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Mr. Buchen: Let's have something done about this.
H.W.-Attorney.

Jack Anderson

FIRST CLASS MALE

WASHINGTON.

Postmaster General Ted Klassen has built himself the most luxurious office in Washington with taxpayer funds, but regularly leaves it for personal junkets, also courtesy of Uncle Sam.

The impulsive Klassen, who has just warned that the price of a stamp is going up again, spent \$12,870 on 32 trips to 18-cities in 1973, a travel record that almost puts him in a class with Secretary of State Kissinger.

Service continues to decline. Unless Congress bails him out, the free-wheeling postmaster will ask for another rate hike soon. It may cost 13 cents to mail a letter and help underwrite Ted Klassen's royal way of life.

* * *

Health, Education and Welfare Secretary Caspar Weinberger permitted the University of California to keep \$50 million in federal contracts despite advice from a top HEW civil rights lawyer.

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THE WHITE HOUSE

WASHINGTON

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re "Postal Service"



THE WHITE HOUSE

WASHINGTON

September 5, 1974

MEMORANDUM FOR:

PHILLIP BUCHEN

SUBJECT:

Proposed Presidential Meeting with
the Postmaster General

The Postmaster General, E. T. Klassen, and the Chairman of the Board of the Postal Service, Frederick R. Kappel, have requested a meeting with the President. The purpose of the meeting is to discuss inflationary problems confronting the Postal Service that have created a deficit and a need for a rate increase to meet costs. This issue is important and it would be desirable for the President to discuss it and other postal matters with them.

Recent allegations by Jack Anderson in the "Washington Post" about the misconduct of Mr. Klassen make it desirable to obtain your opinion on the advisability of such a meeting. Briefly, Anderson makes the following claims: (1) Klassen was involved in a conflict of interest and a violation of the law when he accepted approximately \$20,000 in fees from a client whom he aided while a member of the Postal Board of Governors. (2) Under Klassen, the Postal Service filled many jobs as political favors. (3) Klassen misused funds by lavishly furnishing his office and by taking trips on Postal Service funds to visit his properties. (4) The Postal Service slowed service in 1972 to aid the Nixon Campaign. (5) Klassen is under investigation by the FBI for these activities.

I have attached copies of the most recent articles to give you a flavor of their content. OMB has commented regarding the \$302,200 for furnishing the Executive Office suites, and the \$528,360 to outfit the Board of Directors offices and conference rooms and the \$12,870 in Klassen's traveling expenses in 1973, that there appears to be no illegal activity involved, although one could conclude that these activities might be done less expensively. A GAO report to Congressman H. R. Gross, on this matter, dated December 16, 1973, reported that the office procurements and the travel expenses appeared valid, but implied in the case of the furnishings that more competitive bid purchases might have been used.



I would appreciate your feelings on this matter as soon as possible. It is important that the President become aware of the problems besetting the Postal Service and unless there are reasons to the contrary, Klassen and Kappel should be the individuals to brief the President. The Postmaster General is not a Presidential appointee; he is appointed by the Board of Governors of the Postal Service, who are appointed for nine year terms by the President with Senate confirmation.



F. Lynn May

Attachments:

1. Schedule Proposal re: above
2. Six Jack Anderson's articles from the "Washington Post"



SCHEDULE PROPOSAL

DATE: September 3, 1974

FROM: Geoff Shepard

VIA: Warren Rustand

MEETING: With E. T. Klassen, Postmaster General of the United States and Frederick R. Kappel, Chairman of the Board of Governors of the U. S. Postal Service

DATE: Open (Mr. Kappel will be in D. C. on September 10 on Postal Service business)

PURPOSE: To discuss problems of the U. S. Postal Service including current performance, economic factors, labor contracts and future appointment to the Board of Governors

FORMAT: -Oval Office
-Participants: E.T. Klassen, Frederick R. Kappel and Benjamin F. Bailar, Senior Assistant Postmaster General

SPEECH MATERIAL: Background material and talking points regarding the Postal Service will be supplied by the Domestic Council Staff

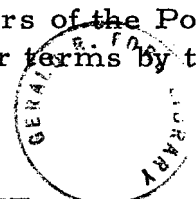
STAFF: F. Lynn May

RECOMMEND: Ken Cole

BACKGROUND: Since the post office reorganization in 1971, it has been strongly criticized as unresponsive to Congress and the needs of the American people. The Service was intended as a semi-independent corporation to place the post office on a paying rather than a deficit basis. Inflated fuel and labor costs plus customer resistance to mechanization and re-routing have hurt the attempts to balance the books.

Klassen has also figured in allegations in Jack Anderson's columns.

The Postmaster General is not a Presidential appointee; he is appointed by the Board of Governors of the Postal Service, who are appointed for nine year terms by the President with Senate confirmation.



APPROVE _____

DISAPPROVE _____

Postmaster Manages to Balk Critics

By Jack Anderson

In a series of columns, we have carefully documented how Postmaster General Ted Klassen has lavished himself with the appurtenances of power, doled out jobs and contracts to his cronies and put politics ahead of delivering the mail.

He has managed to get away with these abuses by intensely

One House committee member, Rep. Charles Wilson (D-Calif.), wanted help in his primary election campaign. Suddenly, the Postmaster General turned up in the unlikely town of Lynwood, Calif., which had just been added to Wilson's congressional district.

Although Klassen is a Republican and Wilson a Democrat, they appeared together

meaningless letter warning Klassen that his patience "has worn thin." That was six months ago; yet Dulski's patience still hasn't been exacerbated.

Elsewhere, officials of the American Postal Workers Union, citing our columns, have called for Klassen's removal.

Footnote: Congressman Wilson denied that Klassen came to

Percy charged, often "are neither professionally qualified nor adequately equipped to diagnose and treat acute ear disorders."

