That Postal Deficit and How to Cure It—By Senator Thomas H. Carter



N HIS last annual message to Congress, President Taft directed attention to the deficit of \$17,500,000 arising from the operations of the Post-Office Department for the fiscal year ending June 30, 1909. In that connection the President made a suggestion reading as follows: "A great saving might be made, amounting to much more than half of the loss, by imposing upon magazines and periodicals a higher rate of postage. They are much heavier than newspapers and contain a much higher proportion of advertising to reading matter, and the average distance of their transportation is three and one-half times as great." With this statement the whole

subject was referred to Congress for consideration. The message, taken in connection with certain figures set forth in the report of the Postmaster-General, not only has excited widespread interest, but has caused much alarm among publishers and the reading public. In many quarters the President has been vigorously assailed; and from the nature of the comments made it is quite obvious that his relations to the subject and his duty in the premises are not correctly understood. It is the plain duty of the President under the Constitution to advise Congress of the state of the Union, and he certainly could not have been held blameless had he failed to call the attention of the law-making body to the very large deficit in the postal revenues for the preceding fiscal year. The deficit was too large to be overlooked; it could not be ignored, and the President naturally referred to it on the basis of the data supplied by the Department directly concerned. The annual message not only presented a subject requiring the thoughtful consideration of Congres but also aroused an interest in postal matters which insures a public demand for adequate remedial legislation.

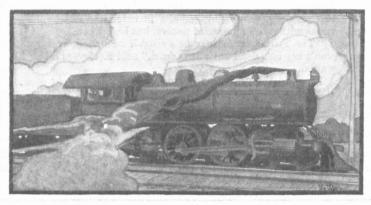
Decades of Guesswork

A CRITICAL examination of the facts will show that piecemeal or temporizing measures will not suffice to cure the defects responsible for the deficit, which is of annual occurrence in varying amounts. A deficit in the postal revenues has come to be regarded as a matter of course, and superficial opinions as to the cause are numberless. Some years ago an insistent demand was made for onecent letter postage, but this demand was silenced by the alleged necessity for an increase of postage on second-class mail matter to make up a shortage of postal revenue.

The unusual increase of expenditures incident to the

extension of rural free delivery so unbalanced the relation between postal receipts and expenditures that Congres soon felt impelled to inquire into the situation, and for that purpose a Joint Commission composed of three members of the Senate and three members of the House of Representatives was created in 1906. On that Commission the Senate was represented by Messrs. Penrose, Carter and Clay, and the House of Representatives by Messrs. Overstreet, Gardner, of New Jersey, and Moon, of Ten-

The Commission was specially directed to make inquiry regarding the second class of mail matter, because



of a statement made several years before by Postmaster-General Smith, and often repeated by his successors, that it cost the Government seven cents per pound to handle second-class mail matter, thus entailing a loss of six cents on every pound handled. Immediately after its organization the Commission made public announcement of the scope of its authority and the lines upon which the examination would be conducted. The laws were compiled and analyzed, and every fact and figure obtainable was marshaled for consideration. In addition, public hearings were held, at which all officers of the Post-Office Department having special knowledge of the subject and representatives of the publishers of the country were heard at length, both in New York and Washington. Defects in the laws were discovered, extraordinary discrepancies in the rates charged for the same or similar service were disclosed, and the difficulties of administration were ascertained; but the Commission utterly failed to find any basis upon which to determine with even approximate accuracy the cost of carrying second-class mail matter.

No one in the Post-Office Department was able to define

the premises from which Postmaster-General Smith deduced his announced conclusion that the cost was seven cents per pound, and Mr. Smith, who was then living, excused himself from appearing before the Commission on the ground of his inability to remember the basis upon which he had figured. The arbitrary figure announced by Postmaster-General Smith seems to have been accepted by his successors without question until it became a stereotyped, traditional Departmental statement of cost. Upon close examination Mr. Madden, the Third Assistant Postmaster-General, finally said that four cents per pound would probably be a fair rate for second-class matter. But it was apparent that this figure was the result of a guess rather than a calculation, and yet neither the books nor the officers of the Department could shed any better light on the subject than the guess Mr. Madden supplied. Postmaster-General Cortelyou frankly said that he had refrained from making any recommendation regarding the rate of postage on second-class matter because the statistics of the Department were of such an unsatisfactory character that he was unable to determine the cost of handling that class. The publishers advanced various views as to the cost and presented a variety of arguments against any increase of the existing rate. The failure of the Department to make out a case against the secondclass rate was emphasized by the tendency of the testimony of the publishers to show that first-class mail matter was so largely increased by the distribution of second-class matter that postal receipts would diminish far more rapidly than expenditures through any reduction in the volume of printed matter containing advertisements.

