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CONGRESSMAN'S REPORT --- POSTAL RATES AND POLITICS

By Morris K. Udall

Appointment to the Post Office and Civil Service Committee has plunged me into an \$894 million problem and a paradoxical political situation.

The \$894 million is the postal deficit this country will have in the coming fiscal year if we keep our present rates. At the urging of President Kennedy and Postmaster General Day, bills have been introduced to raise postal rates. This puts committee members on the spot.

President Eisenhower wanted to raise rates. Committee Republicans, generally, were sympathetic and favorable, Democrats generally opposed. Now Mr. Kennedy has urged narrowing of the postal revenue gap and Mr. Day has proposed rate increases. The Republicans who supported increases before will be in an inconsistent position unless they vote with Mr. Kennedy. And Democrats will be inconsistent unless they oppose him.

Earlier in the session, the committee, which has a majority of Democrats, voted to kill the rate increase. But the matter is now up for reconsideration.

I find myself in agreement with the Republicans and a few Committee Democrats on the basic principle that the Post office Department -- subject to a proper "public service allowance" discussed below -- should operate on a break-even basis. I intend to vote for the rate increase.

The current bill would cut the deficit by \$571 million. Most of the remaining deficit would be in what is called "public service allowances." Government departments, congressmen, blind people and other groups have free use of the mails. Many educational and other groups are permitted to mail free or at rates below post office costs.

The theory behind these public service allowances is this: Congress has historically tried to stimulate the exchange of information and educational material and to do this it will pay some of the costs from general tax revenues.

More than \$100 million of the \$235 million "public service allowances" will be in the second-class mail category. Of this \$100 million, \$77 million will be the cost of mail sent at preferred rates by nonprofit organizations -- religious, educational, scientific, philanthropic, agricultural, labor, veterans and fraternal groups. Another \$18 million will be the cost of sending free "in-county" mail. Most of this category is attributed to weekly county newspapers. (Weekly newspapers are mailed free within the county of publication to addressees served by postal stations without city delivery). The new postal bill would not disturb any of these particular second-class rates.

This irks the National Chamber of Commerce, which says: "Most of the public service payment results from free service or reduced rates to newspapers within the county of publication and

reduced rates to mailings of certain nonprofit organizations. There is little justification for subsidizing, through reduced postal rates, either the county newspapers or the nonprofit organizations."

The new bill would increase rates of other second class materials -- commercial magazines and newspapers mailed outside the county of publication.

One columnist charges that the Readers' Digest, which regularly fights against subsidies, costs the department \$4 million per year by paying a rate which does not cover expenses of delivery. He cites other magazines as well.

Would the new bill raise rates high enough to cover actual costs of handling such items? The answer is apparently "no--but." The "but" stems from a complex argument about value rendered the various classes of mail.

What's the value of the preferred services (forwarding, priority, secrecy, etc.) accorded first class and air mail? The Post office has not attempted to answer this. Therefore, its "cost" figures for handling various classes of mail do not reflect this value received.

The new bill would raise first class from 4 to 5 cents. Four cents currently just about covers the "cost of handling." Airmail, which now covers more than the cost of handling, will go from 7 to 8 cents. Congress has set a policy whereby first class mail should not only pay for itself but should help offset other costs.

Third class mail -- The new bill would increase the rates on merchandise and on advertising circulars often referred to as "junk mail."

Rushing to the defense of third-class rates is a lobby which proclaims that to increase these rates will destroy 5 million American jobs. This group points out that already the Post Office operation as a whole recovers 82 per cent of its costs and that no other department of government even approaches that record.

Fourth class mail is made up of weighty items in two main categories: parcel post and educational library materials. The P.O. Department can raise parcel post rates with consent of the Interstate Commerce Commission and is now seeking to do this. The new rates reputedly will cover costs. No increase in library rates is sought.

Postal rate increases will be a center of controversy in this Congress in the coming weeks. Whatever is done -- or even if nothing is done -- somebody is going to be hurt and loud outcries will be heard. But that's the way it is in a democratic republic.