Washington whirl—The prestigious, nonprofit Population Reference Bureau, which coined the term "population explosion," is short \$85,000. The

Klassen Paid by Firm He Aided

By Jack Anderson

Postmaster General Ted Klassen has collected several thousand dollars in secret fees from a firm doing business with the Postal Service.

Instead, we have exposed a record of misspending and mismanagement. Klassen cut back postal workers and slowed down the mails during the 1972 election campaign, we reported, in order to avoid raising postal

structed personal aides to make out the paperwork that would justify the deal. Then he tried to hide the transaction by entrusting the Segal file to a loyal aide who kept it under lock and key. (We got hold of the file anyway.)

House hatchetman Charles Colson, acknowledging they would have had difficulty convicting him. The likelihood, therefore, is that he will get a light sentence . . . Washington skeptics

Postmaster's High Life Not Denied

By Jack Anderson

In response to our investigative series on postal abuses, the postal authorities have been fencing with the facts. They have put on a dazzling display of

a no-parking zone, the car's engine idling to power the air conditioner. When the Klassens emerged triumphantly with the curtain rods, the chauffeur popped out, deposited the curtain rods in the trunk and drove off

money but denies only that it was secret.

No one on the board of governors knew Klassen had taken a fee from a postal contractor. We interviewed people at the highest levels of the Postal Service;

their sails, however, when we discovered that Klassen's personal friends had also received stamp albums.

• The postal poobahs labeled false our charge that the mails are moving slower now than they did three years ago. They

Allegations Against Klassen Probed

By Jack Anderson

The FBI is now investigating our allegations against Postmaster General Ted Klassen.

We have reported that Klas-

Justice Department to determine whether these activities were illegal or merely improper.

Ziegler's Lies—Despite all the Watergate lies that have back-

left leg had resolved itself and that the President was "fine."

This was contradicted later by both the President's physician, Dr. Walter Tkach, and staff chief, Gen. Alexander M. Haig, who acknowledged that the

ment to protect personnel against firearms.

Our report was echoed a month later by Sen. Henry Jackson (D-Wash.). Ziegler immediately denied it. He had spent an entire morning, he

Complaints on *Klassen's Style Rise*

By Jack Anderson

The clamor last week for Richard Nixon to evacuate the White House was accompanied by a more modest demand that Ted Klassen leave the Postal Service.

Plaza, however, he is continuing unabashedly to live in the high style we have described in previous columns.

His latest extravagance is a carpeted and paneled stairwell for his rare walks between the 10th and 11th floors. He usually

\$5,748, a \$1,141 conference table and a \$194.50 telephone table. His carpet cost the taxpayers \$11,666 and the draperies came to \$5,999. Not far away is a pantry, which cost the taxpayers another \$5,280.

Upstairs, the food from the

million to bring the new postal headquarters up to Klassen's standards.

Because the building was purchased "as is," all repairs must be paid by the Postal Service. Already, \$357,500 has been laid out for additional architectural and engineering work. Now a

Klassen Is Well-Traveled Postmaster

By Jack Anderson

Postmaster General Ted Klassen has built himself the most luxurious office in Washington with taxpayer funds, but regularly leaves it for personal junkets, also courtesy of Uncle Sam.

The impulsive Klassen, who has just warned that the price of a stamp is going up again, spent \$12,370 on 32 trips to 18 cities in

only one other local postal office, while he journeyed eight times to or near his far flung properties.

Even Klassen's wife gets in on the act. The Postal Service picked up a \$340 tab when she was the guest of honor at the National Association of Postmasters convention in Salt Lake City.

Meanwhile, the postal service is saddled with a \$1.5 billion

not be cancelled as is prescribed by law for those who discriminate.

But Weinberger's general counsel, John Rhineland, bucked the memo back to Miles, scrawling on it, "Either hold or destroy." Instead, it was slipped out of the files and into our hands.

When we reached Rhineland, he insisted that he had

Society campaign. What is surprising is that Church's Republican opponent Bob Smith has not condemned the Birchers' smear.

As many as 100,000 reprints of a Birch Society article are being circulated in an effort to discredit Church on Vietnam. The right-wing circular quotes Church as saying that America's Vietnam

Klassen Is Well-Traveled Postmaster

Postmaster General Tom Klassen has built himself the most extensive office in Washington. The postmaster made but one day's leave in his permanent job, but also courtesy of Uncle Sam.

The impulsive Klassen, who has just returned from the post office in going up again, spent 1946 on 12 trips to 12 cities. He traveled more than 20,000 miles in a class with Secretary of State Henry A. Kissinger. Klassen has been expanding his traveling work. Kissinger, on the other hand, has been visiting his various post office posts around the country.

"I'm going to take a little trip and look at my property," the postmaster's Postmaster is fond of telling colleagues just before a junket. He overhauled his properties in Florida, California and Connecticut, and classifies his travels as "official business."

Although traveling by government officials is supposed to be on the public record, Klassen has refused to give up his 1946-1947 for fiscal 1947. However, we have filled up at least \$2,000 spent by Klassen on state in the case of his last year.

Most often he justified the trip to Florida, Hartford and the West Coast by saying he wanted to visit local postal officials. Apparently, his own records for 1946 show he visited

good explanation.

CAU has looked into it

but illegal, will conduct

try to have been done

less expansively.

When we reached Klassen's office, we found that he had been out of the office for a week. He had been to California, he said. He had been to California, he said. He had been to California, he said.

Classen's record on discrimination against women and blacks is both academic and non-academic. When Klassen was in charge of the Civil Rights Administration, he was well above the national average. He was well above the national average.

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any one other local postal official will be furnished right away. Those who want to see his file should contact the postmaster's office in Washington.