The Commission found that within a defined radius

second-class matter in packages consigned to a single address can be transported with profit at one cent a pound, and that the transportation and handling of the same matter by single copies costs more than a cent; but there were no data upon which to determine the correct proportions of profit to loss on the respective lines of service.

Recommendations were made looking to betterment of the service, reduction of railway mail pay, correction of classifications, uniform charges for similar service, new mail weighing and counting, and a tentative adjustment of rates; but on the main question at issue the Commission unanimously agreed that a definite basis for just rates could not be ascertained until the whole postal establishment was placed on a more efficient and businesslike footing. It was believed that while the weighing, counting and mileage record recommended would furnish some evidence of cost, that process alone would not furnish a



reliable basis for computation, because an analysis of all operating expenses and their proper assignment to the various classes of service rendered was obviously necessary to enable either the Commission or the Department to reach a proper conclusion as to the cost of handling secondclass mail matter or the performance of any other postal service. No such analysis had ever been made or attempted by the Department. Indeed, it seemed that the separation of operating expenses was not possible with the Department system of accounting and bookkeeping. The Commission concluded its report as follows:

This Commission is in accord with the views of the Postmaster-General that the whole business system of the postal service should be examined and overhauled by a postal service should be examined and overhauled by a set of expert accountants and statisticians to be secured from the ranks of those professions outside the Department. Such statisticians and accountants should have the same liberty to inquire into, analyze and overhaul the methods of the Department that would be given to them if they were employed to reorganize the business system of a private enterprise. Their conclusions and recommendations should be submitted to Congress with a view to such a reorganization as would put the service upon a basis as complete and efficient as would be demanded for a private business organization of equal magnitude.

Congress Asked to Clean House

To squite evident to this Commission that with the force at its command the Post-Office Department can never accomplish this purpose. The best statistical talent it possesses, which is quite sufficient for the routine work which the organization of the service now requires, is composed of persons who have risen by merit from ordinary clerkships to positions paying in general not more than \$1600 or \$1800 a year. It is too much to ask that the persons receiving this compensation should, in addition to their regular and ordinary duties, be able to take that broad and thorough survey of the whole service from the standpoint at once of the experienced traffic manager and the railway economist that is necessary for the reorganization of this Department.

It is believed, too, that this examination can best be made through the agency of Congress. The officers of the service are their agents, and, as this Commission believes, they are trustworthy agents. But when the system under which those agents act, which is itself largely the work of Congress, is found wholly insufficient to inform them what part of the business is unprofitable and carried on at a loss, and what part of the business is conducted at a profit, and to what the deficiency which Congress every year have to make up out of revenues from wholly different sources is properly to be ascribed, then it is peculiarly the duty of Congress to obtain for their own purposes, and by means wholly adequate to the end, the information necessary for the reorganization of a system which they themselves have created.

The Commission realizes that this is a task of great magnitude, but it must not be forgotten that great inter-

The Commission realizes that this is a task of great magnitude, but it must not be forgotten that great interests are at stake. It involves, first of all, the expenditure every year of \$175,000,000 of the people's money. It will shortly involve even more than that, for at the rate at which the postal service is growing it will not be (Continued on Page 69)









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That Postal Deficit and How to Cure It

(Continued from Page 20)

many years before the annual expenditure is \$250,000,000, or even \$300,000,000. The object of this inquiry is not a temporary or provisional one. It is an attempt to get that gigantic enterprise known as the postal service organized once for all upon a sound economic and administrative basis.

Your Commission, therefore, recommends, in addition to the enactment into law of the reforms already discussed in this report and embodied in the accompanying bill, that a commission be created to make a complete and thorough investigation of the operations of the Post-Office Departof the operations of the Post-Office Department in all its branches, with a view to determining, first, the true cost of every kind of service which that Department renders; second, the proper division of the operating expenses of the whole postal service between the classes of matter which that service undertakes to handle and transport for the public and for the Government; and third, what modifications of the present system of bookkeeping and accounting, or what other system if the present be found ineffectual, should be recommended to Congress as proper to be inaugurated by future legislation. inaugurated by future legislation.

