auditors handle the auditing at the regional and departmental levels, the Postal Data Centers, and are also keeping abreast of developments with regard to the postal source data system.

Also the Internal Audit Division is charged with the responsibility of certifying to the Postmaster General on the accuracy and propriety of the Department's financial statements and the adequacy of its internal control.

The Internal Audit Division also develops and maintains comprehensive audit standards and procedures for use in auditing departmental, regional, and field installations.

Our field force for these duties is about 2,062 and our budget is \$28,211,000.

Mr. BROOKS. Mr. Montague, what is the record of your convictions?

Mr. MONTAGUE. On cases brought to trial, Mr. Chairman, our conviction rate is 99 percent.

Mr. BROOKS. That is interesting, but I mean on the solution of crimes, what is the percentage?

Mr. MONTAGUE. We don't keep an exact record on every case that we issue as to whether or not it is solved with consequent arrest or conviction, because many of the cases we start turn out to be not law violations.

On the whole with regard to holdups, for example, I believe that our solution rate is as good or better than that of other enforcement agencies.

Mr. BROOKS. And it is what?

Mr. MONTAGUE. Our solutions run about 52 percent.

Mr. BROOKS. Fifty-two percent?

Mr. MONTAGUE. Right.

Mr. BROOKS. That is covering what period?

Mr. MONTAGUE. In the last 6 years.

Mr. BROOKS. The last 6 years?

Mr. MONTAGUE. Right.

Mr. BROOKS. Prior to 1962, how was it?

Mr. MONTAGUE. I have no idea. But I would think it probably ran about the same rate.

Mr. BROOKS. You don't think there has been any major improvement?

Mr. MONTAGUE. I can't say for sure, because we have not kept records on it, Mr. Chairman. I am speaking specifically with regard to holdups.

Mr. BROOKS. Yes.

Mr. MONTAGUE. On burglaries, the solution rate is about one-third.

Mr. BROOKS. Thirty-three percent?

Mr. MONTAGUE. Correct. And I believe that runs a little better than the solution rate in general.

Mr. BROOKS. All right. Thank you, sir.

F. PROGRAM CATEGORY 6—RESEARCH, DEVELOPMENT, AND ENGINEERING

Mr. BELEN. Mr. Chairman, the next category is category 6—Research, Development, and Engineering, and Dr. Leo Packer is here, the Bureau Chief in charge of that activity.

Mr. BROOKS. I will submit exhibit Q on this program. Dr. Packer. (Exhibit Q follows:)

EXHIBIT Q—PROGRAM CATEGORY VI—RESEARCH, DEVELOPMENT, AND ENGINEERING

DEPARTMENT OR AGENCY		PROGRAM	SUBPROGRAM		
100	Post Office Department	Research Development & Engineering			
	CODE	CODE	CODE		
200	VI				
ANALYSIS AND CONTROL CODES					
300					
400	FISCAL YEAR 1968				
		Unobligated Carryover	Appropriation or Current Year Request	Total Available	Total Obligated or Expended
500	"In house" inputs				
510	Personnel:				
511	Comp.			5,118	
512	Benefits			380	
513	Travel			285	
520	Expenses:				
521	Communications				
522	Transportation			7	
523	Printing				
524	Supplies and Consum- able Materials			4	
530	Capital Equipment			200	
540	Land and Structures				
541	Additional Investment				
542	Rents				
550	Total			5,994	
600	Funds distributed				
610	Contracts			16,445	
620	Grants				
630	Loans				
640	Benefits				
650	Other			56	
660	Total			16,501	
700	Total			22,495	
				Prior Fiscal Year	
800	Input-output ratio				
810	1. Input				
811	1. Output				
820	2. Input				
821	2. Output				
830	3. Input				
831	3. Output				
840	4. Input				
841	4. Output				
850	5. Input				
851	5. Output				
860	6. Input				
861	6. Output				
870	7. Input				
871	7. Output				
880	8. Input				
881	8. Output				

VI. RESEARCH, DEVELOPMENT, AND ENGINEERING

A. Description

The objective of work under this category is to reduce postal operating costs, improve service and improve employee working conditions through the application of modern technology. It consists of three major program areas as follows:

1. Research and development;
2. Construction engineering; and,
3. Industrial engineering.

Funds available and requested for this category in fiscal year 1968 total \$22.495 million or approximately three-tenths of 1 percent of total postal funds for the same period.

RESEARCH AND DEVELOPMENT

The Department's research and development program is directed toward the development, test, and evaluation of new and improved equipment, systems, techniques, and facilities for performing postal tasks. In the past this program has provided designs for basic letter, parcel, and sacked mail handling equipment now being used to process the mail. Currently, new systems and equipment with which to further modernize the postal service are under development. Some of these are:

- (a) Equipment to read typed or printed addresses on letter mail and to control the sort of mail pieces by mechanical sorting units on the basis of the data read;
- (b) Mail containerization systems and equipment to reduce manual handling and transportation costs;
- (c) Improved techniques and equipment for high-speed stamp detection and canceling and automatic facing of letter mail pieces;
- (d) Equipment to automatically separate mixed mail pieces by type or physical characteristics for like processing; and,
- (e) Improved sacked mail handling equipment to further reduce manual handling of bulk mail in postal plants.

Most of the research and development work now underway is performed by industry, other Government agencies and universities under some 80 active research and development contracts. We are currently expanding the contract research and development program and increasing our in-house capability to perform research and development to accelerate the rate at which improvements in postal technology can be effected.

CONSTRUCTION ENGINEERING

Construction engineering activities performed under the research, development, and engineering category provide the technical services necessary to secure new and improved space and mechanized processing systems for operational use. The work includes technical planning and preliminary design of major facilities, final design of fixed mechanized systems, facility construction and mechanization installation supervision and assisting in the phase-in of new major facilities.

Major facilities are generally those having in excess of 50,000 square feet of space and having mechanization. There are currently some 150 such facilities either under construction or in some stage of design. In addition, the construction engineering group is supporting several hundred other projects which include extension and modernization of existing buildings and mechanized systems, air conditioning, installation of improved lighting and related activities.

INDUSTRIAL ENGINEERING

Industrial engineering activities are also included in this category. These activities are designed to effect economies, improve safety, and improve working conditions through the development of facility and equipment design and use criteria and the conduct of field industrial engineering analyses. Some 125 such surveys are planned over the next 5 years. The surveys are to be conducted by joint teams of industrial engineers from the Department, professional industrial engineers secured under contract and postal operating personnel.

B. Services provided

The research, development, and engineering category provides the Department with technical services necessary to:

1. Develop new and improved systems, techniques, and equipment for performing postal tasks;

2. Secure new and improved space and mechanized processing systems for operational use; and
3. Improve postal efficiency, safety, and working conditions through the application of modern industrial engineering technology.

C. *Financing*

Funds for research, development, and engineering are provided by the appropriation, "Research, development, and engineering." For 1968 it is estimated that this appropriation will total \$22,495,000 including carryover, transfers, and supplements.

D. *Employment*

Grade or level:

Professional :	Number
Level V -----	2
Public Law 313 -----	6
GS-17 -----	1
GS-16 -----	7
GS-15 -----	44
GS-14 -----	82
GS-13 -----	108
Technical :	
GS-12 and below -----	186
Total -----	436
Industrial wage board -----	7
Temporary employees -----	27
Total -----	470

E. *Statutory authority*

1. 39 U.S.C. 504.
2. Public Law 89-492, approved July 5, 1966.

Category manager—Dr. Leo S. Packer, Assistant Postmaster General, Bureau of Research and Engineering.

Dr. PACKER. Mr. Chairman, ours is a very small operation in terms of numbers of people and dollar investment per year, but I think it is one of the fastest growing categories in the Post Office Department. We are growing and have grown during the past 2 years at approximately a 40-percent increase per year in professional personnel and research and development funding.

Our program consists of three areas: research and development, construction engineering, and industrial engineering.

The research and development program works toward the development, testing, and evaluation of new and improved equipment, systems, techniques, and facilities for performing postal operations.

Construction engineering activities performed under this program provide the technical services necessary to provide new and improved space and mechanized processing systems for operational use. The work includes technical planning and preliminary design of major facilities, final design of fixed mechanization, facility construction and mechanization installation supervision, and technical services necessary for the phase-in of new major facilities.

Industrial engineering activities constitute the third major area of effort. These activities are designed to effect economies, improve safety, and improve working conditions through the development of facility and equipment design guides and use criteria and the conduct of industrial engineering surveys of existing facilities.

Mr. BROOKS. Doctor, what do you think is the real potential for improvement in the Post Office Department?

Dr. PACKER. I think there is an immense opportunity for very dramatic and progressively faster improvements as we go into the future.

Mr. BROOKS. In what particular field do you look for the most improvements, the most readily accomplished improvements?

Dr. PACKER. I think we need improvements in a number of parallel areas. No one area will lead the way necessarily. Certainly I feel convinced that improved mechanization, improved facilities, improved planning, improved management, and continuing research must move together to accomplish the kinds of improvements we are looking for.

Mr. BROOKS. Thank you, sir. I will put exhibit R in the record. It is a summary of a GAO report on the hiring of contractor-furnished personnel.

(Exhibit R follows:)

EXHIBIT R—SUMMARY OF GAO REPORT—USE OF CONTRACTOR-FURNISHED PERSONNEL IN VIOLATION OF STATUTES GOVERNING FEDERAL EMPLOYMENT (B-118662, JANUARY 18, 1966)

PROBLEM

The GAO review disclosed that the arrangements under which the Department obtained the services of contractor-furnished personnel resulted in the establishment of a relationship that was tantamount to an employer-employee relationship. The matter was referred to the Civil Service Commission, which ruled that such an arrangement was illegal and that the services of the individuals should have been obtained under the Civil Service Act and paid for as provided in the Classification Act.

The Postmaster General advised the Civil Service Commission that it was not feasible to replace the contractor-furnished personnel with civil service personnel. He advised the Commission, however, that the Department planned to let the existing contracts expire and then replace them with new contracts which would eliminate the employer-employee relationship.

RECOMMENDATION

In view of the Postmaster General's agreement to discontinue the contracting practice which the Civil Service Commission had ruled to be illegal, GAO made no recommendation in its report.

AGENCY ACTION

As a result of the GAO report, the Department revised the arrangements under which the services of contractor-furnished personnel are obtained. An attorney in the Civil Service Commission's Office of the General Counsel advised the GAO that the Commission is currently examining into the revised contract arrangements to determine whether the statutes governing Federal employment are being violated.

CURRENT GAO WORK

GAO has just completed a review in this area and issued a report to the Subcommittee on Special Studies, House Committee on Government Operations (B-162309, March 28, 1968). This report included a comparison of the cost being incurred by the Post Office Department in obtaining engineering support services under the current contract arrangements with the estimated cost which would be incurred if such services were obtained through the use of Federal employees. In this report it was estimated that the use of Federal employees would result in a saving of \$144,000 per year.

G. PROGRAM CATEGORY 8—LOGISTICAL POSTAL SUPPORT

Mr. BELEN. Category 7, administrative postal support we have covered. I wonder if we could move on to category 8?

Mr. BROOKS. Go ahead.

Mr. BELEN. Category 8 is logistical postal support. The Deputy Chief of the Bureau, Mr. Amos Coffman, is here.

Mr. BROOKS. Mr. Coffman.

Mr. COFFMAN. This category can be broadly divided into two areas. The first area involves the day-to-day support of the Post Office Department expenses such as space and services, rent, utilities, fuel, communications, and operating supplies. These are the things needed to keep the buildings and the postal system operating on a day-to-day basis.

In addition to operating expenses is the maintenance effort. This includes maintenance of buildings, maintenance of machinery, and maintenance of vehicles.

One broad category of postal logistical support is therefore operating expenses and maintenance effort expended.

The second broad category is investment support. This is long-term investments in buildings, vehicles, mail handling machines, and in automatic data processing.

The President, in swearing in our new Postmaster General, mentioned the Department's modernization program as being a vital one as well as being one that is expensive. It is expensive. The Department expects to spend on the modernization program about \$2.1 billion in the fiscal years 1968 to 1972.

This expenditure, however, will have a return. The modernization program consists of four primary areas. One is new buildings. The second is for machines to support mail handling operations. The third is vehicles to motorize our carriers instead of having them walk. The fourth is the investment in automatic data processing equipment. Those are the four areas that are involved heavily in the Department's modernization program about which the President spoke.

Now, Mr. Chairman, you mentioned the fact that in investments of this kind you must be sure you are going to get your money back, many times over perhaps.

Mr. BROOKS. We like as much return as possible.

Mr. COFFMAN. Yes, sir; let's examine the buildings that we propose to build with funds obtained in fiscal year 1969. If Congress is willing to give us the funds that we need, the new buildings to be funded that year would require a total investment of \$369 million but will save a total of \$876 million over the expected life of the buildings. That is a good return.

Mr. BROOKS. As opposed to leasing them, is that correct?

Mr. COFFMAN. Yes, sir; the material I have shows that if we leased the buildings our savings would be less. We would like to put these charts in the record if agreeable with this committee.