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RECHINGER

Weekend Labor Day SALE

Labor-saving clean-up items at money-saving prices



S:HEP:EW:jp
123-66
E T. 8/19/74

8/28/74

Honorable Donald C. Alexander
Commissioner
Internal Revenue Service
Washington, D. C. 20530

Dear Mr. Alexander:

As you know the Department recently conducted an internal study of the effectiveness of the Federal Organized Crime Strike Forces and the questions of whether or not they should be retained in their present form. That study was completed recently with a recommendation that Strike Forces activity be retained in its present form.

I have reviewed this report and have adopted its findings and conclusions as my own. I advise you of this first of all so that you may provide for support of the Strike Forces for the foreseeable future in your internal planning.

One of the recommendations of the reviewing committee was that even greater agency participation be encouraged. In this connection I have been informed that you have taken certain actions which have had the effect of decreasing the participation of the Internal Revenue Service in the organized crime drive.

The steps I refer to are:

1. The removal of audit representatives from all the strike forces. As you know these agents with expertise in accounting have served as liaison between the strike force and the accountants in the audit division of the District. This liaison has been invaluable in the past in translating the accountants art to the attorneys on the strike force and in keeping the Audit Division informed of Strike force intelligence which he considers to be of importance to the accountants in the District.

This loss of easy communication between accountant and lawyer is no longer available and must be conducted by a special agent who may have no accounting background.

RECORDS
FINCH
EMERSON
OYCE
WILL
OFFICE CHRON
R. SIMON



2. The placing of a ceiling on the man hours applied to all special enforcement programs including the strike force program to not more than that applied to the program during fiscal year 1973. As you know the percentage of direct investigative time for the Intelligence Division, devoted to strike force work has diminished from 22.2% in fiscal 1972 to 15.7% in fiscal 1974. This decrease in the amount of direct investigative time has been continued by the Service program letter of July 15, 1974. This letter, setting out the manpower limitations for fiscal year 1975 limits the man years in the strike force program to the level of fiscal year 1974. This curtailment of the investigative time is a very apparent withdrawal of manpower from the strike force program. The morale of the agents in the strike force program and their enthusiasm for the program is severely lowered by the diminution of effort on the part of the Service. This loss of enthusiasm is a severe blow to the entire strike force effort.

I am informed that these actions on your part, (taken without consultation with those vested by Executive Order with responsibility for the coordination of the efforts of the executive branch in the fight against organized crime) has caused severe morale problems, not only in the Internal Revenue Service but in the entire strike force effort.

I find the results of your action to be very distressing and hereby request that you reverse the actions you have taken and in addition that you give consideration to what further actions can be taken by you to increase the impact of the Service in the fight against organized crime.

I have this day written to the Secretary of the Treasury enclosing a copy of this letter to you.

Sincerely,

WILLIAM B. SAXE
The Attorney General

enclosure



8/28/74

Honorable William E. Simon
Secretary of the Treasury
United States Treasury
Washington, D. C.

Dear Mr. Simon:

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I have reviewed this report and have adopted its findings and conclusions as my own. I advise you of this first of all so that you may provide for support of the Strike Forces for the foreseeable future in your internal planning.

One of the recommendations of the reviewing committee was that even greater agency participation be encouraged. In this connection I feel compelled to call to your attention a situation which I consider to be very disturbing. This is the apparent lessening of the commitment of the Internal Revenue Service to the effort against organized crime. I am enclosing a copy of my letter to Commissioner Alexander where I request that he halt and reverse this lessening of the commitment of the Service.

I consider this situation to be particularly disheartening in view of the impressive contributions made by the other Treasury agencies to the strike force effort and the very impressive contributions made by the Service in the past.



-2-

I respectfully request that you take such actions as are necessary to increase the effectiveness of the contributions of the Service in the Organized Crime Drive, thereby carrying out the Administrations commitment to the effort.

Sincerely,

WILLIAM B. SAXBE
The Attorney General

enclosure



THE WHITE HOUSE
WASHINGTON

Date 9/27/74

TO: Jay French

FROM: DUDLEY CHAPMAN

I told Lynn May that
Phil couldn't focus on
this & that my preference
is to recommend #3

I showed this to Ken Lazarus
& he agrees. If you do so you
might call Lynn May as I told
him I could not speak for Phil.



*file
Handled by
D.C.*

THE WHITE HOUSE
WASHINGTON

09/27/74

TO: PHIL BUCHEN

FROM: LYNN MAY *LM*

FYI _____

COMMENT _____ Please

let me know your recommendations

by tomorrow if possible. My

phone # is 6437. Thank you.



DRAFT

THE WHITE HOUSE

WASHINGTON

September 24, 1974

MEMORANDUM FOR THE PRESIDENT

FROM: KEN COLE

SUBJECT: Postal Subsidies

BACKGROUND

On June 30, 1974, President Nixon signed into law S. 411, which extends Federal subsidies for several classes of mail, including second class mail which encompasses magazine and newspapers. The bill requires the President to include in his budget, without revision, the full subsidy authorized by law. The bill, strongly pushed by the magazine lobby, received bi-partisan support from the Congress, including Senators Kennedy and McGee. The vote was 277 - 129 in the House and 71 - 11 in the Senate.

OMB has not requested a \$44 million supplemental from Congress, which would be necessary to fund the subsidies, because OMB feels it would not meet the urgency criteria for supplementals established between Roy Ash and yourself in August. OMB concludes that while the legislation requires the inclusion of the subsidy in the FY 76 budget (approximately \$94 million), it does not mandate payment of a subsidy this year. The question of a supplemental was not dealt with in the Enrolled Bill Memo on S. 411 or in the opinion papers submitted by the agencies.

The Postal Service recently submitted a request to OMB for a \$44 million supplemental to cover FY 75. It claims that it will have to increase its postage rates in November to match the resulting loss of funds if the supplemental is not forthcoming. Members of the Administration and Congress have begun to receive phone calls from Mel Laird, John Byrnes and others representing the magazine industry pressing for a supplemental request.

