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NORTH CAROLINA LEAGUE OF POSTMASTERS
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POSTAL LEGISLATION BEFORE THE CONGRESS

I appreciate having the opportunity to speak to you this evening on legislation before the Congress which affects postmasters. I enjoy meeting with you and your colleagues. The work you do throughout North Carolina is invaluable,

and I believe the public appreciates it even though people like to complain about the Postal Service like they complain about their taxes.

I like to complain about my mail delivery also, but these complaints are not justified when one looks at the facts. The Postal Service moves roughly 90 billion

pieces of mail each year, and reasonably rapidly. With the exception of Canada, postal rates in this country are the cheapest in the world. A report commissioned by the Congress, issued two years ago, concluded that the Postal Service is "providing comprehensive and generally acceptable service at reasonable rates".

The Postal Service maintains 40,000 post offices around the country, each providing needed services, and the thousands of rural letter carriers provide a unique service in bringing thousands of isolated farms together and providing farmers and other rural people with daily contact with the outside world.

I think that one reason we hear so many complaints about the Postal Service results from its size. If, for example, a mistake of some sort is made in one out of every 100,000 pieces of mail, that is still 900,000 each year and nearly 2 million irate senders and recipients. Each of them goes and complains to all

his friends, and pretty soon the Postal Service develops a bad reputation.

If it is any consolation, the federal government has the same problem as people tend to focus on its mistakes and ignore all its accomplishments.

For example, North Carolinians, including me, continually tend to focus on the many

shortcomings in our welfare system, and there are very real problems. Yet, our welfare system has made very real strides in reducing poverty. A recent report estimated that only 3 percent of all Americans have incomes below the poverty line when one includes the benefits they receive from government as income.

So, I believe your accomplishments are noteworthy, and I congratulate you for them.

There are several issues of special importance to postmasters before the Congress, of which the main ones are universal Social Security coverage, Postal Service reform, and the maintenance

of the Private Express Statutes.

I can assure you that your views
receive active consideration from me.

As many of you know, my sister, Lucille,
is the postmaster in Bunnlevel, and I
get a call from her everytime something
is about to come up in the Congress.

I. UNIVERSAL SOCIAL SECURITY

Probably the single issue you are most concerned with is universal Social Security coverage. Quite frankly, no matter how I phrase it, you are not going to agree with me on this. But, you can do me a big favor by listening to and by considering my views.

By now, many of you know that I favor universal Social Security coverage. I believe that questions of fairness demand that we take this step and I believe that if we do not take this step the Social Security system will not survive.

This does mean that I support some of the things that the phrase "universal

Social Security" may bring to your mind.

I am not advocating the integration of the Civil Service retirement system with Social Security; I am not advocating a raid on your trust fund; and I am not advocating that the federal government should default from its contractual and moral obligations with its employees.

On this last point, I can tell you that as a lawyer, I take contractual and moral obligations extremely seriously and would strongly oppose any efforts to renege on those obligations.

If the Congress does act to require universal Social Security coverage, it is inconceivable to me that federal

employees who have worked for a number of years, or who are about to or are already retired, would be included. It is quite likely that any worker who has vested pension rights would be exempted, and it is even possible that any present federal or postal worker would be exempted, making the bill apply only to future workers.

Many of you are shaking your heads
and asking why this is necessary --
after all, federal and postal workers
have an excellent pension plan. But,
many people in the private sector also
have an excellent pension plan, and they
have to join Social Security. The
President of Wachovia Bank, most lawyers,

auto workers, they all have their retirement provided for, and they do not understand why federal employees are exempt.

And, to be honest, neither do I. It

simply is not right for the government to require the private sector to do things it itself is not prepared to do.

If Social Security were a straight

supplementary retirement program with benefits based solely on one's contributions, then there would be some justification for us not to participate. But it is not.

Millions of people have paid more into the Social Security system than they can ever hope to recover, and I might add

that most of those people know it. This is because the Congress decided more than fifteen years ago that the purpose of Social Security is not only to provide a supplementary pension, but also to provide some basic security to the elderly and disabled. As a result, some of the benefits available bear little or no relation to contributions.

Medicare is equally available to all the elderly and some of the disabled covered by Social Security, regardless of contributions. The extra benefits for dependent spouses are not based on contributions. Lower wage earners, when retired, receive a higher percentage of their income than wealthier ones. And I

could go on. In fact, Social Security bears a closer resemblance to an insurance program than a retirement plan.

It is true that Social Security started out as a retirement program. But this change I am talking about did take place, beginning many years ago and over a period of time. And when we analyze the system,

when we try to develop a policy for the future, we have to take these changes into account.

In 1935, when the Social Security Act was passed by the Congress, federal and postal employees were excluded on the grounds that they did not require a supplementary retirement plan. And that

made good sense at the time. But the factors that operated in 1935 no longer exist.

An insurance program of this type cannot survive if it arbitrarily excludes over 3 million regular wage earners.