Mr. BROOKS. We would be delighted to have them in the record. I think this is a proven fact, and if we just keep proving it, maybe one day we will convince the people we can build and own them cheaper than we can lease them forever.

(The charts and explanation thereof follow:)

CHARTS ON THE LOGISTICAL POSTAL SUPPORT CATEGORY

This facet of the postal service includes four appropriations, two of which are expenses for everyday operations, and two referred to as investment appropriations. The expenses of the Postal Service are in the building occupancy and supplies and services appropriations and are for such things as rent, fuel, utili-

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

save the Department approximately \$40 million over the average expected 6-year life of these vehicles.

An even greater savings is available from investing in mechanized equipment. Chart 5 shows that fiscal year 1969 investments in mail handling systems will save over \$141 million over the life of equipment and demonstrates how profitable these investments are for the Post Office Department. After the equipment shown on this chart is installed and becomes operational, the Bureau of Operations deducts from their appropriations request the amount to be saved as a result of installing the mechanization. For example, during the installation period of a letter sorter, the Bureau of Operations notifies the postmaster that his complement will be decreased by a certain number of positions after the letter sorter becomes operational.

Our fiscal year 1969 request includes funds for the purchase of one large-scale general purpose computer.

Chart 6 shows that the fiscal year 1969 investment in the automatic data processing program will save over \$5.9 million in 5 years after installation. This computer will handle many applications. However, only three have been identified for cost analysis purposes. These are transportation scheduling, preparing money orders, and recordkeeping on over 700,000 employees.

THE POSTAL MODERNIZATION PROGRAM CONSISTS OF...

- Modernization of Space
 - Construction of Federally-owned Facilities
 - Lease of Specially Constructed Facilities
 - Modernization of Federal Buildings
- Mechanization of Mail-handling Systems
- Motorization of Carrier Routes
- Automation of Data Processing

CHART 1

THE DEPARTMENT PLANS TO INVEST \$2.1 BILLION IN MODERNIZATION DURING FY 1968-1972...

-SPACE¹

105 Federal Construction Projects
15 Major Leased Facilities
13 GSA Multiple-use Federal Buildings
5 Major Extension and Modernization Projects

Providing 41.7 million square feet of new space
Costing \$1,214 million (\$1,069 million - Federal; \$145 million - Private)

-MAIL HANDLING SYSTEMS

609 Fixed Mechanized Systems
1,369 Pieces of Non-fixed Mechanization

Costing \$492 million

-VEHICLES

110,966 for Carrier Motorization
18,620 for Bulk Transfer
1,661 for other use

Costing \$365 million

-DATA PROCESSING

175 Post Offices in the Postal Source Data System
7 Postal Data Centers and Headquarters Facility

Costing \$64 million

¹ Does not include minor Federal Building Improvements, minor lease and rent projects

CHART 2

AN INVESTMENT OF \$369 MILLION WILL SAVE \$876 MILLION OVER THE LIFE OF THE FACILITIES

Savings obtained through more economical operation by replacement of existing facilities with new postal plants¹

Under \$10 million	7 Projects
Over \$10 and under \$25 million . .	7 Projects
Over \$25 and under \$75 million . .	4 Projects
Over \$75 million	4 Projects

Difference in cost between Federal and Lease Construction¹

Under \$5 million	11 Projects
Over \$5 and under \$15 million . .	8 Projects
Over \$20 million	3 Projects

¹ Based on a 40-year useful building life for the 22 new FY 1969 Projects

CHART 3

FY 1969 INVESTMENT IN THE CARRIER MOTORIZATION PROGRAM WILL SAVE OVER \$15 MILLION OVER THE EXPECTED LIFE OF THE VEHICLES...

Investment in additional carrier motorization vehicles in FY 1969 - \$24,170,000
Savings in operating costs over expected life of the vehicles¹ \$39,942,000

Savings obtained as follows:

INSTALLATION PERIOD	VEHICLES FOR CARRIER MOTORIZATION ²	REDUCTION (\$000's)			TOTAL
		FY 1969	FY 1970	ANNUAL THEREAFTER	
JAN. 69 to JUL. 70	1,388	\$222	\$887	\$887	\$5,322
JUL. 70 to JAN. 71	5,418	--	2,597	3,462	20,772
JAN. 71 to JUL. 71	3,612	--	577	2,308	13,848
Totals	10,418	\$222	\$4,061	\$6,657	\$39,942

¹ Average life is six years

² Does not include replacement of over-age vehicles (\$23,371,000)

CHART 4

FY 1969 INVESTMENTS IN MAIL-HANDLING SYSTEMS WILL SAVE OVER \$131 MILLION OVER THE LIFE OF THE EQUIPMENT...

Investment in fixed and non-fixed mechanization in FY 1969 - \$12,713,000
Reduction in operating costs from mechanization \$144,282,725

Savings obtained as follows:¹

EQUIPMENT	NUMBER TO BE PURCHASED	FY 1969 REQUEST (\$000's)	MANYEAR COST AVOIDANCE	EXPECTED LIFE	TOTAL SAVINGS (\$000's)
FIXED MECHANIZED SYSTEMS					
Sack/Pouch Sorters	2	\$350	44	20	\$12,692
Mail Conveyor Belt Systems	9	3,135	44	25	72,389
NON-FIXED MECHANIZATION					
Portable Sack Sorters	10	\$1,750	6	20	\$8,653
Facer-cancellers	50	1,250	1	15	5,408
Stacker-feeders	100	1,600	1	15	10,817
Culling and facing conveyors	50	350	0.25	15	1,352
Letter Sorting Machines	30	3,750	10	15	32,450
Closed Circuit TV	22	528	1.2	8	1,523

¹ Savings are calculated on an average per fixed system or non-fixed machine

CHART 5

***FY 1969 INVESTMENT IN THE AUTOMATIC DATA PROCESSING PROGRAM
WILL SAVE OVER \$5.9 MILLION IN FIVE YEARS AFTER INSTALLATION...***

Investment in large scale computer and input/output equipment in FY 1969 - \$6,860,000
Reduction in operating costs over five years. \$12,830,000

Savings obtained as follows:

ACTIVITY	Fiscal Year Costs (\$'000's)				
	1971	1972	1973	1974	1975
Annual cost of present transportation scheduling, preparing money orders and records for data processing	\$2,934	\$2,984	\$3,469	\$3,769	\$4,119
Annual recurring costs:					
Maintenance	500	500	500	500	500
Personnel	30	40	90	120	150
Supplies and Services	50	50	50	50	50
Development (programming)	435	320	220	120	120
One-time installation cost	50				
Total costs per year	\$1,065	\$910	\$860	\$790	\$820
Total reduction per year	1,869	2,074	2,609	2,979	3,299

CHART 6

Mr. COFFMAN. This is particularly true of the larger facilities that are the core of our mail handling capability.

The material also shows, Mr. Chairman, that leasing the buildings is better than not having them at all. Therefore, we have been required to lease a great many buildings in the last 6 or 7 years in order to keep us from falling on our faces because that was the only means by which we could get the facility when we needed it.

Carrier motorization also has an impressive return on investment. This year we propose to invest \$24 million and to save \$39 million, with a net savings of more than \$15 million as a result of this.

Mr. BROOKS. How are you supposed to save money by mechanizing the carriers?

Mr. COFFMAN. Most of the vehicles are to be used on routes that are not now motorized, where the carrier is now walking. He can cover much more territory if we can furnish him a vehicle than if he has to walk.

Perhaps Mr. McMillan would like to comment on this.

Mr. McMILLAN. Mr. Chairman, on a nationwide basis, motorized routes save \$1.13 a day over a foot carrier route. It does not take very long to pay for a vehicle at that rate.

Mr. BROOKS. You save \$1.13?

Mr. McMILLAN. Per day.

Mr. BROOKS. After you motorize the route?

Mr. McMILLAN. Yes. This includes—this is net, a net savings.

Mr. BROOKS. Well, this is just another example—like leasing and buying buildings.

Mr. McMILLAN. We have at this time some 86,000 routes that we would like to motorize and we expect to have them all motorized by 1971.

Mr. BROOKS. How many are motorized now?

Mr. McMILLAN. About 47,000.

Mr. BROOKS. You would like to increase it to 86,000?

Mr. McMILLAN. To a total of 86,000.

Mr. BROOKS. Virtually double it?

Mr. McMILLAN. Yes, sir.

Mr. BROOKS. This should increase morale. This ought to help. I think he would be a little better off to ride around than to have to walk and carry it.

Mr. BELEN. The area Congressman Reid was talking about is pretty hard to motorize—New York, downtown New York.

Mr. BROOKS. Where you have large concentrated populations and big buildings.

Mr. BELEN. And traffic. The carrier doesn't know where to leave the vehicle when he delivers the mail.

Mr. BROOKS. Off the record.

(Discussion off the record.)

Mr. BROOKS. I am sorry, we forgot to tell you when to go back on the record. The discussion was on a question relating to the mechanization of postal delivery vehicles, and the truck developments which they are going into. Now he is giving us an idea of what they are buying.

Mr. McMILLAN. Our procurement for 1969, if we get the allocation we have asked for, will include some 13,000 right-hand delivery, light delivery trucks. I think this has a cubic foot capacity of around 300. And we have some 7,000 1½-ton right-hand-drive trucks.

Now these are primarily for mounted carrier delivery. It is a right-hand drive that enables the carrier to drive up to the curb and without any great effort serve the boxes. And we have bought in the past a number of Scout-type vehicles. We have no present plans for going back into the Mailster procurement. We hope we are away from that. We would like to get rid of the 15,000 we have and we will as soon as they are outdated.

Mr. BROOKS. What are you going to give the carriers in lieu of those Mailsters? These right-hand-drive delivery trucks, the small ones?

Mr. McMILLAN. Yes, sir. Almost half of our procurement for next year, about 20,400, is for this particular mechanization and almost half of these will be replacement vehicles. Not all for Mailsters, but other outdated old-age vehicles will be replaced and only about half of them will go on new routes.

Mr. BROOKS. I will say I was much impressed by the general courtesy of the Post Office Department. I just moved and it was necessary that I put up one of these rural route boxes. When I put it up, I dug the hole, and there is a pipe that runs right there, so I put it behind the pipe, a little far from the curb. It was a little pipe, and when I dug down I hit the pipe, so I moved it to the other side, rather than going through the pipe. I got a neat little handwritten note from the carrier, whom I have never met, that said, "Sure would appreciate it if you could move it about four inches closer to the curb, I can't quite reach it." So I moved it to the other side of the pipe and he has been very happy ever since.

Off the record.

(Discussion off the record.)

Mr. BROOKS. On the record. Mr. McMillan, what is the economic justification of the Mailster as opposed to the larger truck? How do you think the payout will run?

Mr. McMILLAN. We had a study made by Arthur D. Little Co. a couple of years ago, Mr. Chairman. The Mailsters are more economical on the short routes. I believe the 15-miles-or-less routes. And if the route is longer than 15 miles, the four-wheel vehicle is more economical. This is over the life of the vehicle.

Incidentally sir, I noticed as I walked out this morning that we have some six or seven types of the new vehicles at the Post Office Department, presumably for the benefit of Mr. Watson, and we would be pleased to have you come by and look at them.

Mr. BROOKS. Where are they?

Mr. McMILLAN. They are located in the circle of the Post Office Department building on 12th Street. There is a canopy between the buildings.

Mr. BROOKS. They are going to be there all afternoon?

Mr. McMILLAN. Yes, sir.

Mr. BROOKS. Congress will start soon, so it might be late this afternoon but I might run down and take a look.

Mr. McMILLAN. This would give you a good idea of what we are buying at this time.

Mr. BROOKS. I would appreciate your giving me the average length of your routes, and the breakdown between the 15-mile routes and the smaller ones.

Mr. McMILLAN. May I furnish that for the record?

Mr. BROOKS. Yes. Get that for the record.

(The information requested follows:)

<i>City delivery routes susceptible to motorization</i>	
<i>Length</i>	<i>Number of route</i>
Routes up to 15 miles.....	62, 500
Routes over 15 miles.....	23, 500*
Total.....	86, 000

<i>Length of city delivery routes</i>	
<i>Type of route</i>	<i>Average miles</i>
Foot routes.....	8. 0
Mailster routes.....	11. 3
Right-hand-drive truck routes.....	29. 0

Mr. BROOKS. We are going to be committed to some small vehicles for the under-15-mile lengths to have a more favorable payout; is that right?

Mr. McMILLAN. That is correct.

Mr. BROOKS. So we are still going to have to have some small vehicle for the short hauls?

Mr. McMILLAN. In order to handle the parcel post you almost have to have a vehicle between 260 and 300 cubic feet in capacity. This is one of the principal benefits of mechanizing the route, you can take the parcel post along with you.

One parcel post route normally covers eight carrier routes. In other words, if you have eight foot routes, you have to have a parcel post route, an extra man, an extra vehicle, and an extra trip. If you mecha-

nize a route, you carry the parcel post along with the letter and paper mail, and it eliminates a parcel post carrier.