The Postal Service has indicated that it will recommend a major rate increase next year to meet the anticipated \$500 million deficit incurred this year. This will likely include the raising of a first class stamp



from 10¢ to 12¢ or 13¢ and will likely swell the steady criticism of the Postal Service, increasing the pressure on Congress to vote additional subsidies or perhaps curtail the independent status of the Postal Service.

The Senate Appropriations Committee has agreed to hold open the omnibus supplemental legislation until October 2 to allow the Administration to determine whether or not it wants to request a supplemental.

OPTIONS

1. Forward a supplemental request to Congress
2. Do not ask for a supplemental, but let Congress determine on its own whether or not to appropriate the \$44 million.
3. Do not ask for a supplemental and indicate that any such supplemental will be actively opposed because of its budgetary impact.

RECOMMENDATIONS

THE WHITE HOUSE
WASHINGTON

Bill Nicholson

Rustand's etc

Called 12³⁰

11/7



Phil A:
Would appreciate
your comments
P.

File
Post office

Recommended: OK to
meet with

- Klavin
- Wright
- Boyer
- Scott

Post PG

Scott will prepare necessary background paper for Pres.



THE WHITE HOUSE

WASHINGTON

October 31, 1974

MEMORANDUM FOR PHIL BUCHEN

SUBJECT: Proposed Presidential Meeting with the
Postmaster General

Attached are copies of two memorandums which give the background of the proposed meeting. When I first approached you on this matter in early September, you felt it would not be best for the President to meet with Postmaster General Klassen at that time and suggested that he meet with Dean Burch instead. This meeting took place but did not satisfy Klassen's desire to brief the President.

Since that time, I have met with Wally Scott and representatives of the White House Personnel Office who are responsible for appointments to the Postal Board of Governors and the Postal Rate Commission. The meeting established a mutual agreement to exchange information of the Postal Service and to consult with one another on any problems arising with the Postal Service.

Both OMB and the White House Personnel Office felt there were advantages to be gained as a quid pro quo in setting up a meeting between Klassen and the President in the area of tightening up Postal Service management procedures and appointment procedures. They also expressed the fear that when a major rate increase goes into effect next year or if a postal strike takes place, the Postmaster General can deflect criticism by claiming that he tried to inform the President of the Postal Service's difficulties but was denied an interview.

Granted that Jack Anderson has continued to sporadically attack Klassen, there seems to be positive reasons for a meeting between the President and Klassen. Do you still feel that the meeting should be postponed?



F. Lynn May

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Attachment

September 12, 1974

MEMORANDUM FOR:

DEAN BURCH

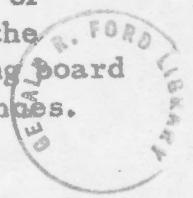
SUBJECT:

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the Postmaster General

PURPOSE

The Postmaster General, E. T. Klassen and Frederick R. Kappel, Chairman of the Board of the U. S. Postal Service have requested a meeting with the President to discuss the current deficit in the Postal Service, approximating \$500 million this year. Mr. Klassen claims that the shortfall is a result of unexpected inflationary factors like increased fuel costs, material shortages and cost-of-living salary increases. He believes that it will be necessary to request the Postal Rate Commission for a raise in postal rates to pay for these deficits, asking for a 2¢ or 3¢ increase in the price of a first class stamp. The alternative to this would be increased government subsidies which would further hamper efforts by the Postal Service to become self sufficient but would be a course favored by magazine publishers and similar businesses.

Klassen and Kappel also wish to discuss appointments to the Board of Governors, who are nominated by the President and confirmed by the Senate. Klassen stated that Congressional criticism of a do-nothing board chosen on the basis of political cronyism is justified in some instances.



BACKGROUND

The Postal Service has suffered severe setbacks in its drive to become a paying operation due to inflation. Personnel costs which make up 85% of the Service's budget have jumped because of automatic cost-of-living contract clauses. The Service is also facing major contract negotiations within a year that will add greatly to these costs. A rate increase appears to be a better choice in returning the Postal Service to a balanced budget than a subsidy. The rate increase will come about without Executive Branch action when the Postal Rate Commission recommends changes to

the Board of Governors. This action may spark Congress to vote additional subsidies to the Postal Service in lieu of the rate increase. This would violate the principle of the Postal Reorganization Act to make the Postal Service a paying operation and would place an additional burden on the government budget.

The Board of Governors, who serve nine year terms, is comprised of nine members nominated by the Senate plus a Postmaster General and his Deputy, who are appointed by the Board. The current Board is comprised of nominally qualified men but whose average age is quite high. Some critics have speculated that the age of the Board and the distance some have to travel have encouraged absenteeism and made it possible for the Postmaster General to dominate the Board. One vacancy now exists due to a recent resignation and Kappels' term ends in December. The White House personnel staff is currently opposed to Kappels' reappointment because of his age (72) and questionable merit.

Recently Klassen has been the subject of allegations by Jack Anderson, summarized as follows:

- (1) Klassen was involved in a conflict of interest and a violation of the law when he accepted approximately \$20,000 in fees from a client whom he aided while a member of the Postal Board of Governors.
- (2) Under Klassen, the Postal Service filled many jobs as political favors.
- (3) Klassen misused funds by lavishly furnishing his office and by taking trips on Postal Service funds to visit his properties.
- (4) The Postal Service slowed service in 1972 to aid the Nixon campaign.
- (5) Klassen is under investigation by the FBI for these activities.

So far GAO has suggested no illegality in the matter.

