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STATEMENT OF
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BEFORE THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
ON

H.R. 4, H.R. 11750, AND H.R. 13124 WHICH CONTAIN
PROPOSALS TO MODERNIZE THE POSTAL ESTABLISHMENT,
AND H.R. 1133 AND H.R. 1134 RELATING PRIMARILY
TO APPOINTMENTS OF PERSONNEL IN THE POSTAL
ESTABLISHMENT

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

We appreciate your invitation to appear here today to comment upon legislative proposals relating to the reorganization or modernization of the postal establishment. In your letter inviting us to appear, you identified five bills which exemplify the chief legislative proposals which are before the Committee for consideration. These include H.R. 11750, H.R. 4 and H.R. 13124 each of which would provide for rather comprehensive reforms of the postal establishment and each of which would create a corporate body to carry out all or a portion of the present functions of the Post Office Department. The other two bills, H.R. 1133 and H.R. 1134, relate primarily to appointments of personnel in the postal establishment.

For the most part, the changes involved in the proposals being considered by this Committee are matters for determination for the Congress which do not directly involve the functions or responsibilities of the Comptroller General or the General Accounting Office. Accordingly, we

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would like to confine our testimony today to our general thoughts on providing for a Government corporation to carry out all or part of the responsibilities of the postal establishment and to our thoughts on certain specific revisions of H.R. 4 and H.R. 11750 which we believe will be helpful to this Committee in its consideration of these bills and of other bills which include similar provisions.

H.R. 4 proposes to establish a new Government corporation, known as the Postal Modernization Authority (the Authority). The Authority would be responsible for, among other things, financing, acquiring, improving, replacing, modernizing, and holding title to property, facilities, systems, and equipment necessary for the administration and operation of the postal service, together with planning related thereto. Under this bill, the Post Office Department would be retained also and would be responsible for conducting postal operations not assigned to the Corporation. In contrast, H.R. 11750 proposes to abolish the Post Office Department and to create a wholly owned Government corporation which would be responsible for all postal service activities.

In our letters of August 1 on H.R. 4 and H.R. 11750, we informed your Committee that we believed that some form of corporate structure can be justified for the Postal Service to provide management with a greater degree of flexibility to better enable it to manage its commercial operations on a business type self sustaining basis. However, the extent to which the Congress wishes to relinquish its control over the postal operations is of course a matter of policy for its determination.

Over the years the General Accounting Office has expressed concern that the establishment of Government-owned corporations tends to diminish congressional control over public expenditures. It is our view that the public interest is generally best served when congressional control of Federal activities is exercised through annual reviews and affirmative action on planned programs and financing requirements. This review is normally accomplished through appropriation hearings, which culminate in affirmative action on an appropriation request. We believe that a departure from this standard should be made only where it is clearly demonstrated that the activity to be authorized can be more efficiently and economically operated through the corporate structure, and a net advantage to the Government will result.

Because the postal service is a highly business-type operation and, as indicated in H.R. 4 and H.R. 11750, it is generally recognized that serious handicaps are imposed on management by certain existing legislative, budgetary, and financial policies that are inconsistent with modern business practices, we believe that a departure from this standard is warranted in this case and that a corporate structure of some nature can be justified for the postal establishment.

The organizational structure proposed by H.R. 11750 is quite like that recommended by the President's Commission on Postal Organization and would grant much broader authority and greater flexibility for carrying out postal operations with correspondingly less congressional control over such operations than is proposed by H.R. 4.