Mr. BROOKS. And you still need the eight carriers normally or can they carry a longer route?

Mr. McMILLAN. If you take the eight foot routes, and mechanize them, you eliminate first the parcel post, and additionally you lengthen the carrier routes, because they can serve more people in a vehicle than on foot.

Mr. BROOKS. We would like some pictures, Mr. Belen, of the new vehicles if you could furnish them to the committee.

Mr. BELEN. Yes, sir.

Mr. BROOKS. That concludes your program?

Mr. BELEN. It concludes it, except that Mr. Nicholson might want to give you a one- or two-sentence summary of category 7, "Administrative postal support." We did cover this rather thoroughly in your initial questioning.

Mr. BROOKS. Fine. Mr. Nicholson?

H. PROGRAM CATEGORY 7—ADMINISTRATIVE POSTAL SUPPORT

Mr. NICHOLSON. I will keep it short, Mr. Chairman, because I know the time is limited.

Category 7, "Administrative postal support," covers (1) the Postmaster General and Deputy Postmaster General functions of executive direction and administration; (2) the technical direction and the functions of the headquarters bureaus and offices; (3) the administrative functions of the Bureau of Research and Engineering; (4) the functional responsibilities of the 15 regional offices; (5) the administrative functions of the field inspection divisions; (6) the operation of the six Postal Data Centers; (7) operations of the Postal Service Institute; (8) operation of two automatic data processing centers and other units in the postal source data system; (9) the operation of area supply centers, mailbag depositories, and repair centers and the envelope agency; and (10) executive direction and administration and support function of those post offices with the WMS system.

The total of resources for this category of activity in fiscal year 1968 is \$326,808,000.

Mr. BROOKS. Thank you very much, Mr. Nicholson.

Mr. Belen, I want to thank you and your staff, and the Postmaster General for a fine presentation. We appreciate your time and interest.

Mr. BELEN. Thank you very much.

Mr. BROOKS. The subcommittee is adjourned.

(Thereupon, at 12 noon the hearing was adjourned.)

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APPENDIX

WRITTEN RESPONSES OF THE POST OFFICE DEPARTMENT TO QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

I. GENERAL QUESTIONS AFFECTING THE AGENCY AS A WHOLE

A. *Justification of Personnel Not Chargeable to Specific Programs*

1. What are the total funds available to your agency as a whole for fiscal 1968?

In fiscal year 1968 the Post Office Department has a total of \$6,954,493,000 available including reimbursements of \$156,816,000.

2. How many employees does your agency employ?

At the end of April 1968, the Post Office Department had 711,660 employees.

3. What is the geographical extent of your operations?

The Post Office Department is a nationwide operation and includes over 32,000 post offices.

4. Under your program budgeting breakdown, do you have a support program covering the operation of your office as well as other policymaking personnel?

Category VII, administrative postal support, provides for the executive direction and administration of the postal service. This category encompasses the offices of the Postmaster General and the Deputy Postmaster General; the technical direction and functions of the bureaus and offices at the headquarters in Washington. The executive direction and administration in the 15 regional headquarters; the six postal data centers; the Postal Service Institute, and the area supply centers. The two automatic data processing centers and four teleconcentrator sites of the postal source data system; and the postmasters and administrative support functions in WMS post offices.

5. How much money is available in fiscal 1968 for expenditures under this support program?

In fiscal year 1968, \$326,808,000 is available under category VII, administrative postal support.

6. Briefly justify expenditures for the support program in terms of the nature and extent of your operations and responsibilities.

Category VII, administrative postal support, basically provides the executive direction and administration of the entire postal service. This direction flows from headquarters, through the regions to the post offices and is essential in an operation as diverse and complex as that of the Post Office Department. With over 700,000 employees, over 32,000 post offices and a budget of almost \$7 billion, intensive effort is continually required to assure the most efficient use of these resources. It is only through highly effective management that the Post Office Department can continue to cope with the constantly increasing mail volume and it is the personnel in this category who provide this management.

B. *Budget Processes*

7. Has your program breakdown been approved by the Bureau of the Budget?

Yes, the letter of April 7, 1968, from the Director of the Bureau of the Budget to the Postmaster General approves the Department's program structure.

8. Does your program structure flow generally along functional lines of the agency?

The program structure follows functional lines of the agency. The following table shows the relationship of the functional responsibilities to the program structure:

<i>Program structure</i>	<i>Bureau or Office</i>
I. Direct service to mailers-----	Operations.
II. Processing of mail-----	Do.
III. Delivery services-----	Do.
IV. Transportation-----	Transportation.
V. Enforcing postal laws-----	Chief Postal Inspector.
VI. Research, development, and engineering--	Research and Engineering.
VII. Administrative postal support:	
A. Departmental administration-----	Finance and Administration.
1. Executive direction-----	Office of the Deputy Postmaster General.
2. Operations program administration.	Operations.
3. Transportation program administration.	Transportation.
4. Controller program administration.	Finance and Administration.
5. Personnel program administration.	Personnel.
(a) Departmental personnel programs.	
(b) Postal Service Institute.	
6. Facilities program administration.	Facilities.
7. Research, development, and engineering program administration.	Research and Engineering.
8. Inspection service and internal audit program administration.	Chief Postal Inspector.
9. General Counsel program administration.	General Counsel.
B. Regional and intermediate level administration.	Regional Administration.
1. Executive direction-----	Do.
2. Operations program administration.	Operations.
3. Transportation program administration.	Transportation.
4. Controller program administration.	Finance and Administration.
(a) Regional controller program administration.	
(b) Postal Data Centers.	
5. Personnel program administration.	Personnel.
6. Facilities program administration.	Facilities.
(a) Regional facilities programs.	
(b) Supply center and depot operations.	
7. Engineering program administration.	Research and Engineering.
8. Inspection service field divisions and internal audit area office administration.	Chief Postal Inspector.
C. Post Office administration (Large offices WMS).	Operations.
1. Executive direction—Post Office	Do.
2. Operations program administration—Post Office.	Do.
3. Transportation program administration—Post Office.	Transportation.

<i>Program structure</i>	<i>Bureau or Office</i>
VII. Administrative postal support—Continued	
C. Post Office administration (Large offices WMS)—Continued	
4. Controller program administration—Post Office.	Finance and Administration.
(a) Post Office controller programs.	
(b) Postal source data system.	
5. Personnel program administration—Post Office.	Personnel.
6. Facilities program administration—Post Office.	Facilities.
7. Engineering program-----	Research and Engineering.
D. Management information systems (non-add).	Finance and Administration.
1. Work measurement system (non-add).	Operations.
2. Cost ascertainment system (non-add).	Finance and Administration.
3. Service measurement system (non-add).	Operations.
E. Special administrative support projects:	
1. Postal support for census-----	Do.
VIII. Logistical postal support:	
A. Capital investment:	
1. Facilities:	
(a) Construction of facilities.	Facilities.
(b) Building improvements..	Do.
2. Mail processing equipment:	
(a) Fixed mechanization----	Do.
(b) Non-fixed mechanization..	Do.
(c) Other mail handling equipment.	Do.
3. Vehicles:	
(a) Carrier motorization vehicles.	Do.
(b) Bulk transfer vehicles---	Do.
(c) Other vehicles-----	Do.
4. Customer services equipment (XBH Y).	Do.
5. Information processing and accounting equipment.	Do.
6. Administrative, maintenance and general support equipment.	Do.
7. Mail equipment shop-----	Do.
B. Expense:	
1. Building occupancy-----	Do.
2. Supplies and services-----	Do.
3. Maintenance service-----	Operations.
4. Vehicle service-----	Do.
C. Depreciation and related items (non-add): 1. Depreciation and related items.	Finance and Administration.

9. Has the program budgeting concept been fully implemented within your agency as yet in operational terms?

The Department is in the process of implementing this concept:

(a) At headquarters, we are in the process of preparing our third program and financial plan which extends 5 years into the future.

(b) With the approval of the Congress, we are installing operating budgets in major post offices. Fifty-four budgets have been installed on an experimental basis and funds have been contained in the present appropriation request to expand this program in fiscal year 1969.

(c) We are developing a comprehensive information system which will provide actual information against our program budgets at the local, regional, and national levels.

(d) An ADP system for processing planned and actual information is being developed and will be operational by the middle of fiscal year 1970.

(e) An integrated reporting system has been prepared.

(f) The agency is developing regional operating plans to back up our present allotment system to insure compatibility with our new program budgets.

10. To what extent do you believe that your new budget concept will improve the efficiency of agency operations?

We expect a significant improvement in agency operations as a result of implementing this system.

(a) The comprehensive nature of our program will enable us to plan and manage on a consistent basis throughout the agency.

(b) For the first time, we will be establishing dollar budgets at the post office level. These budgets will focus on the accomplishments to be achieved and will be compatible with the total agency program structure.

(c) The process has resulted in focusing top management attention on a large number of vital issues affecting the future of the Department. In many cases, these have resulted in extensive studies which have suggested new approaches to traditional problems.

(d) By closely associating outputs and costs we will be in a better position to make judgments on the relative merits in investing resources in alternative programs.

C. Accounting Systems Development

11. Has the GAO given its approval of your accounting system?

The Department's statement of accounting policies and standards has been approved by the Comptroller General. GAO has suggested that large agencies submit their accounting systems on a segment basis and we are proceeding in that manner. Two segments, covering international accounts and accountability of disbursing officers, have also been approved. Four other segments have been informally submitted for review by GAO prior to our formal submission for approval. We have established target dates for submitting certain other segments of our system. Our target is to have segments covering the major portion of our accounting system submitted for approval by December 1968.

12. Is the accounting system basically established in terms of accrual costs as the GAO and this subcommittee have recommended?

The present accounting system of the POD is on an accrual basis for the most part (see No. 13). The system accounts for funds obligated as well as expenses incurred and takes into consideration nonfunded expenses such as depreciation, earned annual leave, and supplies withdrawn from inventory.

13. What is the target date for completely implementing an accrual accounting system throughout the agency?

As indicated in question 12, the POD's system of accrual accounting is basically complete. There are three areas, however, that we are currently working on to improve our cost information.

First, purchase orders for supplies and minor contract services are recorded as expense at time of order rather than at time of delivery. This is being changed.

The second matter is our practice of expensing supplies issued from supply centers once a year based on inventory change rather than on the basis of actual issue or consumption. This is also being changed.

The third matter involves the question of accruing a liability for sick leave. This is currently under discussion with GAO.

14. Is your accounting system output-oriented so that it will be on the same basis as budgeting and planning?

Our present system is oriented along appropriation, organizational, and functional lines rather than output. We are working on a program budget system (PBS) which is designed to focus on output. The PBS system, however, does not anticipate obtaining output data from the general ledger accounting system but will depend upon data provided from the cost ascertainment system, statistical test, and cost analyses.

15. What basis do you use for establishing the charges for products or services provided to other agencies, and how are these handled in your accounting system?

Services to other Government agencies are primarily (1) military mail, (2) sales of gasoline and oil and the furnishing of garage services, and (3) special services, such as the sales of savings bonds.

The first two items are charged for on the basis of actual costs. The third item is charged for on the basis of fully allocated costs developed by our Cost Ascertainment Division.

The amounts due for services furnished other Government agencies are recorded in the accounting system at the time the services are performed. These amounts are treated as reimbursements to appropriations and not as revenues.

16. Are capital assets, such as building and equipment items, formally recorded in the accounting system, and upon what basis are they depreciated?

Yes. Capital assets such as buildings and equipment to which POD has title are formally recorded in the accounting system and are depreciated on a straight-line basis over a period of time estimated to be the useful life of the asset.

The POD occupies space in other Government-owned buildings on a rent-free basis. These buildings are not recorded as assets in the records of the POD; however, a statistical charge representing depreciation on the space occupied is recorded as a "nonfund" accrued cost.

17. Are the costs of the agency's physical assets considered in establishing the charges for services to other agencies?

Yes. In those instances where the POD provides services to other agencies, the charges include an allocation of costs for the physical assets involved.

18. Are agency accounting reports used regularly in program management?

Post Office Department accounting reports are tailored to meet the needs of program management, Budget Division, financial control officers, cost ascertainment, postal rates, and economics studies. Material reported and report formats are frequently changed at the request of the user to present information in the most meaningful manner for his needs.

19. Are agency accounting policies summarized in an accounting manual with which your staff accountants must comply?

Yes, the Post Office Department accounting policies and standards, approved by the Comptroller General on June 30, 1966, are set forth as chapter I to Fiscal Handbook, series F-8, General Classification of Accounts. In addition, a descriptive statement of the overall financial management system of the Post Office Department is set forth in the same manual as chapter III. This manual also contains the basic chart of accounts.