Phil Buchen has requested that you meet with Klassen and Kappel, or Klassen alone, to further determine their motives in meeting the President. Klassen is the logical choice to brief the President on the rate question,



which might have a heavy political impact. It would not be in the Presidents' interest, however, to appear to reinforce Klassen's position in the light of allegations against him or to assent to any spot agreement on appointments to the Board of Governors.

If you need any additional information please let me know.

F. Lynn May



THE WHITE HOUSE

WASHINGTON

September 5, 1974

MEMORANDUM FOR:

PHILLIP BUCHEN

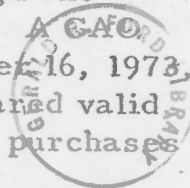
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the Postmaster General

PURPOSE

The Postmaster General, E. T. Klassen and Frederick R. Kappel, Chairman of the Board of the U. S. Postal Service have requested a meeting with the President to discuss the current deficit in the Postal Service, approximating \$500 million this year. Mr. Klassen claims that the shortfall is a result of unexpected inflationary factors like increased fuel costs, material shortages and cost-of-living salary increases. He believes that it will be necessary to request the Postal Rate Commission for a raise in postal rates to pay for these deficits, asking for a 2¢ or 3¢ increase in the price of a first class stamp. The alternative to this would be increased government subsidies which would further hamper efforts by the Postal Service to become self sufficient but would be a course favored by magazine publishers and similar businesses.

Klassen and Kappel also wish to discuss appointments to the Board of Governors, who are nominated by the President and confirmed by the Senate. Klassen stated that Congressional criticism of a do-nothing board chosen on the basis of political cronyism is justified in some instances.

BACKGROUND

The Postal Service has suffered severe setbacks in its drive to become a paying operation due to inflation. Personnel costs which make up 85% of the Service's budget have jumped because of automatic cost-of-living contract clauses. The Service is also facing major contract negotiations within a year that will add greatly to these costs. A rate increase appears to be a better choice in returning the Postal Service to a balanced budget than a subsidy. The rate increase will come about without Executive Branch action when the Postal Rate Commission recommends changes to



the Board of Governors. This action may spark Congress to vote additional subsidies to the Postal Service in lieu of the rate increase. This would violate the principle of the Postal Reorganization Act to make the Postal Service a paying operation and would place an additional burden on the government budget.

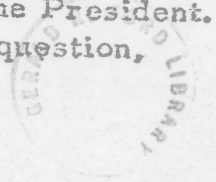
The Board of Governors, who serve nine year terms, is comprised of nine members nominated by the Senate plus a Postmaster General and his Deputy, who are appointed by the Board. The current Board is comprised of nominally qualified men but whose average age is quite high. Some critics have speculated that the age of the Board and the distance some have to travel have encouraged absenteeism and made it possible for the Postmaster General to dominate the Board. One vacancy now exists due to a recent resignation and Kappels' term ends in December. The White House personnel staff is currently opposed to Kappels' reappointment because of his age (72) and questionable merit.

Recently Klassen has been the subject of allegations by Jack Anderson, summarized as follows:

- (1) Klassen was involved in a conflict of interest and a violation of the law when he accepted approximately \$20,000 in fees from a client whom he aided while a member of the Postal Board of Governors.
- (2) Under Klassen, the Postal Service filled many jobs as political favors.
- (3) Klassen misused funds by lavishly furnishing his office and by taking trips on Postal Service funds to visit his properties.
- (4) The Postal Service slowed service in 1972 to aid the Nixon campaign.
- (5) Klassen is under investigation by the FBI for these activities.

So far GAO has suggested no illegality in the matter.

Phil Buchen has requested that you meet with Klassen and Kappel, or Klassen alone, to further determine their motives in meeting the President. Klassen is the logical choice to brief the President on the rate question.



which might have a heavy political impact. It would not be in the Presidents' interest, however, to appear to reinforce Klassen's position in the light of allegations against him or to assent to any spot agreement on appointments to the Board of Governors.

If you need any additional information please let me know.

F. Lynn May



THE WHITE HOUSE

WASHINGTON

September 5, 1974

MEMORANDUM FOR:

PHILLIP BUCHEN

SUBJECT:

Proposed Presidential Meeting with
the Postmaster General

The Postmaster General, E. T. Klassen, and the Chairman of the Board of the Postal Service, Frederick R. Kappel, have requested a meeting with the President. The purpose of the meeting is to discuss inflationary problems confronting the Postal Service that have created a deficit and a need for a rate increase to meet costs. This issue is important and it would be desirable for the President to discuss it and other postal matters with them.

Recent allegations by Jack Anderson in the "Washington Post" about the misconduct of Mr. Klassen make it desirable to obtain your opinion on the advisability of such a meeting. Briefly, Anderson makes the following claims: (1) Klassen was involved in a conflict of interest and a violation of the law when he accepted approximately \$20,000 in fees from a client whom he aided while a member of the Postal Board of Governors. (2) Under Klassen, the Postal Service filled many jobs as political favors. (3) Klassen misused funds by lavishly furnishing his office and by taking trips on Postal Service funds to visit his properties. (4) The Postal Service slowed service in 1972 to aid the Nixon Campaign. (5) Klassen is under investigation by the FBI for these activities.

I have attached copies of the most recent articles to give you a flavor of their content. OMB has commented regarding the \$302,200 for furnishing the Executive Office suites, and the \$528,360 to outfit the Board of Directors offices and conference rooms and the \$12,870 in Klassen's traveling expenses in 1973, that there appears to be no illegal activity involved, although one could conclude that these activities might be done less expensively. A GAO report to Congressman H. R. Gross, on this matter, dated December 16, 1973, reported that the office procurements and the travel expenses appeared valid, but implied in the case of the furnishings that more competitive bid purchases might have been used.



I would appreciate your feelings on this matter as soon as possible. It is important that the President become aware of the problems besetting the Postal Service and unless there are reasons to the contrary, Klassen and Kappel should be the individuals to brief the President. The Postmaster General is not a Presidential appointee; he is appointed by the Board of Governors of the Postal Service, who are appointed for nine year terms by the President with Senate confirmation.