This is especially true if one considers that about one-half, and according to

some estimates as much as two-thirds,
of all retired federal and postal employees
collect Social Security benefits.

What happens is that many federal
and postal workers retire at age 55 or
60, and then take a second job in the
private sector. They work and pay
Social Security taxes for at least five

years, the minimum period necessary to qualify for Social Security. Then they retire and draw Social Security benefits in addition to their regular retirement.

But, there is a little trick to this.

Since they have only worked in the private sector for a short period of time, they have a low earnings record, and from

the Social Security Administration's

point of view, are therefore very poor.

So they are entitled to and collect a

relatively high rate of return on their

benefits, a rate of return that is meant

to be available only to very poor people.

This little loophole, and that is the best

word for it, is costing hundred of millions

of dollars each year and is one of, though certainly not the only, reason for the precarious financial situation facing Social Security.

I think that it is inevitable that Social Security will be made universal, though it will not happen this year or next year. So, let me reiterate what I

said earlier about how it is going to be brought about.

First, whatever law does pass will certainly not be applied to retired federal and postal employees, or those who have worked for a long period of time. I think it is probable that all workers with vested pension rights will be exempted,

both for pragmatic political reasons and also because that is probably the simplest way for the government to respect its existing contractual and moral obligations.

It is even possible that everybody who is working on the day universal Social

Security goes into effect, may be exempted.

Now, universal Social Security can be brought about without a single change in the Civil Service retirement plan. Some sort of coordination is probably desirable, simply because nobody is going to want to pay over 13 percent of their income in retirement contributions, but it is not necessary. With regard to

coordination, I can only point out that when North Carolina State employees were brought into Social Security back in the 1950s, it was done in such a way that no State employee lost any benefits whatsoever. I am not a pension expert, and so I cannot say exactly how to go about the coordination, but I have no doubt that

what could be done 20 years ago can be done again.

To conclude this subject, the Social Security Act may be the most important law ever passed by the Congress of the United States. It has provided security to millions and millions of elderly and disabled persons and their dependents.

Today there are about 30 million people receiving Social Security benefits, and many of these people depend on their monthly payment to maintain a minimally adequate standard of living.

The Congress has an obligation to keep the Social Security system functioning in as fair and equitable a way

as possible. And I feel an obligation to support some of the changes in the system that will be necessary, even if they are unpopular with a great many people.

II. PRIVATE EXPRESS STATUTES

Another issue of great concern to you is the possibility of changes in the

Private Express Statutes. As you know,
the Private Express Statutes were enacted
in the late 18th century, and they grant
the Postal Service a monopoly over first
class mail delivery.

I support the Statutes whole-heartedly,
and I doubt that there will be any change
in them. My feeling is that if the

Private Express Statutes were repealed or substantially weakened, then private business would come in and skim off all the profitable operations of the Postal Service. This would seriously damage the Postal Service and severely damage mail service in the rural areas and small towns of North Carolina and the nation.

Without the Private Express Statutes, there is no way we could afford to maintain six-day mail service, and we might be forced to cut back as far as three or four days a week.

Today, in this country, we have about 40,000 post offices, the vast majority of them in small towns such as we have all

over North Carolina. A few years ago,
a report done on how to make the Postal
Service a profit-making operation con-
cluded that only about 10,000 of them
should be maintained. I am absolutely
against that for I feel that the little
post offices provide valuable and needed
--and I might add popular--services. But

if a situation were created where all the profitable first class mail was handled by private business, then we would be lucky to have 10,000 post offices.

Another consideration is the fact that there are over 600,000 postal employees, over one-half of one percent of the entire working population. We have an obligation

to these many hard-working people to insure that we continue to have a strong and viable Postal Service.

Earlier this session, there was considerable talk of legislation that would remove all time-sensitive mail out from under the Private Express Statutes. Talk of this has died down and there is

virtually no chance that such a bill, or any other bill in this area, will be passed by this Congress.

III. POSTAL SERVICE REFORM

Another subject of repeated controversy over the past few years has been Postal Service reform. Last year, the House passed a reform bill, H.R. 7700,

after a bitter fight on the floor, but it was late in the session and the Senate never acted.

This year, another reform bill was passed with a new number -- H.R. 79, by the overwhelming vote of 350 to 14.

Although the Senate is not going to act on this bill this year, hearings are

scheduled for early next year.

But this year's version of the bill is greatly scaled down and much less controversial than last year's. Last year, the bill originally provided for a three-fold increase in the Postal Service's federal subsidy. While this was scaled down to about an 85 percent increase in

subsidy for the first year, coupled with a provision requiring that the Postal Service get 10 percent of its previous years operating expenses thereafter, many people still felt that it was fiscally irresponsible.

This year, H.R. 79 calls for an increase in the subsidy to \$1.1 billion

the first year, up from its present level of \$920 million, with an additional increase of \$100 million annually thereafter.

I recognize, and support, the need for some federal subsidy for the Postal Service. The Service cannot be run on a break-even or profit-making basis, as

if it were a private business. It is impossible, for the Postal Service is required to perform too many services for the benefit of the public, services which cost money. They have to be paid for.

