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September 24, 1974

SUBJECT:

POSTAL RATE SUBSIDIES

On June 30, former President Nixon signed into law, S. 411, which gave the users of second, third, and fourth class mail, a number of years to adjust to and phase into higher postage rates. This, of course, means that the Postal Service has a loss of revenue. The question arises on how the Postal Service will make up for this loss of revenue, i. e., requesting a Supplemental Appropriation, allowing the Postal Service to increase their rates, etc.

When will the President be sending up a Supplemental request to subsidize the second, third, and fourth class mail users, or would he recommend that the postal rates for these classes be increased?

GUIDANCE: The President is in the process of receiving various recommendations from his staff, and will be reviewing these during the next week. I'm sure a decision will be made in the very near future.

FYI: OMB will definitely recommend that he not ask for a Supplemental Appropriation and that the postal rates be increased. END FYI.

July 15, 1975

SUBJECT: POSTAL CONTRACT DEADLINE NEARS

The present contract for the U.S. Postal Service expires at midnight, Monday, July 21. More than 600,000 workers are covered by the contract. One of the present problems is that the unions want a two year extension of the "no layoff" agreement in the present contract. Postal officials say they cannot do this. There is a possibility of wildcat strikes even though strikes against the government are illegal.

Is the President concerned that there may be wildcat strikes next week when the Postal Service contract expires?

GUIDANCE: The President is certainly following negotiations and is hopeful a settlement can be reached through the collective bargaining process. William J. Usury, the Special Assistant to the President for Labor Management Negotiations, is meeting regularly with the parties and is keeping the President informed on their progress.

Does the Administration expect a strike next week?

GUIDANCE: It is my understanding that the legislation setting up the Postal Service provides that if an agreement cannot be reached on a new contract, a fact-finding panel would be appointed. They would then have 45 days in which to come up with its report and its findings and recommendations. If the parties could still not agree based on the fact-finding report and recommendations, three new members would be appointed who would then have 45 days in which to submit final and binding arbitration on both parties.

However, I reiterate that we are hopeful and confident that the collective bargaining process will work and that the parties will reach a satisfactory agreement.

FYI ONLY: Don't mention that it is illegal for the Postal employees to strike. END FYI ONLY

JGC

POSTAL SUBSIDY

Question:

Postmaster General Bailer has called for a doubling of the \$1 billion annual subsidy paid by the taxpayers to support the Postal Service. Do you support that idea? And how do you think postal service can be improved?

Answer:

I am concerned about the deficit facing the Postal Service but I do not believe that it should be subsidized from general tax revenues. As you know, the Postal Reorganization Act of 1970 established the Postal Service as a semi-independent government corporation on the principles that it support itself on its own revenues and that mail users should pay for mail service. I still support these principles but I will maintain close scrutiny of the Postal Service's fiscal difficulties and will make appropriate recommendations to the Congress if I feel they are necessary.

Background:

On September 8, at the opening session of the Nation's Postal Forum, Postmaster General Ben Bailer requested Congress for nearly \$1 billion in increased public service subsidies over the next two or three years to ease the Postal Service's deficit. The action followed closely to Postal Rate Commission's decision paving the way for an increase of postal rates from 10¢ to 13¢ this winter. The Domestic Council is furnishing you a briefing paper on this issue.

F. L. May

9/10/75

March 30, 1976

SUBJECT: POSTAL SERVICE FINANCING

Yesterday Postmaster General Benjamin Bailar told the Senate Post Office Committee that the Postal Service needed nearly \$3 billion in Federal subsidies or it would be "insolvent within a year." The Administration has supported legislation currently being discussed on the Hill to provide \$1.5 billion (transition) in subsidies, but we have been fairly adamant about providing any more than that.

In light of yesterday's revelations, will the White House re-consider its funding proposal for the Postal Service? Aren't you afraid that the Postal Service will go broke?

As you know, the President stands strongly behind the Postal Reorganization Act of 1970 and the FY 77 budget provides for \$1.5 billion for completion of the Postal Service transition.

While we strongly believe that the Postal Service should continue to be a self-sustaining operation, it is apparent that it faces serious difficulties in the near and long-term future. Therefore, Director Lynn has requested a task force to look into the short and long-term financing problems of the Postal Service, and he should be receiving a report from them by late June or early July.

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Is it true that Mr. Bailar could not get his phone calls to the White House returned--that no one would meet with him?

Actually, there has been daily communication between the Postal Service and the Executive Office at a staff level, and I don't believe it has been a problem at that level. However, this morning the Postmaster General is meeting with Director Lynn, and Director Lynn agrees that the meeting should have taken place at an earlier date.

ME