F. Lynn May

Attachments:

1. Schedule Proposal re: above
2. Six Jack Anderson's articles from the "Washington Post"



Postal

Thursday 11/14/74

9:20 Lynn May's office called re the proposed meeting with the Postmaster General.

6437
(Marilyn)

Indicated Mr. Lynn May had sent a memo on October 31st. He has been in contact with the Postmaster General and Mr. Lynn would like to know your decision.

This is my file -- I do not find the October 31 memo; checked both your action and hold file and do not find.

*Mr. Areeda
said it was
OK for the
meeting.*



Personnel
Postal

Thursday 12/12/74

4:20 Robert Off called from the Personnel Office to ask if Mr. Buchen has any recommendations for the Postal Service Board of Governors -- the deadline for recommendations was 12/9.

6531
Rm. 143

They will start reviewing candidates right away and would hope to hear from us.

6:25 Advised Mr. Off that neither Mr. Buchen nor Mr. Areeda had any suggestions.



Postal

Phil A:

Do you have any
suggestions?

P



168B
1215

THE WHITE HOUSE

WASHINGTON

December 4, 1974

MEMORANDUM FOR:

DONALD RUMSFELD
L. WILLIAM SEIDMAN
JOHN O. MARSH
ROBERT HARTMANN
PHILIP W. BUCHEN ✓
WILLIAM J. BAROODY

FROM:

WILLIAM N. WALKER *Walker*

SUBJECT:

Postal Service Board
of Governors (WAE-PAS)

Mr. Frederick Kappel, Chairman of the subject Board, will be leaving at the end of his term in December. Also, Dr. Robert Ing has submitted his resignation because of poor health. Both of these newly created vacancies will be for Republicans. We would like to move quickly and assemble names for the President to consider.

The Postmaster General's office strongly believes that one of these appointments should go to a black since blacks comprise approximately 20% of the postal work force. Although there are no formal requirements, the candidates should be individuals with a good management background and solid credentials (Kappel is the retired Chairman of A.T. & T.). This Board has the final responsibility for policy decisions that concern the total operations of the U.S. Postal Service. It also selects the Postmaster General and the Deputy who then become members of the Board.

The Board of Governors receive \$10,000 per year in salary and \$300 per meeting. They meet approximately once a month.

Please forward any recommendations by December 9, 1974.



Postal

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6531
Rm. 143

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Ken Lazarus has
orig. Of for recom-
mendation for me
to transmit.



P. Buchen

THE WHITE HOUSE

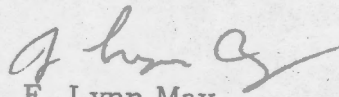
WASHINGTON

March 14, 1975

MEMORANDUM FOR PHIL BUCHEN
JACK MARSH
JIM LYNN

SUBJECT: Decision Memorandum

Attached is a draft decision memorandum for the President. I would appreciate your recommendations by COB today. Thanks very much.


F. Lynn May

Attachment



DRAFT
3/14/75

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Chief Administration Liaison Contact with the Postmaster General

You met with the Postmaster General on Thursday, March 13, 1975. He requested that you designate a senior White House official to serve as a contact with the Postal Service. You indicated that you would do so within a few days.

OPTIONS

The following individuals could serve in this function:

Jim Lynn
Phil Buchen
Jim Cannon

DISCUSSION

1. Jim Lynn

PRO: OMB could provide management and budgetary assistance to the Postal Service and has a large staff to provide back-up.

CON: Most of the dialogue between the White House and the Postal Service will be on matters of political and legislative policy. OMB does not have budgetary review authority over the Postal Service.

2. Phil Buchen

PRO: The Counsel's Office would assure "correct" dealings with the Postal Service as it does with the regulatory agencies.

CON: The Counsel does not routinely deal in postal policy matters and has a limited staff.



3. Jim Cannon

PRO: Could effectively discuss political policy matters and coordinate postal liaison with other domestic policy issues.

CON: Limited Staff.

RECOMMENDATIONS



THE WHITE HOUSE

WASHINGTON

March 18, 1975

MEMO FOR: PHIL BUCHEN

FROM: KEN LAZARUS *KL*

Due to the press of time, I communicated your views to May by phone.

There is no particular sensitivity involved in this assignment. I suggested that May delete the draft argument supporting your designation and insert instead (1) your senior status and (2) experience with political and legislative issues.

*Noted, with thanks.
R.*



Post Office

THE WHITE HOUSE

WASHINGTON

March 14, 1975

MEMORANDUM FOR, PHIL BUCHEN
JACK MARSH
JIM LYNN

SUBJECT: Decision Memorandum

Attached is a draft decision memorandum for the President. I would appreciate your recommendations by COB today. Thanks very much.

F. Lynn May
F. Lynn May

Attachment



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PRO: Could effectively discuss political policy matters and coordinate postal liaison with other domestic policy issues.

CON: Limited Staff.

RECOMMENDATIONS



THE WHITE HOUSE

WASHINGTON

Postal

January 7, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: PHIL BUCHEN *P*

SUBJECT: Proposed letter to Andrew Heiskell,
Chairman of the Board of Time
Incorporated

I believe that the proposed letter gets involved in too much detail and too much defense of the postal system management to be signed by the President.

I would recommend sending two letters: A brief acknowledgement by the President, including a notation that he has referred the letter to an appropriate member of his staff who participated in the White House meeting with magazine publishers; and a detailed response by such staff member on behalf of the President.