D. Management information system

20. Do you have an automated management information system for your agency?

The Post Office Department does not have an automated management information system. However, a management information system is made up of many interrelated subsystems organized to provide all the data processing and information services necessary for efficient operation. Financial, planning, program budgeting, can all be described as interrelated subsystems to the framework of a management information system. In this respect the Department has automated or is in the process of automating significant segments of the data requirements of various functional areas. One of the outstanding examples of this type of automation is the postal source data system, one of the most extensive and complex installations of its kind in the world, which, in addition to facilitating the traditional payroll function, will enhance the capability for generating management data which serves as a base for management information reporting. We are also in the process of developing subsystems in the area of planning-programing-budgeting system, inventory control, and personnel statistics.

21. In general, what functional areas are included in the management information system? (Examples: Financial, planning, and program budgeting, inventory, personnel, etc.)

Some of the interrelated subsystems that have been developed, or are in the process of development, to serve as elements of a Department management information system are listed below. Our objective in designing and implementing a fully integrated and automated management information system is to provide coverage of all functional areas.

(a) Financial.

(1) Accounting reports.

(2) Payroll—management reports which are generated as a byproduct of the payroll processing.

(b) Vehicle utilization reports.

(c) PULSE—Property utilization and logistics, supplies, and equipment.

(d) Research and engineering—Project status reporting system.

(e) Personnel source data collection system—a flexowriter system for preparing personnel action documents and simultaneous inputs for the payroll files.

(f) Employee profile data system.

(g) Work measurement—being developed as a part of the postal source data system.

22. Briefly describe the state of development of your system and how it operates. Since the advent of ADP the bureaus have automated their individual reporting requirements as time and resources have permitted. In recent years this effort has been expanded and at present the Department is installing and testing a partially integrated reports system under the planning-programing-budgeting system. The other subsystems are in varying states of development. For example, the financial subsystem is currently operating on ADP equipment using traditional methods for data collection, processing, and reporting with considerable manual intervention. The same is generally true of the other reporting subsystems which are currently being run. Our work measurement system is presently a completely manual operation; however, the postal source data system is intended to automate the WMS. We will have a greatly enhanced capability by using the computers and communications lines of the postal source data system as the foundation for building and improving our management information system.

23. Did you perform a "requirements" analysis of the entire agency or just selected areas?

Efforts have been made to develop a valid concept for evaluating a requirements analysis for a management information system. To date, this has not extended beyond individual bureau parameters of authority except under the auspices of financial and program management. We have performed a number of requirements analyses in conjunction with the investigation of various aspects of management information as it was affected by the postal source data system and the planning-programing-budgeting system. Although they were very comprehensive, they probably should not be classified as a requirements analysis of the entire agency for the purpose of developing a total integrated management information system. The Department is currently in the process of refining these requirements and determining the departmentwide requirements.

24. To what extent have you considered the need of other agencies of exchanging information with your agency in the development of your system?

We have been supplying information to various other agencies, such as the Office of Economic Opportunity, the Civil Service Commission, and the Bureau of the Budget, and our subsystems have been developed with their requirements in mind. However, we are aware there is a definite need for more coordination among Government agencies to keep abreast of the data available and already stored in data banks. Maximum use of these facilities would lessen the costs of operating data systems and management information systems.

25. Are you developing a standard data base of information for the entire agency?

We have made a beginning in this area by initiating a series of regular management information briefings, both in headquarters and at the regional directors level, and using the resultant data as the foundation for a data bank. In the near future, it is hoped to store this in automated data banks.

26. In reporting statistical information, what standards for coding are you using?

At present the Post Office Department has not developed an overall structure for codification of management information other than in the area of financial management. In this connection the PPBS structure is currently being revised and studies are underway to modify the accounts structure as appropriate so that the two will be comparable. As the total Management Information System requirement is developed it is assumed that agreement on an overall coding structure will be a necessary first step toward this end.

27. Have you explored all of the information requirements common to your agency which might exist within the data base of other agencies?

Where we have been able to determine the availability of such data, we have made full use of it. We conduct a constant interchange of data with Treasury, Census, OEO, and the Civil Service Commission. There is, however, a recognized need for Government-wide leadership in this effort and efforts of the Intergovernmental Task Force on Information System that published their first report in April 1968 is a step in this direction. We plan to participate in this effort to the extent possible within available resources.

28. Are you performing the work in-house, or are you utilizing contractor personnel?

Most of the work is being performed in-house. A contract with Ling-Temco-Vought, Inc., was let in the area of progress reporting on individual research and engineering projects.

29. What main benefits do you feel your management information system will provide in the management of your agency's activities?

When the Department management information system requirement is fully identified and implemented, it should provide a cost benefit for supplying timely recurring data inputs on an automated basis for the planning-programing-budgeting decisionmaking process. In addition, the use of computer-based models for simulating cost-benefit analysis for alternative courses of action should improve the effectiveness of the decisionmaking process. In the area of automated storage and retrieval of technical information the management information system should contribute substantially to the availability of required knowledge without wasted time and effort on research for and identification of pertinent sources of desired information. This should improve the quality of technical inputs in determining the best solution toward modernization of Post Office Department operations.

30. What is your estimated dollar cost for the completion and operation of the basic parts of your management information system?

Development of a large-scale management information system is a multi-million-dollar undertaking requiring leadtimes on the order of 3 to 5 years. We have already acquired hardware and communication lines for use in collecting, processing, and reporting some data. What remains to be done is the development of the concepts and software required to convert our individual data processing subsystems to fulfill the needs of our management information system. This portion would still require significant investment and up to 5 years leadtime. Until a master plan is formulated, specific costs are not available.

31. At what level is the determination made concerning what is needed in the management information system?

Until the Department's master plan for accomplishing an integrated, automated management information system is developed in its entirety, it will be difficult to state such specific responsibilities. The overall responsibility for any determination of these requirements is that of the top managers, the decision-makers, who must assume active participation in the design and implementation of the system. The specific requirement of operating managers and middle-management is fairly well covered in the existing, previously described, data subsystems.

E. Internal Auditing

In 1963, this subcommittee, in cooperation with the Comptroller General, promulgated the essential criteria for effective internal audits in Federal departments and agencies. The subcommittee would be interested in determining whether or not your agency has accepted the recommendations made at that time.

32. Do you have a centrally organized internal audit system within your agency which operates independently of department and agency operations?

Responsibility for internal auditing in the Post Office Department has been delegated to the Chief Postal Inspector. He reports to the Postmaster General and the Deputy Postmaster General; he advises them and other principal assistants on the conditions and needs of the service and directs the execution of policies, regulations and procedures governing all investigations, inspections and audits of the postal service. The Bureau of Chief Postal Inspector functions independently of other Department operations.

33. Is your internal audit staff made up of persons with experience in accounting and auditing?

All audit positions in the Internal Audit Division require training and experience in accounting and auditing. Prospective postal inspectors are required to have 4 years of postal experience; college training may be substituted for 3½ years of postal experience, but candidates must be able to solve postal account problems. Inspectors receive intensive in-house training in their duties and responsibilities.

34. Is the scope of review by the internal audit staff limited in any way?

The scope of internal auditing is not specifically limited in any way.

35. Are all reports and recommendations of the internal audit staff submitted in full directly to the head of the agency?

All internal audit reports containing audit recommendations are sent to the head of the department and are transmitted over his signature to the organization(s) designated to effect the recommended action.

36. Is the audit staff responsible to or subject to direction by any official who is also primarily responsible for an activity which might be audited?

The audit staff is not subject to the direction of any official who is also primarily responsible for an activity which might be audited.

37. Are the personnel assigned to the internal audit function adequately protected from recriminations and arbitrary personnel action that might result from an adverse effect of their reports upon other agency employees?

Adequate protection in this regard is provided.

38. Are all reports and recommendations of the internal audit staff available to the Comptroller General and to appropriate congressional committees?

Yes, all such reports and recommendations are available either routinely or upon request.

F. Automatic Data Processing

39. Do you have a central organization in your agency which is responsible for ADP management?

Yes. The Office of ADP Management which is a part of the Bureau of Finance and Administration.

40. Will you describe its functions?

(1) Develops policy recommendations and plans for the Post Office Department's automatic data processing program.

(2) Administers the design, development, and implementation of automatic data processing systems in the Department and the postal field service.

(3) Administers headquarters' data processing operations and the automatic data processing centers.

(4) Provides technical guidance to the postal data centers on matters concerning automatic data processing.

(5) Develops the budget for departmental and field service automatic data processing programs.

(6) Determines departmental and field service expenditures for automatic data processing equipment, supplies, and services.

(7) Directs the review and evaluation of departmental and field service automatic data processing programs.

(8) Administers a program of ADP research.

(9) Directs an ADP standards program.

(10) Makes the selection and approves the release of all ADP equipment.

(11) Such other duties and responsibilities as would normally fall within the scope of the position.

41. Who has the responsibility for deciding whether or not the use of a computer for a particular function within your agency is justified?

The Office of ADP Management, and the staff of the function involved.

42. On what basis is the decision made? Are there documented systems studies available for review in all cases?

Part I—A feasibility study is made for all major applications.

Part II—Yes, except for minor applications; in these cases the documentation is completed as the project is developed.

43. Can you cite instances in which a request for a computer system was disapproved for lack of adequate justifications?

No, if the question means a computer. Yes, if it refers to a computer application.

44. Assuming the use of a computer has been fully justified by a proper study, are there procedures for determining whether the requirement can be satisfied by using (sharing) equipment already installed in your agency? Will you describe the procedure.

Part I—Yes.

Part II—The available time on all existing computers is analyzed as to: the type of equipment, the location of equipment, and the specific time that computer capacity is available.

45. To what extent have you been successful in getting the users to share equipment instead of acquiring their own?

The development of all applications is controlled by the Office of ADP Management. This office is responsible for sharing equipment already installed. We have been sharing other agencies' computers over the past 2 years. We have also transferred workload from one Post Office Department's computer to another in several instances.

46. Do you review the GSA lists of available excess equipment before going to the open market to acquire equipment?

Yes.

47. Who makes the determination that excess equipment can or cannot do the job?

The Office of ADP Management.

48. What has been your experience in making use of excess equipment?

None. Our requirements to date could not be satisfied by available excess equipment.

49. Assuming it is necessary to acquire equipment from the commercial market, do you normally invite all qualified suppliers to submit proposals. What are the exceptions?

Part I—Yes.

Part II—There have been no exceptions.

50. Who makes the final selection of equipment, and on what basis is the decision made?

The Office of ADP Management. All selections to date have been on the basis of ability to perform, ability to provide timely delivery, and economics. In each case specifications for equipment are prepared and submitted to all interested vendors. The selection is made based upon which vendor most adequately satisfies all specifications and economics.

51. Describe your program for evaluating the actual results of computers used against the results anticipated when the use of the computer was approved.

In each acquisition of a computer the feasibility study outlines the results that are expected. Actual performance is then measured against the anticipated performance when the computer is in an operational condition. Benchmark is also used for this purpose prior to the selection of equipment.

52. In general, have your computers produced the benefits that were expected?

Yes.

53. How many computers do you now have, and how many of these are purchased?

We have purchased only 11 computers. The Control Data 1700's are not considered computers as we have reported to GSA and BOB.

54. Who makes the decision on whether computers are purchased or leased? On what basis are the decisions made?

(1) Office of ADP Management.

(2) The primary factor is overall economics. Other factors are: the role of the computer, the probable replacement date of a computer, and the nature of the equipment.

55. Is your agency now using any leased ADP equipment? If so, how much longer do you expect to use it?

The POD does not lease any computers with the exception of leased time on the IBM 360 at the Department of the Interior. On the other hand we do lease several punch machines and other EAM equipment. We plan to lease these for 1 year.

56. Have you made use of third-party leasing arrangements? If so, what has been your experience with these arrangements?

No.

57. To what extent have you developed standard systems or applications which are used by your computer installations?

Approximately 80 percent of our systems are being developed as standard systems for several computer installations.

58. Will you describe the steps you have taken for the development of standard data elements for use by your Department under the program recently established by Bureau of the Budget Circular A-86.

We are in the process of implementing the use of standard data eliminations and code for all future applications.

59. What do you consider to be the most pressing problems that need to be overcome for you to make better and more efficient use of computers in your agency?

Trying to obtain highly trained technicians to work within the Government. We are in need of more and better operating software.

G. Personnel Management

60. Where is the responsibility placed for manpower planning in your agency?

The Postmaster General has the responsibility to see that the Post Office Department does not exceed the maximum allowable employment figures as determined by the President at the time of the annual budget review. The Postmaster General establishes approved employment ceilings for the operating bureaus and they in turn provide numerical ceilings for the various installations under their administrative direction. In the case of the Bureau of Operations, numerical ceil-

ings are provided to each regional director for post office operations within his region.

61. What manpower requirements are forecast for your agency and how are these determined?

In fiscal year 1968 a total of 741,922 positions are included in the budget. The great majority (731,448) of these positions are in the "Operations" appropriation and are determined by relating such factors as mail volume and delivery units to man-hours and converting the man-hours to positions. In the case of the positions in the other appropriations, these are basically the result of a detailed review of requirements by the responsible bureau and reflect the additional workload at headquarters, regional offices, and various field installations.

62. Is the work in your agency organized with some consideration of the effect on position classification so that the mission can be accomplished with the minimum number and cost of positions?