The Corporation which would be established under H.R. 11750 would be subject to less congressional control than most other wholly owned Government corporations subject to the Government Corporation Control Act. While the Corporation would be generally subject to the Government Corporation Control Act, section 1003(e) of the bill provides that the Corporation's funds shall be available for expenditure without regard to that section of the Government Corporation Control Act which provides that the Congress shall make necessary appropriations making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine (31 U.S.C. 849). The effect of this exception would be that if, for example, the House Committee on Appropriations included a provision in an appropriation bill which would provide a limitation on the Corporation's expenditures, such action under the Rules of the House of Representatives apparently would be subject to a point of order. The proposal to exempt the Corporation from the requirements of 31 U.S.C. 849 would provide Postal Service management with greater freedom and flexibility in operating the Postal Service than is provided for generally by the Government Corporation Control Act. While such freedom and flexibility could be conducive to achieving efficient, economical and effective postal service it would be a lessening of congressional control and as previously indicated, the extent to which the Congress desires to relinquish its control is a matter for its determination.

Regardless of which type of corporate structure the Congress might finally approve we offer the following comments for your consideration.

We are concerned that the sale of bonds to the public by the corporation would result in higher financing costs than would be incurred if the corporation used the financing facilities of the Treasury Department. Studies made by our Office have disclosed that interest costs are generally higher when agencies obtain financing directly from the public rather than through the facilities of the Treasury Department.

We have no way of knowing precisely the amount of bonding authority which the corporation might use in future years nor can we predict what interest rates it might have to pay. If it is assumed, however, that the average bond indebtedness of the corporation were to be \$2 billion, and the interest rate paid by the corporation on its bonds was, on the average, one-half of one percent higher than the interest rate at which the corporation could have borrowed from the Treasury, the added cost to the corporation would be \$10 million annually. If borrowing authority is to be granted, we recommend that the corporation borrow all of its funds from the Treasury rather than borrow directly from the public.

If this recommendation is accepted and in order to retain the flexibility that borrowing from the public would provide, provision could be made whereby any borrowings necessary by the Treasury to purchase the corporation's bonds need not be taken into consideration with respect to the limitation on the amount of the public debt prescribed in the first sentence of section 21 of the Second Liberty Bond Act, as amended, 31 U.S.C. 757b.

In recent years many new postal facilities have been constructed for lease to the Post Office Department rather than for Government

ownership. We have pointed out in a number of reports made to the Congress that the total costs to the Government over the useful life of a facility are often much greater when the facility is leased than when it is Government-owned, because of the higher interest rates that the lessors must pay compared to rates on Treasury borrowings; because of the profits which the lessors expect to realize; and because of other expenses paid by lessors which either would not have to be paid or would be paid in lesser amounts in connection with a Government-owned facility.

Under H.R. 4 and H.R. 11750 the Corporations would have the option of acquiring the use of postal facilities through leasing or Government ownership. It appears that the provisions of these bills authorizing the Corporations to purchase facilities and to borrow funds for its purposes would better enable the Corporation to purchase postal facilities when it is in the Corporation's interest to do so, thereby reducing the total cost to the Corporation for those facilities.

Subsections (a) and (b) of section 1008 of H.R. 11750 contain various detailed requirements concerning our audits of the proposed corporation to be made not less frequently than once each fiscal year. Since our audit of the corporation would be made under the provisions of the Government Corporation Control Act we see no need for those requirements.

Under the provisions of the Government Corporation Control Act we would be required to make an annual audit of the corporations proposed in both H.R. 4 and H.R. 11750 and furnish reports thereon to the Congress

by January 15 of the following year. In order to provide the General Accounting Office with flexibility in dealing with problems relating to priorities, manpower limitations, workload scheduling, and relative importance of assignments, we believe that the Comptroller General should be free to determine the scope and timing of audits of the corporation. This could be accomplished by adding the following provision to each of the bills.

"Notwithstanding the provisions of the Government Corporation Control Act, the accounts of the corporation shall be audited by the Comptroller General and reports thereon made to the Congress to the extent and at such times as he may determine."

We have not mentioned a number of suggestions which are somewhat of a technical nature that are included in our reports on H.R. 4 and H.R. 11750. We will be glad to cooperate with members of your staff with respect to those suggestions if you wish.

This concludes our statement, Mr. Chairman. We will be glad to respond to any questions the Committee may wish to ask.