Date: January 6, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Paul Theis

Bob Hartmann

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, January 6 Time: cob

SUBJECT:

Proposed Letter to Andrew Heiskell,
Chairman of the Board of Time Incorporated

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

We apologize for the short time on this item but we are receiving pressure to send an answer to Mr. Heiskell.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
For the President



December 31, 1975

Dear Mr. Heiskell:

Thank you for your letter of December 12, 1975. I appreciate your sharing your thoughts with me with respect to the problems of the U.S. Postal Service.

At the time of postal reform, our postal system was in serious trouble. It was suffering under an archaic organizational structure, overlapping and often contradictory laws and regulations. It was also hindered by an ancient physical plant, low employee moral and productivity, and political pressures. These problems left a poor legacy and postal management has struggled to bring about change. Improvements have been made and, despite occasional complaints, the overall record of the Postal Service in terms of reliability and speed of delivery is quite good, particularly when compared with other countries.

This is not to say that postal management cannot do more to reduce unnecessary costs. I know that Postmaster General Bailar is devoting his full energies to this goal. While recent rate increases have been larger and more frequent than we would like, these cannot be attributed solely to the acts of the postal management. The Postal Service, like all business type operations, has had to deal with the strong inflationary pressures of the past few years.



I still believe that the principles embodied in postal reform will provide us with a far more efficient postal system. Among those principles is one which calls for the apportioning of the costs of all postal operations to all users of the mail on a fair and equitable basis. I support that principle; I believe it is sound and that it should be pursued to the maximum extent possible.

The cost of postal operations must be met and should be met equitably. The alternative to users supporting the postal system is to shift the burden to the general taxpayer. Such an approach is not fair and -- by itself -- would do nothing to reduce postal costs.

I would like to comment briefly on some specific points which you raised in your letter concerning Executive Branch control over the Postal Service. Under the Reorganization Act the operating budget of the Postal Service is the responsibility of the Board of Governors. Federal appropriations to the Postal Service Fund represent only a small portion of total postal revenues and are provided to cover certain specific costs. Among other things, they provide for public service assistance to the Postal Service during the transition to a completely independent status. I have continued to support the annual appropriation of those funds as set forth in the Reorganization Act, but I have also opposed further taxpayer assistance for extended phasing. I do not have responsibility for making recommendations on the remainder of the Postal Service's budget.

In keeping with the Postal Service's new independent status, the White House neither approved nor disapproved the recent postal labor settlement.



There are no easy solutions to the problems and deficits which face the Postal Service. Future rate increases will be necessary to cover costs, and I believe it is reasonable to expect such increases as long as they follow other general price increases in the economy. I remain unconvinced that taxpayers should be responsible to hold down rates for users.

Again, thank you for writing and best wishes.

Sincerely,

Mr. Andrew Heiskell
Chairman of the Board
Time, Incorporated
Time and Life Building
Rockefeller Center
New York, New York 10020

bcc: Nessen/White/O'Neill

GRF:OMB:RN:EMO:RLE:aby



December 12, 1975

Dear Mr. President:

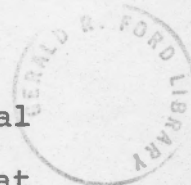
Recently, you and members of your staff held a meeting at the White House with magazine publishers in which you indicated that you will continue to oppose both additional federal appropriations to defray the increasing costs of public services provided by the U.S. Postal Service and funds for phasing increases in second class mail rates as authorized by Congress in P.L. 93-328.

I want to thank you for your time and your candor in stating your position. I would hope that you will accept an equally frank response.

As you are aware, you and your associates have repeatedly described appropriations for public service by the Postal Service as "subsidies" to the various users whether such users happen to require these services or not. You, yourself, have also compared the deficit problems of the postal service to the deficit problems of the City of New York. I quote from your statement:

"I just don't accept that they (the postal system) are doing as well as they should be doing. We have to prod them, just like we are prodding New York City, to improve their efficiency productivity...if we don't keep the pressure on them..you know how things operate in government..that's one of the basic problems in New York City. No one really put the screws on them until this year and now they are faced with reality. I think the post office department -- management and labor -- has to face up to that reality -- here as well as in New York."

The comparison of the problems of the postal service and New York is yours. Let me demonstrate how apt the comparison is. We all can recognize that a major element in the New York problem has been the unwillingness of political management -- in this case the city officials -- to come to grips with escalating costs, costs that flow largely from the escalating demands of the municipal workers unions.

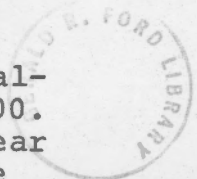


What has been the situation in the operations of the postal service? Federal fiscal year 1971 was the last year under the "pre-reform" postal system, the long existing system under which postal rates and postal expenditures were set by Congress. Fiscal year 1972 was a period of transition. In fiscal year 1973, the first year of full operation, the "reform" postal system generated a deficit of \$13 million. In the fiscal year 1974, the deficit had swollen to \$438 million; in fiscal year 1975, which ended this summer, the deficit was \$825 million; and in the current fiscal year which will end June 30, 1976, the Postmaster General currently predicts the deficit will exceed \$1.4 billion dollars -- and then only if another substantial increase in postal rates, including a 13 cent first class letter rate, takes effect on December 28 as scheduled. You are right, Mr. President. Such arithmetic is quite comparable to the record in New York.

However, it is unfortunate that you proceed from that damaging conclusion to a further one which labels appropriations to make up these deficits as "subsidies" to the mail users. For what has been responsible for these soaring red figures? A number of elements have contributed, of course: questionable management, an expensive capital equipment program, outdated and perhaps unnecessary services. But there is one factor that stands out above all: salary and benefit escalation for the nation's approximately 700,000 postal workers. While I do not want to pass arbitrary judgment on the merits of the labor contracts negotiated in recent years by the Postal Service, here are some important figures.