Yes, the number of positions are controlled through authorization by region or headquarters and cost is set by the ranking of positions to proper salary level as prescribed by law.

63. Is the classification of positions in your agency in accord with applicable Civil Service Commission standards?

Positions in the postal field service are placed into proper salary in accordance with the provisions of title 39 United States Code which establishes the postal field service classification system. Positions in the Department headquarters are classified according to CSC standards.

64. Has the agency established career possibilities to assist in development and advancement of employees?

Yes, the Department now has a pilot program in the Seattle region which provides for regionwide promotional opportunities at the supervisory levels. This plan provides an inventory of skills and education of each participant and will include advice and assistance through counseling and guidance.

A merit promotion plan has been used in headquarters since 1962 which provides for voluntary participation by all employees. This also provides for outside training under the Government Employee Training Act.

We also have an intern program for selection and training of highly qualified employees in rotating assignments which eventually lead to high-level management positions in the regional offices and Department headquarters.

65. Would you describe what means your agency uses to recruit quality personnel?

All employees are hired under the Civil Service Commission examining system. Selections are made from the Civil Service Commission registers of eligibles. The principal entrance levels are clerks and carriers at PFS-5, and mail handlers at PFS-4. Selection of college graduates under the intern program and the use of Civil Service Commission registers also provide for introducing top quality employees at regional and departmental levels.

66. Does your agency emphasize promotion of employees on the basis of merit?

Yes. In 1961 the Department issued a comprehensive merit promotion procedure. This has been extended and improved to provide additional opportunities based on qualification and demonstrated skills of all employees.

67. How does your agency consider employee complaints, grievances, and appeals?

Employee grievances and complaints and adverse action appeals are provided for in our agreement with the seven exclusively recognized postal unions. The essentials of the grievance procedure are: (1) attempt to resolve at local level, (2) appeal to regional level with hearing if employee desires, (3) further appeals rights to Department's Board of Appeals and Review. The essentials of the adverse action appeals procedure are two levels of appeal—to Regional Director and to Department's Board of Appeals and Review with right of hearing at first level. Employees may request advisory arbitration of decision of first level appeal on adverse actions and of second level appeal on grievances, provided the union pays one-half the cost.

68. Is personnel management considered to be an integral part of the mission of your agency?

Yes, at all levels of operation—Department, region, and installation.

69. How does your agency treat equal employment opportunity and employment of the handicapped?

The Department has a positive program in the equal employment opportunity area. Our latest data show that 21.7 percent of our employees are minority group employees.

The Department also makes a special effort to hire physically handicapped employees. More than 14,000 have been appointed since 1962. More than 1,000 mentally retarded have been appointed since 1963. We have 158 deaf mutes and 207 blind employees.

H. GAO Audit Reports

70. Has the General Accounting Office issued any audit reports on the overall operations of your agency, that is, reports not directed at a functional program of the agency, but rather at the management and administration of the agency?

Potential economies and improvements in service through modernization of the Postal Field Service (B-114874), December 7, 1967.

71. If so, to what extent have the recommendations contained in these reports been carried out?

To our knowledge, the Congress has taken no action on the first three recommendations. Mail-processing operations for outgoing and transit mails had already been consolidated in sectional center and other centralized facilities to the degree permitted by the space in existing facilities before receipt of GAO's report. We are about to centralize in 75 post offices the processing of all personnel paperwork involved in the appointment, promotion, transfer, and separation of employees. The degree to which we can actually centralize administrative and financial functions in post offices will depend upon the capability of our facilities and the service and administrative requirements in each area.

We do not agree that we should eliminate the name of a city or community from the postmark.

Our policy for discontinuing and converting independent offices was worked out with the House Post Office and Civil Service Committee. We do not plan to change it unless it be the will of the Congress. Between June 30, 1960, and June 30, 1967, we have reduced the number of offices by 44,062—from 76,688 to 32,626.

A. Program Category I—Direct Services to Mailers

1. What is the nature of and authority for this program?

This category was established on guidelines published in Bureau of the Budget Circular 68-9. The authority to perform the service is included in title 39, United States Code.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

William M. McMillan, Assistant Postmaster General, Bureau of Operations, is responsible for the overall management of this program category.

3. How much money and capital equipment is available under this program for fiscal 1968?

For fiscal year 1968, we have allocated for this program \$1,356,530,000 out of the operations appropriation. The capital equipment supporting this program is included in the logistical postal support category.

4. Would you describe the output generated by this program?

The output of this program is providing the various types of direct services to mailers to the 200 million Americans, including sale of postage, providing of special services, collection, and acceptance of mail.

5. Can you quantify this output in any way?

The outputs are quantifiable by number of window hours, the number of pickups in collection service, and volume of mail.

6. Would you describe the principal operations that are involved in producing this output?

The principal operations that are involved in producing this output are:

- (a) Number of collections made by carriers.
- (b) Number of window hours of service available to patrons.
- (c) Volume of mail processed in small first-class post offices and all second-, third-, and fourth-class post offices.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are approximately 144,000 clerical employees, 5,000 supervisory employees, 6,000 city delivery employees, and 31,000 postmasters.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

The clerk, carriers, and mail handlers are predominantly in PFS levels 4, 5, 6. The supervisors are predominantly in PFS levels 8, 9, 10. Postmasters are predominantly in PFS levels 6, 7, 8, 9, and 10.

There are a limited number of supervisors in the higher levels. There are no supergrades allocated to this program.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

No capital equipment of the type described above is included in this category.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The costs for future years will increase commensurate with the workload.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the post office level, the postmasters will be responsible for the program. At the national level, the category manager will administer the program.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The category manager maintains a continual review of the scope of the program and the means of achieving the objectives.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

Outstanding recommendations in GAO reports include:

Recommendations relating to establishing, discontinuing, or consolidating post offices; establishing branches or stations; and consolidating administrative and financial functions of post offices. This GAO recommendation is under study.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Because of our limited staff it is difficult to manage the highly decentralized postal system to attain all of the objectives which are programmed.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

If the appropriation is reduced, each program would be reviewed to determine the priority of service that could be funded from the available funds. Depending on the magnitude of the appropriation reduction, various levels of service curtailments would be necessary.

19. If additional funds were available, what would you do with the new money?

We would invest in the improvement and expansion of our management staff at the headquarters and regional levels so that projects and programs could be initiated toward improvement of service and increasing the level of productivity. In future years, this action would result in providing better service at reduced cost.

B. Program Category II—Processing of Mail

1. What is the nature of and authority for this program?

This category was established based on guidelines published in Bureau of the Budget Circular No. 68-9. The authority to perform the service is included in title 39, United States Code.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

William M. McMillan, Assistant Postmaster General, Bureau of Operations, is responsible for the overall management of this program category.

3. How much money and capital equipment is available under this program for fiscal 1968?

For fiscal year 1968, we have allocated for this program \$1,528,487,000 out of the "Operations" appropriation.

The capital equipment supporting this program is included in the "Logistical postal support" category.

4. Would you describe the output generated by this program?

The output of this program is providing for the distribution and processing of the 82.1 billion pieces of mail.

5. Can you quantify this output in any way?

The output is quantified by the number and types of mail handled by the 32,000 postal installations.

6. Would you describe the principal operations that are involved in producing this output?

Principally the distribution of all classes of mail from the office of origin to office of address is involved in this output.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are approximately 208,000 clerks and mail handlers, plus 9,000 supervisors involved in this category.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

The clerk and mail handlers are predominantly in PFS levels 4, 5, and 6. The supervisors are in levels 8, 9, and 10. There are limited numbers of supervisors in the high levels. There are no supergrades allocated to this program.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

No capital equipment of the type described above is included in this category.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The cost for future years will increase commensurate with the workload.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the post office level, the postmasters will be responsible for the programs. At the national level, the category manager will administer the program.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The category manager maintains a continual review of the scope of the program and the means of achieving the objectives.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

Recommendations relating to consolidating mail-processing operations, and discontinuing the name of the city in the postmark. This GAO recommendation is being studied by the Department.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Because of our limited management staff, it is difficult to manage the highly decentralized postal system to attain the objectives which are programmed.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

If the appropriation is reduced, each program would be reviewed to determine the priority of service that could be funded from the available funds. Dependent on the magnitude of the appropriation reduction, various levels of service curtailments would be necessary.

19. If additional funds were available, what would you do with the new money?

We would invest in improvement and expansion of our management staff at the headquarters and regional levels so that projects and programs could be initiated toward improvement of service and increasing the level of productivity. In future years, this action would result in providing better service at reduced cost.

C. Program Category III—Delivery Services

1. What is the nature of and authority for this program?

This category was established based on guidelines published in Bureau of the Budget Circular No. 68-9. The authority to perform the service is included in title 39 of the United States Code.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

William M. McMillan, Assistant Postmaster General, Bureau of Operations, is responsible for the overall management of this program category.

3. How much money and capital equipment is available under this program for fiscal 1968?

For fiscal year 1968, we have allocated for this program \$2,092,797,000 out of the operations appropriation.

The capital equipment supporting this program is included in the logistical postal support category.

4. Would you describe the output generated by this program?

The output of this program is providing the various types of delivery services to 200 million Americans and business firms.

5. Can you quantify this output in any way?

The output is quantified by number of daily deliveries.

6. Would you describe the principal operations that are involved in producing this output?

The principal operations in producing this output are:

Sorting the mail in delivery sequence.

Effecting delivery to the patron by the delivery employee.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are approximately 261,000 delivery employees, plus 10,000 supervisors. The employees are in the supervisor, city delivery carrier, rural carrier, and special delivery messenger crafts.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

The delivery employees are predominantly at PFS level 5, with a limited number in PFS level 6. The supervisors are predominantly in PFS levels 8 and 9. There are no supergrade positions in this program.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

The equipment used in fulfilling this program are the motor vehicles used for delivering the mail, which equipment is provided in logistical postal support.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

There has been a continuous growth in this program, directly related to the growth in population and the concentration of the population in and around urban areas. We anticipate this growth will continue for the foreseeable future. This growth is expected to approximate 2 to 3 percent each year.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At the post office level, the postmaster will be responsible for this program. At the national level, the category manager will administer this program.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

The category manager maintains a continual review of the scope of the program and the means of achieving the objectives.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

Yes, potential savings through changes in legislation affecting vehicles used by rural carriers. Legislation was proposed several years ago but no legislative action was taken.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Because of our limited management staff, it is difficult to manage the highly decentralized postal system to attain the objectives which are programmed.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

If the appropriations were reduced, each program would be reviewed to determine priority of service that could be funded from the available funds. Dependent on the magnitude of the appropriation reduction, various levels of service curtailment would be necessary.

19. If additional funds were available, what would you do with the new money?

We would invest in the improvement and expansion of our management staff at the headquarters and regional levels so that projects and programs could be initiated toward improvement and service and increasing the level of productivity. In future years, this action would result in providing better service at reduced cost.

D. Program Category IV—Transportation

1. What is the nature of and authority for this program?

The transportation category provides for selecting, procuring, and supervising all modes of transportation—air, rail, highway, and water—required to insure the intercity and international movement of all classes of mail in a timely and dependable manner at the least possible cost.

The authority for this program is United States Code 39, chapter 93, section 6101.

2. Who is the person primarily in charge of this program at the operative level?

Mr. Frederick E. Batrus, Assistant Postmaster General, Bureau of Transportation.

3. How much money and capital equipment is available under this program for fiscal year 1968?

\$781,516,000, this includes \$130 million for the transportation of military overseas mail by air, which is reimbursed by the Department of Defense.

No capital equipment is required.

4. Would you describe the output generated by this program?

Ton-miles of mail moved.

5. Can you quantify this output in any way?

Yes, 7.302 billion ton-miles will be moved (domestic service 6.413 billion and international service 0.889 billion).

6. Would you describe the principal operations that are involved in producing this output?

Planning, procuring, and controlling the transportation required to move nonlocal mail—in both the domestic and international service including all military mail moving by air—in a manner consistent with the type of postage paid and the characteristics of the mail.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

Not applicable.

8. What is the grade structure and how many super grades—quota and non-quota—are involved.

Not applicable.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

Not applicable.

10. Do you expect the expenditure or the benefits of the program to grow appreciably in the future?

Yes; in direct relation to the volume of mail to be moved, contingent on (1) rates established by regulatory agencies, (2) offers by contractors (in response to advertisements with award to lowest bidders), or (3) negotiated rates with water and rail carriers.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

Headquarters.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

Yes.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

Yes, there is one outstanding GAO report—type of mail pouches used for transporting first-class mail by air. All recommendations have been followed. Sufficient pouches are now on hand and positive instructions have been implemented.

16. What significant problems, if any, are you facing in accomplishing the program objective?

Manpower and inability to negotiate with common carrier truckers, freight forwarders, and airlines.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

Reduce the level of transportation service being given to the movement of non-local mail.

19. If additional funds were available, what would you do with the new money?

Improve the level of transportation services consistent with departmental policy.