But the way the proposed subsidy keeps changing around sort of makes it seem like numbers are being pulled out

of a hat. I believe we need a permanent, responsible method of establishing a subsidy. But I cannot support a flat, percentage subsidy as was suggested last year because I believe that that is fiscally irresponsible and would work to undermine the improvements in efficiency the Postal Service has made over the last few years.

I made a suggestion last year, one which I think is still valid. To start with, the Congress and the Postal Service should sit down together and figure out what public services are being provided and how much all of this costs.

A great many public services are provided, more than most people are

generally aware of. Six-day delivery, which cannot be justified from a fiscal point of view, is a valuable public service. I have already mentioned the value of the small post offices, most of which lose money.

Post offices perform services for federal government agencies, such as

selling bonds for the Treasury Department.

Then there is subsidized mail. While

the Congress pays for franking privileges,

there was a recent study which suggested

that Congress may be underpaying the

Postal Service by as much as \$1 million.

Executive agencies get reduced prices.

Reading material is sent at lower rates,

as is material for many non-profit organizations and for handicapped and the blind people.

The Congress has established the way in which freight charges paid to airlines are calculated, and as a result, the Postal Service must pay more for shipping charges than a private company

would have to. This airline subsidy,
which in a sense is a public service,
may be necessary; if it is, then the
Congress should reimburse the Postal
Service.

I believe we should figure out how
much each and every public service costs
and provide a subsidy equal to the total

amount. This is the fiscally responsible way to do it, and I believe it would provide a large and justifiable subsidy, as well as help inform the public about how much the Postal Service is actually doing.

H.R. 79 also provides for the President to appoint the Postmaster General and

abolishes the Board of Governors. This is something I have supported for a long time. Last year, I co-sponsored an amendment to this affect when it looked like the Senate Governmental Affairs Committee, of which I am not a member, was against it.

What this would do is make the President and indirectly the Congress, more

responsible for the operations of the Postal Service. When the Congress, in 1971, established the Board of Governors and created an independent Postmaster General, the idea was to get the politics out of postal operations and have everything run more efficiently. People were saying that this would once again reaffirm

the superiority of the private business approach to government efforts.

Well, it has not quite worked out.

I am a strong proponent of private enterprise, but the Postal Service cannot and should not be run exclusively on a business-like basis, although it should try to be as efficient as possible.

The Postal Service has many social considerations it must take into account, and these seem to have been increasingly ignored over the years. And, to the extent that the Postal Service has become more efficient, it is not because of the high quality management at the highest levels of the Service.

Every one of you must know of a case where an equally well qualified local postal worker was denied a job in favor of a person from another part of the country who knew nothing about the local area. My office gets complaints like this all the time. And I do not think that is right.

Besides which, the federal government has a constitutional obligation to provide for a high quality mail delivery system. I do not think it is right for the government to try to delegate this obligation away by making the Postal Service independent.

Those are the two important provisions in H.R. 79. Everything else in the bill is relatively minor, small adjustments in rates for some special category of mail and technical changes in the law.

Having described the bill, I am sure you are interested in whether it is going to pass the Senate. Quite frankly, that is

hard to say at this time. It will not pass this year, but the Governmental Affairs Committee has scheduled hearings early next year, and it could pass the Senate.

There could easily be considerable controversy over the size and method of establishing the Postal Service subsidy.

But in the end, I do not think this could keep the bill from passing.

With regard to abolishing the Board of Governors and replacing it with a Presidentially appointed Postmaster General, this I think a majority of the Senate is for. While there is some concern over this change on the Governmental

Affairs Committee, if this provision is taken out of the bill in committee there is a good chance it would be put back in on the floor of the Senate.

There is one thing though that could hold up the bill. Unlike the House of Representatives, the Senate does not have a rule that amendments to bill have to be

germane, that is, relevant to the bill
in question. And there are a number of
controversial and divisive issues relating
to the Postal Service which Senators
could try to bring up on this bill.

As you know, these include the rela-
tionship between United Parcel Service
and fourth class mail, the appropriate

role for the Postal Service in electronic communications, amendments to the Private Express Statutes, which, as I said earlier, the Senate will not act on separately, and personnel issues including collective bargaining and the repeal or weakening of the Hatch Act.

If some of these are going to be

brought to the floor, thereby provoking some major and extended fights, then a situation the Senate may decide to postpone and postpone action, waiting for an appropriate time, until pretty soon we find that the 96th Congress is over.

The only way this can be prevented is if every Senator agrees and it is simply

impossible, at this time, to tell whether this agreement will be forthcoming.

I have summed up my views and the Congressional situation as thoroughly as I can, and I hope this review has been useful to you. Let me just say, in conclusion, that I have and will continue to support measures that are necessary

to maintain a high quality mail service throughout North Carolina and the country. The Postal Service has proven itself through the years, it has rendered invaluable services to the American people, and it deserves our support.