Salaries and benefits now account for 85 percent of the postal budget. The basic wage of postal workers nationwide is presently \$13,400 a year. To carry your analogy a little further, the average basic wage of New York policemen is \$14,700; New York firemen, \$14,700; New York teachers, \$13,200.

On a national basis the average police salary is \$11,800; firemen, \$11,200; teachers, \$11,600. Consider also that assistant professors of four-year colleges earn a national average of \$12,600, while postal workers earn an average of \$13,400. As you surmised, only New York, the case you have cited as an example of disastrous municipal mismanagement, can be said to have kept pace with the Postal Service in this regard.



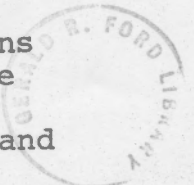
But this is not the end of the story. With the pay hikes granted in this year's postal wage settlement, the average pay of postal workers will probably rise to around \$16,500 by 1978 -- an additional increase of more than 23% over present levels. That will cost the Postal Service an additional \$2 billion in wages alone.

When you say that "management and labor" have to face up to reality "here as well as in New York," you may have the full agreement of almost everyone familiar with the problem. The question is: who is management? The embattled Mayor Beame is easy to identify. He is the duly elected, present incumbent at City Hall.

In the case of the Postal Service, management, by law, is in the hands of the Postmaster General and a Board of Governors. Under the "reform" system there have been three Postmasters General and a Board of Governors, whose original and present members were appointed by your immediate predecessor, President Nixon. In attempting to manage the overriding problem of dramatic wage escalation, the Postmaster General is subject to certain controls and restraints that are exercised by the White House itself.

His budgets must be approved by the Board appointed by the President and submitted to the Office of Management and Budget. You have the authority to make recommendations to Congress in regard to that budget. More relevant, in the case of the recent postal wage contract, the negotiations were ultimately conducted through the Mediation and Conciliation Service, an agency of the Federal government, and the settlement, it is reliably reported, was not only greater than the Postmaster General would have accepted, left totally to his own devices, but indeed was approved by the White House.

If then the postal service, is as you indicate, another New York, it is a New York that has developed under Republican administrations and subject to Republican control and direction. You have told us that you are going to "put the screws on them," by "them" indicating that you mean postal management and labor. You have also told us that you intend to block the increased Federal appropriations necessary to defray the costs of these ruinous wage policies and uneconomic public services (such as delivering mail to the bottom of the Grand Canyon and the North Slope of Alaska). And you have told us that your only other alternative to the deficit is to raise postal rates.



You are then, in reality, proposing to "put the screws on" the users of the postal system even though the record is clear that many users who depend heavily on the postal system cannot survive much more escalation of rates.

You are, I believe, aware that continuation on this course will vitally affect a major medium of the communication of ideas in America, the many diverse magazines and smaller newspapers. But even if this were acceptable to you -- and I am not prepared to believe upon reflection that it will be -- consider the comments of the present Postmaster General, Mr. Bailar, who indeed is struggling earnestly to cope with the impossible conditions thrust upon him by law and by circumstances not entirely under his control:

"The last thing we want is a constant round of postage increases because we recognize that not only would this hamper the free flow of commerce and ideas through the mails, but it would also reduce our volume and hence our revenue, thus compounding our financial problems."

The danger is real, of course. Mail volume decreased last year for the first time in years. Parcel Post is down. Electronic transfer of funds will increasingly affect First Class mail, and the volume of magazines and newspapers will dwindle as major magazines including those we publish and major newspapers such as The Wall Street Journal, flee the mails in the urban centers, where they now generate a very favorable positive cash flow for the Postal Service.

The present course of action, suggested by The White House meeting with publishers, can have only one end: bankruptcy of the Postal Service -- a bankruptcy that in the process will go a long way toward making the medium of print too expensive for millions of Americans.

The Founding Fathers' intention was that the postal system should encourage the free flow of information in our nation. It was their conviction that the postal system was a necessary service of government and not a business. George Washington stated in 1782 that a postal service was needed to "bind these people to us with a chain that can never be broken." History shows that our first President was right. For nearly 200 years, Congress and the

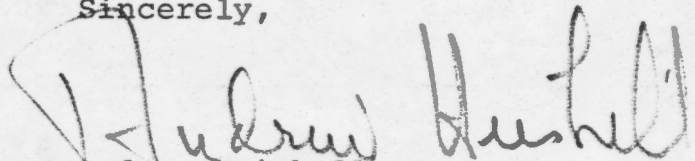


American people have recognized the democratic and educational values of magazines and newspapers. Today, magazines and newspapers are jeopardized by an ineffective and misguided postal system.

I hope you will forgive these blunt words, Mr. President, but I cannot imagine that these results are your desire. I believe there are alternative ways of meeting the problems which the Postal Service faces. These problems are not quickly resolved. But I suggest that the national interest will be better served if your Administration would support proposals to meet the fiscal deficits of the Postal Service for a period of time that is sufficient to examine and evolve solutions to these problems. To label this assistance a subsidy for the users or to expect the users to provide such resources themselves would be a gross misplacement of responsibility.

Thank you for hearing me out.

Sincerely,


Andrew Heiskell

The President
The White House
Washington, D.C.



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: April 1, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jim Cannon

Max Friedersdorf

Jack Marsh

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Friday, April 2

Time: 3 P.M.

SUBJECT:

Proposed Letter to James H. Rademacher
President of National Association of Letter
Carriers

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

The principal point made by the President's letter is the necessity of a reasoned consideration of the principal issue in this area, i. e. the advisability of Federal subsidies to the Postal Service. However, certain portions of the draft letter appear to be conclusory in nature and to the effect that any subsidies would be inappropriate. Accordingly, I suggest that you consider the possibility of deleting the first paragraph on page 2 and adding the words "I do note that . . ." at the beginning of the second paragraph on that page.

Ken Lazarus 4/2/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim Connor
For the Pres.