E. Program Category V—Enforcing Postal Laws and Regulations

1. What is the nature of an authority for this program?

This program category entails the activities of the Field Inspection Service and the Division of Internal Audit. The basic functions of postal inspectors include a variety of investigational and inspectional duties involving the total Postal Establishment. These activities are contained in two broad categories of work which are criminal investigations and inspections and examination of postal installations. The internal auditors are charged with the responsibility of certifying to the Postmaster General on the accuracy and propriety of the Department's financial statements and the adequacy of its internal controls. The Internal Audit Division develops and maintains comprehensive audit standards and procedures for use in auditing departmental, regional, and field installations.

Under authority contained in 39 U.S.C. 309, the Postmaster General may delegate to his subordinates such of the functions as are vested in him. The Postmaster General's authority to investigate offenses against postal law is contained in 39 U.S.C. 501 and further emphasized in 28 U.S.C. 535. The basic functions of postal inspectors in a typical field assignment are denoted in 39 U.S.C. 3523. Authority to establish and responsibility to maintain a system of internal auditing are contained in 39 U.S.C. 2208.

2. Who is the person primarily in charge of this program at the operative level?

H. B. Montague, Chief Postal Inspector.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$28,211,000 is available of which \$3,177,000 is in the "Operations" appropriation to cover detailed assistants and investigative aides. Salaries of inspectors in charge, deputies/assistant inspectors in charge, internal audit area managers and their office staffs are included in program VII.

4. Would you describe the output generated by this program?

The output of the Field Inspection Service is considered to be the cases under investigation and the cases completed. The output for the Internal Audit Division is work assignments in progress and work assignments completed. Output for the Inspection Service can also include the number of arrests obtained and the number of complaints resolved.

5. Can you quantify this output in any way?

The number of cases under investigation, the number of cases completed, the number of work assignments in progress and completed, and the number of arrests effected are currently quantifiable and reported upon. The number of complaints resolved could be quantified but no system is being used at this time.

6. Would you describe the principal operations that are involved in producing this output?

The operations involved in the criminal work of this program include investigation, apprehension of suspects, preparation of reports, letters of presentation to the U.S. attorney, and testifying in courts. Criminal investigations are conducted relating to (1) adequacy of protection of mail, funds, and property, and (2) detection of postal law violations and the apprehension of persons responsible for mail theft, armed robbery, burglary, forgery, embezzlements, mail frauds, and the mailing of obscene and defamatory matters, poisons, bombs, and similar materials. Arrests by postal inspectors of postal law violators are currently about 14,000 a year. There has been an increase of better than 50 percent in such arrests in the last 7 years. About 55 percent of the investigative time of inspectors is devoted to criminal investigations.

The noncriminal work performed by postal inspectors includes audit inspections of all postal installations and operations thereat and special investigations of postal matters for top-level management. The phases of investigation include financial irregularities, claims against the Government, accidents, recovery of losses suffered by the Government, determination of personnel security and suitability, and continuous vigil in all cases of emergencies, casualties, and disasters. The postal inspection service also coordinates the civil defense program of the Post Office Department, and serves as liaison with the Department of Defense on postal matters.

Audits are conducted in major programs and functional areas at headquarters, regions, and other installations.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

A total 2,062 employees in the following categories:

Inspectors	1, 098
Scientific, technical, and clerical employees.....	464
Internal auditors	107
Investigative aides and detailed assistants.....	364
Temporaries	29
Total	2, 062

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

Postal Field Service—PFS-5 through PFS-17. No supergrades involved.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

No capital equipment is under the direct use or control of this program. ADP programs are utilized through the auspices of the Bureau of Finance and Administration.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

The rising crime rate is felt in the area of postal crimes. There has been a continued growth in the number of criminal investigations in recent years and manpower has been added to meet this workload demand. It is anticipated that the criminal work will increase in the near future and that additional personnel will have to be added.

The modernization and growth of the Postal Establishment is increasing the workload demand in the audit inspection, service investigation, and internal audit programs. A moderate increase in manpower will be required in future years.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

The five internal audit area managers coordinate audits in their respective areas and are responsible to the Director of Internal Audit who is in turn responsible to the Chief Inspector. The inspectors in charge of the 15 divisions coordinate the work of postal inspectors and they are responsible to the Chief Inspector. The Chief Inspector has the programs supervised by division directors who oversee their coordination.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

Through an internal management report prepared and issued monthly, the work of postal inspectors in the criminal, audit inspection and service investigation fields is reviewed. This review is made at both the field and national levels.

The work of internal auditors is reviewed on a continuing basis at the departmental level.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

The internal control established within the Bureau assures the efficiency and effectiveness of the program.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

The GAO recently completed a review of the internal auditing activities in the Post Office Department. In his report of April 12, 1968, to the Congress (B-160759) the Comptroller General stated that " * * * the policies, directives, and responsibilities for the Department's internal audit program, as established by the Postmaster General, are adequate to provide management with independent, objective, and constructive appraisals of the effectiveness and efficiency with which financial and operating responsibilities of the Department are being performed." The Comptroller General stated also that the internal audit responsibilities of the Post Office Department are being carried out in a reasonably satisfactory manner and with sufficiently broad authority to give internal auditors a great deal of independence in the selection of areas for audit and in the scope of audit.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Recent court decisions have made it essential that a great amount of physical evidence be presented to obtain convictions and this has placed greater demands upon the investigators' time as well as on the scientific personnel in the crime laboratories.

The increasing crime rate is most heavily felt in the areas of burglaries, armed robberies, and theft from privately owned mail receptacles. These crimes require immediate attention and frequently require lengthy investigations. The limited manpower available forces other areas of work to be delayed. In the area of fraud investigations, the schemes being perpetrated are of an extremely complex nature and require extensive investigations and heavy utilization of manpower.

Essential work most adversely affected by the demands made by the criminal investigations is in the area of audit-inspections. It is considered essential that the maintenance of the integrity of the postal accounts and the detection and prevention of deficiencies in post office operations be maintained at the highest level possible.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

If manpower levels were reduced, the result would be tremendously increased caseload assignments to individual inspectors which they could not possibly handle. The effect of this would be to prohibit timely attention to reported crimes with consequential difficulty in identifying suspects, gathering evidence, and bringing criminals to justice. Adverse public reaction would be inevitable, particularly in the light of already strong public and congressional concern over crime conditions and the need for positive enforcement actions. In the area of mail fraud it would mean that fraud operators would be able to bilk the public of even more money than that which is now being lost each year.

In the area of deemphasis in any reassessments of priorities, cutbacks would have to be made in our audit-inspection program. It is estimated that 60 percent of the program will be completed within 1968 manpower levels. This is not considered to be a satisfactory level of completions. The effects of 48.5 and 40.1 percent completion of the inspection program in fiscal year 1966 and fiscal year 1967

are now being felt in terms of increased time required to complete inspections that have had to be deferred and detecting shortages and embezzlements which should have been brought to light through annual inspections. Sufficient additional manpower has been requested to increase the percentage of completions by only 4 percent. It is considered that the maintenance of the integrity of the postal accounts and the detection and prevention of deficiencies in post office operations warrant a minimum of the recommended level of attention in fiscal year 1969.

19. If additional funds were available, what would you do with the new money?

Any additional funds available would be used to augment our present force to combat the rising postal crime situation, and to strengthen our audit-inspection and internal audit programs.

F. Program Category VI—Research, Development, and Engineering

1. What is the nature of and authority for this program?

This program consists of work in three areas. These are:

1. Research and development.
2. Construction engineering.
3. Industrial engineering.

The Department's research and development program is directed toward the development, test, and evaluation of new and improved equipment, systems, techniques, and facilities for performing postal tasks.

Construction engineering activities performed under the research, development, and engineering program provide the technical services necessary to secure new and improved space and mechanized processing systems for operational use. The work includes technical planning and preliminary design of major facilities, final design of fixed mechanized systems, facility construction and mechanization installation supervision and technical services necessary to the phase-in of new major facilities.

Industrial engineering activities are designed to effect economies, improve safety, and improve working conditions through the development of facility and equipment design guides and use criteria and the conduct of industrial engineering surveys of existing facilities.

Authority for the research, development, and engineering program is contained in title 39, section 504 of the United States Code. In addition, Public Law 89-492, approved July 5, 1966, had as its purpose to encourage, advance, and accelerate the research and development and construction engineering programs of the Department and to improve the administration of such programs.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

Dr. Leo S. Packer, the Assistant Postmaster General for the Bureau of Research and Engineering is in charge of this program. He is assisted by Mr. Paul G. Hendrickson, Director of Operations; Dr. Edward M. Reilley, Director, Research and Development; Mr. Peter C. Hyzer, Director, Construction Engineering; and Mr. Alvin P. Hanes, Chief, Industrial Engineering.

3. How much money and capital equipment is available under this program for fiscal 1968?

\$22.495 million exclusive of \$901,000 included under Category VII, Administrative Postal Supports, are available for obligation in fiscal year 1968. This includes \$200,000 for laboratory equipment to be procured in fiscal year 1968.

4. Would you describe the output generated by this program?

The output of the research and development segment of the program is usually designs and/or specifications for new or improved equipment and techniques for postal applications or test data upon which to base "buy" decisions for off-the-shelf items offered by industry.

The output of the construction engineering effort is usually preliminary design and specifications for new major facilities or changes to existing facilities and final designs and specifications for "fixed" mechanized systems for operational use.

The output of the industrial engineering program is generally standards and criteria for space and mechanization design and industrial engineering reports which recommend changes to existing facilities or equipment to improve efficiency, safety or employee working conditions.

5. Can you quantify this output in any way?

We have some measures of output which we use internally to estimate personnel requirements particularly in the construction engineering area. As a rule, however, our program structure shows that the outputs of the research, development, and engineering category are not quantifiable.

6. Would you describe the principal operations that are involved in producing this output?

The outputs of the research, development, and engineering category are not readily quantifiable. The usual operations involved in research and development, however, are:

- (a) Analysis of the problem;
- (b) Evaluation of alternatives for solution;
- (c) Selection of alternatives for development;
- (d) Evaluation of advanced technology applications;
- (e) Feasibility model design and test;
- (f) Prototype design and test;
- (g) Field test and modifications; and,
- (h) Procurement for operational use.

In construction engineering the usual major operations involved are:

- (a) Development of design data;
- (b) Evaluation of alternative designs;
- (c) Preparation of preliminary drawings for buildings;
- (d) Preparation of systems layout and drawings and specifications for mechanization;
- (e) Review of architect drawings; and
- (f) Onsite supervision of construction or mechanization installations.

In industrial engineering the primary operations include analyses of operations as currently performed and the development of alternative methods for performance.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

The Bureau of Research and Engineering which is responsible for the conduct and administration of this program has an authorized staff of 538 for fiscal year 1968 including temporary positions. Of the permanent positions 68 are allocated to Bureau headquarters and appear under category VII. The remainder are allocated as follows:

Research and development.....	160
Construction engineering	244
Industrial engineering	39
Temporary employees	27

The employees of the Bureau of Research and Engineering are primarily engineers, architects, and technicians. Other skills include contract specialists, operations research analysts, and clerical support types.

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

The grade structure of positions allocated to this category is as follows:

Level	Number of Positions
Executive level V.....	2
Scientific and technical positions (Public Law 313)	6
GS-17	1
GS-16	7
GS-15	44
GS-14	82
GS-13	108
GS-12 and below.....	186
Wage board	7
Temporary positions	27
Total positions	470

The number of supergrades authorized is eight.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

The Bureau of Research and Engineering operates a test center located in the Washington City Post Office and a small advanced technology laboratory in the International Safeway building. Both of these facilities are equipped with test equipment procured to support the Research, Development, and Engineering program. The investment to date in this type of equipment has been nominal as the result of the Department's having performed most of its prior research and development work under contract with industry, other Government agencies, and

universities. We expect to reverse this trend in the future to provide for an increase in our in-house research and development capability.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

Yes. We have projected the following investment for this category and the related support cost included under category VII over the next 4 years:

Estimated obligations (in millions of dollars)

Fiscal year 1969-----	36.4
Fiscal year 1970-----	58.4
Fiscal year 1971-----	75.0
Fiscal year 1972-----	77.0

From a return on investment standpoint we feel that the program should pay increasing dividends in the future both in terms of cost avoidance and service improvement. Several important capabilities are now under development which can have tremendous impact if successfully deployed on an operational basis. One of the most significant of those capabilities is automatic address reading.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

Responsibility for the conduct of Research, Development, and Engineering rests, of course, with the Assistant Postmaster General of the Bureau of Research and Engineering who is in turn responsible to the Postmaster General and the Deputy Postmaster General. The Assistant Postmaster General for the Bureau of Research and Engineering works through a Director, Research and Development, Director, Construction Engineering and a Chief, Industrial Engineering who are responsible to him for their particular part of the program. This level of coordination within the Bureau is the one at which the program as a whole is coordinated.

Below this level, coordination must be effected between directors and division chiefs and in some cases branch chiefs. There is also continuing coordination required between the Bureau of Research and Engineering and other bureaus and offices which receive technical support from the Bureau of Research and Engineering or are involved in construction and mechanization programs.

12. Is there a continual program review within the agency other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

Yes. In addition to reviews of overall programs conducted by the Department's Executive Planning Board, the following additional co-ordination is usually effected:

- (a) Special joint Bureau studies are conducted on problem areas as required;
- (b) The Bureau of Research and Engineering provides special briefings on major programs on an as-needed basis;
- (c) Five year plans and program memorandums are circulated to all bureaus and offices for review and comment before finalization;
- (d) New major research and development and facility projects are fully coordinated with all affected bureaus; and,
- (e) Monthly progress reports on all major projects within this program are furnished to the Postmaster General and affected bureaus for review and comment.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No. Certainly many agencies perform research and development and engineering activities related to their particular needs. In recognition of this fact we do coordinate with other Government agencies in areas where we have mutual interests and where the Department can potentially benefit from this coordination.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes. The establishment of a bureau-level technical effort made possible by Public Law 89-492, approved July 5, 1966, was a significant improvement in the Department's organizational structure. I believe we now have the basic organizational structure to most effectively carry out an accelerated research, development, and engineering program.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

There are none outstanding.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

The basic objective of the research, development, and engineering program is to decrease postal costs, improve service and improve employee working conditions through the application of modern technology. The problems we face here are mostly of resolve and commitment. There is no question that we can overcome many, if not all of the technical problems involved in modernizing the postal service if we do not become disenchanted by a lack of quick solutions. We must realize that the objective of this category is a difficult one that will take time and money.

17. Do you administer any grants, loans or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

We have approximately 80 active research and development contracts. The major portion of these are with private industry. The administrative staff responsible for these contracts is now effectively handling the workload but should be increased. Accordingly, the fiscal year 1969 budget submission includes 12 new positions which if approved, will be assigned to this activity.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction or by cutting or curtailing certain activities?

In the case of research, development and engineering, the cut would primarily be made by curtailing industrial engineering and research and development projects. The construction engineering effort is necessary to secure the physical facilities required to house postal operations and to secure the equipment needed to process the mail. We have little discretion in this area.

19. If additional funds are available, what would you do with the new money?

Additional funds provided for the research, development, and engineering category would be used to expand the research and development portion of the program. Within the research and development area additional funds would be allocated to equipment development in the culling and flat mail processing areas followed by evaluations of new concepts for application to other postal functions.

G. Program Category VII—Administrative Postal Support

1. What is the nature of and authority for this program?

This program category covers the executive direction and administration of the Post Office Department. (1) The Postmaster General and Deputy Postmaster General, the functions of their offices and headquarters services. (2) The technical direction and functions of the Bureaus of Operations, Transportation, Finance and Administration, Facilities, Personnel and Chief Inspector and the Office of General Counsel. (3) The administrative functions of the Bureau of Research and Engineering. (4) The functional responsibilities of the 15 regional offices. (5) The administrative functions of the Field Inspection Service. (6) The operation of the six Postal Data Centers. (7) The conduct of the Postal Service Institute. (8) The operation of the two automatic data processing centers and four teleconcentrator sites of the Postal Source Data System. (9) The operation of area supply centers, mail bag depositories and repair centers, and envelope agency, and work performed by area equipment specialists. (10) The executive direction and administrative support functions of WMS post offices.

The authority for this program is sections 301-309 and 501 of title 39 of the United States Code. Sections 301-309 concern "Organization" of the postal service. Section 501 concerns the "General duties of the Postmaster General."

2. Who is the person primarily in charge of this program at the operative level (name and title)?

The Assistant Postmaster General for Finance and Administration, Mr. Ralph W. Nicholson, coordinates for the Postmaster General and the Deputy Postmaster General the activities of developing plans for this program.

3. How much money and capital equipment is available under this program for fiscal 1968?

In fiscal year 1968, \$326,808,000 is available in this program. Under our current appropriation structure these funds are included in the following appropriations:

	<i>Amount</i>
Administration and regional operation.....	\$82,557,000
Research, development, and engineering.....	901,000
Operations.....	235,228,000
Supplies and services.....	8,122,000
Total	326,808,000

There is no capital equipment available under this program.

4. Would you describe the output generated by this program?

The purpose of this program, administrative postal support, is to provide for the executive direction and administration of the entire postal service. There is no output per se other than guidance, planning, and administration.

5. Can you quantify this output in any way?

Inasmuch as the entire workload in this program is administration and control of the Post Office Department, there is no quantifiable output.

6. Would you describe the principal operations that are involved in producing this output?

The operations in this program are entirely administrative and do not produce an output that is measurable in quantifiable terms.

7. How many employees are involved in the program and in what type of employment categories do they fall?

There are 37,119 employees involved in this program. The following categories of employment reflect the diversity of these employees:

<i>Appropriation</i>	
Administration and regional operation:	<i>Number</i>
Headquarters personnel	2,050
Regional personnel	3,210
Postal data center personnel.....	1,529
Field Inspection Service.....	83
Total ARO	6,872
Research, development, and engineering: headquarters staff.....	68
Operations: ¹	
Postmasters	1,229
Supervisors	12,714
Clerks	15,123
Total operations	29,066
Supplies and services: Supply center, mailbag repair and depository, envelope agency, and equipment specialists.....	1,113
Total	37,119

¹ Operations personnel are postmasters and their staff in WMS part I and II post offices, permanent staff at the Postal Service Institute, and staffing at the Postal Source Data System's ADPC's and teleconcentrator sites.

8. What is the grade structure and how many supergrades, quota and non-quota, are involved?

All employees at the Department headquarters in Washington are general schedule (GS) employees except for 35 employees who are under the Industrial Wage Board (11) or Lithographic Wage Board (24). The GS employees' grade structure extends from level GS-1 through GS-18. In addition, there are nine executive positions outside GS grades.

All field employees in regional offices, postal data centers, field inspection service, and WMS part I and II post offices are salaried under the Postal Field Service (PFS) salary schedule. This grade structure (for category VII) extends from PFS-5 through PFS-21.

Supergrade positions in the Post Office Department are all "quota." Supergrade positions are GS-16 through GS-18 at headquarters and PFS-20 and 21 in the field. Supergrades are as follows:

	<i>Number</i>
Headquarters -----	85
Field -----	41
Total -----	126

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

Funds for capital equipment are not included in this program. However, by the nature of this program we must rely on the total ADP and PSDS effort which in 1968 amounts to \$9,323,000. Funds for capital equipment are included in category VIII, "Logistical support."

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

No appreciable increase is anticipated, other than normal growth to accommodate the increased workload in the years to come.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

At all levels. The element and category managers coordinate their activities at the post office and regional level as well as the bureau and office level at headquarters and finally at the departmental level.

12. Is there a continual program review within the agency other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

Yes, the Executive Planning Board (composed of the PMG, DPMG, and the top staff of the Department), and the Office of Planning and System Analysis conduct a continuing review of all major programs of the Department seeking more effective and efficient methods of moving the mail.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

No. The Post Office Department has no counterpart in the Federal Government.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

Yes. We believe the present structure to be most efficient and effective for carrying out the objectives of this program.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

Yes. The GAO report of April 30, 1968, relating to "Internal Control and Security of ADP Disbursing Operations" (State Department Regional Finance and Data Processing Center, Paris, France). At this time Chairman Brooks has requested the BOB to review other agencies' internal control and security measures. Awaiting results of this review.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

The most significant problem is the need for strengthening the management capability at both the headquarters and the regional level. This has been pointed out during hearings before the Appropriations Committees of the Congress but, to date, we have not been overly successful in obtaining the necessary resources to attain this goal.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

We have none whatsoever.

18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

It would depend on the area in which the reduction was made and the magnitude of the reduction—we would probably use both alternatives to the degree we felt to be in the best interests of the American public, the postal employees, and the postal service as a whole.

19. If additional funds were available, what would you do with the new money?

In this area, we would strengthen our management capability at both the headquarters and the regional level as discussed previously as our most significant problem in accomplishing the objectives of this program.

H. Program Category VIII—Logistical Postal Support

1. What is the nature of and authority for this program?

This program describes the capital investment and expenditures required by the Post Office Department. This is accomplished by means of four separate but interrelated appropriations. The supplies and services and building occupancy appropriations provide for the day-by-day expenses needed to keep the postal service functioning. The plant and equipment and postal public buildings appropriations provide for the investment and are the essence of the Postmaster General's modernization program. With these four appropriations, the necessary land, buildings, supplies, vehicles, and equipment is procured.

In addition to these funds, the necessary resources from the operations appropriation for maintenance and vehicle service expense is included. Funding is allocated by essential purpose, that is, capital investment or expense; while a third subcategory includes depreciation and related items. The investment allocation includes funds for facilities, mail processing equipment, vehicles, customer service equipment, information processing and accounting equipment, administrative, maintenance and general support equipment, and the capitalized activities and output of the mail equipment shops. Within the expense allocation are funds for building occupancy, supplies and services, maintenance and vehicle service.

2. Who is the person primarily in charge of this program at the operative level (name and title)?

John L. O'Marra, Assistant Postmaster General, Bureau of Facilities.

3. How much money and capital equipment is available under this program for fiscal 1968?

In fiscal year 1968 this program represents a total of \$814,071,000, of which \$538,005,000 is met by the four Bureau of Facilities appropriations and the remainder, \$276,066,000, is made up from the "Operations" appropriation.

4. Would you describe the output generated by this program?

The output generated by this program is best viewed by the services provided. Within the capital investment subcategory, funds are used for: site, design, and construction of Federal postal facilities required for Post Office purposes; extension and modernization, air conditioning and other alterations to federally owned buildings, and leasehold improvements and minor alterations for leased facilities; fixed mechanized systems, nonfixed mechanized and other mail handling equipment; vehicles for carrier motorization, bulk transfer of the mail and for other uses; lobby, window and self-service equipment to serve the postal patron; information processing and accounting equipment for the Department's data processing and office activities; nonexpendable administrative, maintenance and general postal support equipment; and the capitalized industrial operation of the mail equipment shops. Within the expense subcategory, funds are used for: rental of postal space, heat, utilities, communications and moving expenses; supplies and contractual technical services; general housekeeping of buildings and grounds under the control of and operated by the Post Office Department, such as cleaning, guard service and general building maintenance; maintenance of Government-owned vehicle fleet by Post Office personnel and vehicles under contract, and the procurement of vehicle operating and maintenance supplies and materials. The third subcategory, depreciation, includes those activities that place logistical postal support on an accrued cost basis; included are such items as depreciation of post office buildings and equipment, of GSA buildings occupied by postal installations, building services provided by GSA and expendable equipment written off. With the use of this third subcategory, current and prior capital investments are converted into operating expense compatible with labor, material, and services.

5. Can you quantify this output in any way?

The output of this program can be quantified. For example: number of projects for new facilities or modernization and improvements; number of vehicles; number of mechanized systems and items of mail-processing equipment; number of self-service equipment; amount of data processing equipment; number of mail sacks, locks, keys, hardware manufactured by the mail equipment shops; square feet of leased postal space provided; number of square feet maintained and number of vehicles serviced.

6. Would you describe the principal operations that are involved in producing this output?

The following principal operations are involved in this output: the Bureau of Facilities; Space and Mechanization Division, Bureau of Operations; Construc-

tion Engineering and Research and Development Divisions, Bureau of Research and Engineering.

7. How many employees are involved in the program and in what general type of employment categories do they fall?

There are 27,614 employees involved in this program. The following are the general employment categories of these employees:

Maintenance of postal buildings, equipment, and motor vehicles-----	27,361
Manufacture and repair of mail bags and associated equipment-----	253
Total -----	27,614

8. What is the grade structure and how many supergrades—quota and non-quota—are involved?

The following is the grade structure of the employees in this category:

PFS-14 and above-----	2
PFS-13 and below-----	27,612
Total -----	27,614

There are no supergrades involved.

9. What capital equipment, such as ADP, if any, do you rely upon to fulfill this program?

Data processing equipment is viewed in this program as a capital investment. Programs receiving ADP support within this effort are covered under other categories.

10. Do you expect the expenditures or the benefits of the program to grow appreciably in the future?

Both expenditures and benefits of this program are expected to grow in the future. As the Department needs to invest in both plant and equipment in order to handle rising mail volumes efficiently and realize future operational savings, future expenditures, particularly in investment, will grow appreciably in the future. At the same time, savings on these investments are expected and should continue to also increase as investments begin to materialize in installed and operating mechanization and efficient large postal facilities.

11. At what level are the personnel responsible for the various parts of the program coordinated to determine if the program as a whole is being efficiently carried out?

Personnel are coordinated at various levels to achieve program objectives. For example, planning on new facilities takes place between bureaus at all working levels, while procurement and budgeting to meet the needs of the entire Department are also continued at the same multilevels. Coordination is maintained both before and after top staff approval.

12. Is there a continual program review within the agency, other than the annual budgetary review, to determine more effective and efficient ways to achieve these program objectives?

Continual review within the Department is insured by at least the following means: the 5-year major facilities plan; Project Speed for the timely procurement of equipment; Project Facts for realty analysis and review; and constant financial management to determine budget adherence and evaluation of spending, both for expenses and investments.

13. To your knowledge, does this program duplicate or parallel work being done by any other agency?

This program parallels work being done by GSA since they supply space for the entire Federal Government. The Department coordinates its activities regularly with GSA to assure no duplication of effort. Other than this relationship, there is no duplication by other agencies.

14. Is your organizational structure such that the program is being carried out most efficiently and effectively?

The organizational structure permits efficient and effective coordination. For example, the Major Facilities Review Committee has the functional responsibility to coordinate and meet the various demands of the regions, operations, engineering, real estate, and funding limitations.

15. Are there any outstanding GAO reports on this program? If so, what is the status of the GAO recommendations the report contains?

A listing of outstanding GAO reports on this program is attached.

Jan. 18, 1968, Government-wide review of the administration of certain statutory and regulatory requirements relating to architect-engineer fees (included in selected significant audit findings, pp. 125-130).

March 20, 1968, converting heating plants at certain postal facilities from coal to other fuel.

March 25, 1968, planning for space in small- and medium-size post offices.

April 9, 1968, maintenance of automatic data processing equipment in the Federal Government:

Maintenance of computer-controlled mail processing equipment.

Maintenance of other ADP equipment.

April 18, 1968, standards for post office administrative office space.

May 1, 1968, practices used in acquiring control of sites for leased postal facilities.

16. What significant problems, if any, are you facing in accomplishing the program objectives?

Once funds are justified and obtained for this program, the critical problem is the achieving of operational savings as anticipated. For example, the savings on the previously referenced charts can only be obtained through management procedures which will either reduce labor costs or enforce greater productivity so that the expected savings will become a reality. Considerable progress has been made. For example, during the installation of a letter sorter the Bureau of Operations notifies the postmaster that his complement will be decreased by a certain number of positions after the letter sorter becomes operational.

17. Do you administer any grants, loans, or other disbursed funds related to this program? If so, is the size of your administrative staff commensurate with the magnitude of the outlays?

No grants, loans, and so forth, are related to this program.

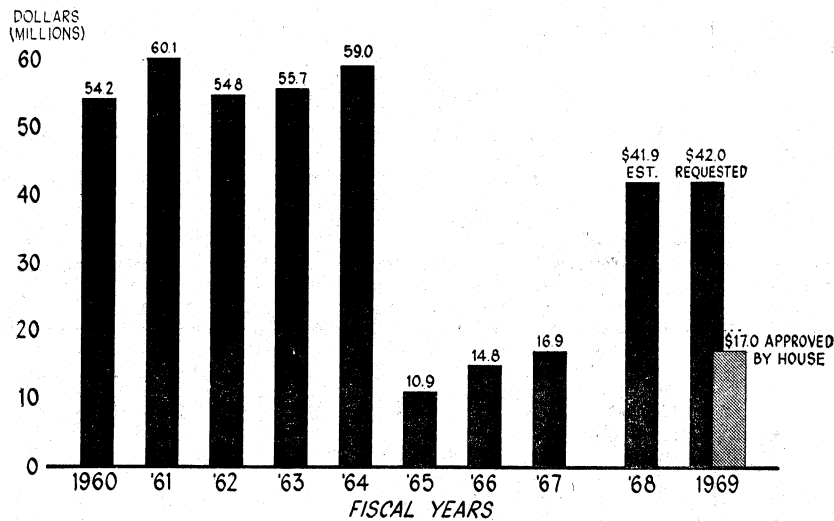
18. If your appropriations were reduced, how would you absorb the cut—by an overall reduction, or by cutting or curtailing certain activities?

The Post Office Department needs to maintain its modernization program. Accordingly, investment in plant and equipment and postal public buildings is essential. The attached information reflects how cuts imposed by the House would be taken in the plant and equipment and postal public buildings appropriations for fiscal year 1969 and are explained in the category manager's statement by John L. O'Marra, Assistant Postmaster General, Bureau of Facilities.

HOUSE CUT IN PLANT & EQUIPMENT MUST BE TAKEN IN FEDERAL BUILDING IMPROVEMENT PROGRAM...

<u>PROGRAM</u>	<u>FY 1969 REQUEST TO CONGRESS (\$000)</u>	<u>FY 1969 HOUSE APPROPRIATION (\$000)</u>	<u>HOUSE CUT (\$000)</u>
FEDERAL BUILDING IMPROVEMENT	\$42.0	\$17.0	\$25.0
VEHICLES	66.0	66.0	—
MAIL PROCESSING EQUIPMENT	74.7	74.7	—
CUSTOMER SERVICE EQUIPMENT	16.4	16.4	—
POSTAL SUPPORT EQUIPMENT	25.9	25.9	—
TOTAL	\$195.0	\$200.0	\$25.0

***WE NEED TO MAINTAIN THE FEDERAL BUILDING
IMPROVEMENT PROGRAM AT ITS CURRENT LEVEL...***



FEDERAL BUILDING IMPROVEMENT REQUEST TO CONGRESS...

	FY 1969 (\$MILLIONS)
EXTENSION & MODERNIZATION	\$ 22.2
AIR CONDITIONING	4.0
OTHER ALTERATIONS	
Headquarters Space	0.1
Installation of Mechanization	8.7
Minor Improvement Projects - Regional	5.0
CHANGES IN PRIOR YEAR CONTRACTS	2.0
TOTAL	\$ 42.0

***THREE UNANTICIPATED DEVELOPMENTS WILL REQUIRE FEDERAL BUILDING
IMPROVEMENT FUNDS ...***

- CHANGES IN TRANSPORTATION MODE
- NEED TO IMPROVE FIRE PROTECTION
- CONVERSION IN TYPE OF DELIVERY VEHICLE

**HOUSE CUT GREATLY REDUCES SITE & DESIGN FUNDING
ON 23 NEW PROJECTS AND FOREGOES SAVINGS
FROM PURCHASE OPTIONS...**

INVESTMENT	FY 1969 REQUEST TO THE HOUSE (\$000)	REVISION PER HOUSE CUT (\$000)	HOUSE CUT (\$000)
SITES, DESIGN & EXPENSES	\$50,627	\$17,617	\$33,010
CONSTRUCTION	32,133	32,133	--
PURCHASE OF LEASED BUILDINGS	4,992	--	4,992
PROJECT PLANNING & DEVELOPMENT	500	250	250
TOTALS	\$88,252	\$50,000	\$38,252

**AN APPROPRIATION OF ONLY \$50 MILLION FOR THE FUNDING OF THE 34 SCHEDULED
PROJECTS IN FY 1969 SERIOUSLY LIMITS THE DEPARTMENT'S ACTIONS...**

ACTION	FUNDING (\$000)
FUND 3 CONSTRUCTION AWARDS SCHEDULED FOR FY 1969	\$32,133
BARRINGTON STATION, L.A., CALIF. \$ 552	
MURRAY HILL STATION, N.Y. 21,743	
SAN DIEGO, CALIF. 9,838	
FUND SITE & DESIGN EXPENSES ON CONSTRUCTION PROJECTS.	6,805
MURRAY HILL STATION, N.Y. \$5,827	
SAN DIEGO, CALIF. 978	
FUND SITE & DESIGN EXPENSES ON 8 REMAINING FY 1968 PROJECTS.	6,010
ATLANTA, GA. \$ 999	
CARBONDALE, ILL. 741	
CHARLOTTE, NO. CAR. 1,414	
JACKSONVILLE, FLA. 709	
RAPID CITY, SO. DAK. 300	
ROANOKE, VA. 325	
SYRACUSE, N.Y. 1,322	
TUCSON, ARIZ. 200	
PROJECT PLANNING & DEVELOPMENT	250
SUB-TOTAL	\$45,198
FUNDS REMAINING.	4,802
TOTAL	\$50,000

ONLY \$4.8 MILLION IS AVAILABLE TO COVER THESE NEEDS

<u>NEED</u>	<u>FUNDING</u> <u>(\$000)</u>
PROJECT PLANNING & DEVELOPMENT	\$ 250
PURCHASE OF 2 LEASED BUILDINGS	4,992
SITE & DESIGN EXPENSES FOR 21 NEW FY '69 PROJECTS	37,812
ALBUQUERQUE, N.M.	\$ 679
BROOKLYN, N.Y.	2,010
CHICAGO, NO. SUB. STA.	1,088
CHICAGO, SO. SUB. STA	2,013
DALLAS, TEX.	3,232
EAST ST. LOUIS, ILL.	762
FRESNO, CALIF.	1,155
GARY, IND.	651
HEMPSTEAD, N.Y.	675
KANSAS CITY, MO	1,197
MADISON, WISC.	902
MEMPHIS, TENN.	\$ 1,361
NORTHERN VIRGINIA	2,223
PENSACOLA, FLA.	799
PITTSBURGH, PA.	10,810
POSTAL RESEARCH & TRAINING CENTER	3,136
RIVERSIDE, CALIF.	808
SALT LAKE CITY, UTAH	954
SOUTH BEND, IND.	958
TAKOMA, WASH.	1,162
YOUNGSTOWN, OHIO	1,237

CRITICAL SPACE NEEDS TO BE MET WITH THE NEW FY1969 PROJECTS

A 5.3 million square feet space deficiency between existing and operational requirements

Under 100,000 square feet	5 Projects
Over 100,000 and under 250,000 square feet	10 Projects
Over 300,000 square feet	7 Projects

A projected 13.4 billion piece increase in mail volume 20-years after move-in date

Under 350 million pieces	11 Projects
Over 350 and under 1,000 million pieces	8 Projects
Over 1,500 million pieces	3 Projects

Replacement of facilities that are between 26 and 83 years old

Under 30 years	4 Projects
Over 30 and under 50 years	9 Projects
Over 50 years	6 Projects

18 existing split operations to be replaced by a centralized facility

19 plants are Sectional Centers serving 1,259 Satellite Offices

AN INVESTMENT OF \$369 MILLION WILL SAVE \$876 MILLION OVER THE LIFE OF THE FACILITIES

Savings obtained through more economical operation by replacement of existing facilities with new postal plants¹

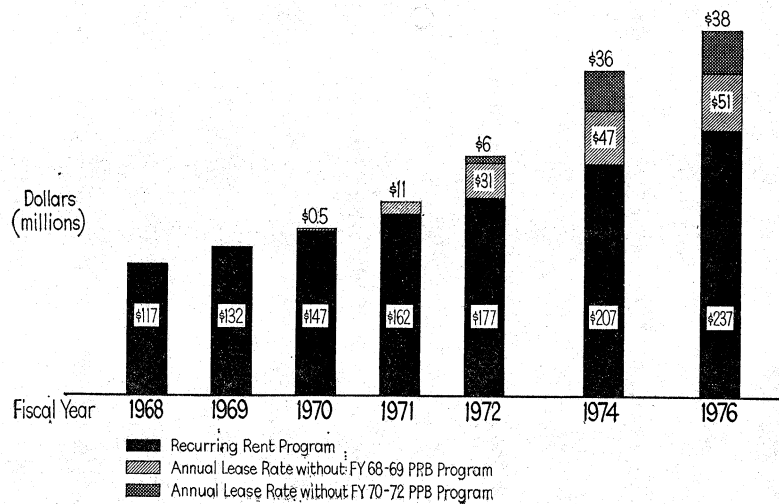
Under \$10 million 7 Projects
 Over \$10 and under \$25 million . . 7 Projects
 Over \$25 and under \$75 million . . 4 Projects
 Over \$75 million 4 Projects

Difference in cost between Federal and Lease Construction¹

Under \$5 million 11 Projects
 Over \$5 and under \$15 million . . 8 Projects
 Over \$20 million 3 Projects

¹ Based on a 40-year useful building life for the 22 new FY 1969 Projects

WITHOUT POSTAL PUBLIC BUILDINGS, AN ADDITIONAL \$89.4 MILLION WILL BE REQUIRED IN THE RENT ACCOUNT IN FY 1976...



19. If additional funds were available, what would you do with the new money?
 Additional funds would be used to enlarge and hasten the 5-year plan (see attached chart) on the Postmaster General's modernization program.

THE DEPARTMENT PLANS TO INVEST \$2.1 BILLION IN MODERNIZATION DURING FY 1968-1972...

-SPACE¹

105 Federal Construction Projects
 15 Major Leased Facilities
 13 GSA Multiple-use Federal Buildings
 5 Major Extension and Modernization Projects

Providing 41.7 million square feet of new space

Costing \$1,214 million (\$1,069 million-Federal; \$145 million-Private)

-MAIL-HANDLING SYSTEMS

609 Fixed Mechanized Systems
 1,369 Pieces of Non-fixed Mechanization

Costing \$492 million

-VEHICLES

110,966 for Carrier Motorization
 18,620 for Bulk Transfer
 1,661 for other use

Costing \$365 million

-DATA PROCESSING

175 Post Offices in the Postal Source Data System
 7 Postal Data Centers and Headquarters Facility

Costing \$64 million

¹ Does not include minor Federal Building Improvements, minor lease and rent projects