In conformity with the views advanced by the Commission Congress promptly reduced railway mail pay on dense routes on a basis which has since resulted in an annual saving of between three and four millions of dollars. Mail weighing, counting and ascertainment of average haul were authorized, and a Joint Commission was created to investigate the business methods of the Post-Office Department and the Postal Service. The new Commission was composed of the same Senators and Representatives as the former Commission. An appropriation having been made for the numbers the Commission covered the commission of the same services. purpose, the Commission engaged the services of two firms of public accountants to prosecute the investigation.

A Director of Posts

According to the arrangement the work was promptly started and continued from April until December, when the accountants submitted their final report, which will be found in Senate Document Number 201,

be found in Senate Document Number 201, Sixtieth Congress, First Session.

The investigation was thorough and the recommendations of the accountants were in the main approved by the Commission and embraced in a bill entitled "A Bill to Codify, Revise and Amend the Postal Laws of the United States," introduced in the Senate by me on December 17, 1908. The Commission prepared the measure in the light of existing law, past, experience the light of existing law, past experience, expert investigation and the suggestions offered by Department officials, experienced Postmasters and others.

Analysis of the 623 sections of the bill

annot be made in a brief article, nor is it necessary to do more than mention a few of the chief ends sought to be attained by its enactment. First, it exempts responsible business management of the postal service from the mutations of politics by placing from the mutations of politics by placing such management in charge of a Director of Posts who, with his seven assistant directors, shall be appointed by the President by and with the advice and consent of the Senate and shall be removable only for cause.

The duties of the Director and assistant directors are analogous to those of the general manager and the division super-The duties of the Director and the intendents of a great railway system. The Postmaster-General is relieved of the details of administration and left free to perform the higher duties of his office as related to public policy and general supervision. It is needless to comment on the vision. It is needless to comment on the demand for such continuous and efficient business management as the Director of Posts and his assistants, selected on account of experience and ability, would supply. If the directing force in the operating department of the best railroad property in the country should be frequently changed and generally made up of inexperienced men, however able, a receivership would soon be the inevitable result. Yet that kind of proceeding is practically the custom in the Post-Office Department, which has 325,000 employees, 60,000 post-offices, and 26,000 domestic transportation routes aggregating nearly 450,000 miles in length with annual



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travel of over 442,000,000 miles. Last year the total receipts were \$203,562,383.07 and the expenditures amounted to \$221,004,-102.89, and in addition money orders were issued for \$491,174,844.00. This stupendous business enterprise is managed by the Postmaster-General and four assistants, who are usually selected on partisan grounds and rarely allowed to remain in office long enough to become reasonably familiar with the mere outlines of their work.

enough to become reasonably familiar with the mere outlines of their work.

The bill seeks to decentralize the system so as to overcome the wasteful and paralyzing effects of congestion at Washington. An organization is created to fill the gap between the Department in Washington and work in the field, and for this purpose the country is to be divided upon administrative rather than geographical lines into districts which are each to be in charge of a Superintendent of Post-Offices.

The wisdom of establishing districts for administrative purposes is as clear as the necessity for division superintendents on a transcontinental railway line. To illustrate: If the lock on a mail sack is injured at Point Barrow, Alaska, today, the sack must be shipped to Chicago for repair, and only a short while ago Washington City had the only repair shop available. Supplies are now ordered from Washington and forwarded by mail, whereas under the new order a very large proportion of the supplies would go by freight direct from the place of origin to a warehouse near the place of use. The Hill system of railways would be managed like our postal service if all station agents were required to write would be managed like our postal service if all station agents were required to write to the New York office for supplies of paper, furniture, ink and the like, and the section bosses had to call for picks, shovels and other necessaries from the same source, and so on down to the end of the line to and including an accounting method so crude that no one could determine with accuracy

Wiping Out the Deficit

the cost of any service.

The bill does not provide a rigid statutory form of account-keeping, but indicates the general lines of the system which the Director of the Posts shall install. The books prescribed will exhibit analytically the operations of the Department and the coveries distributed on the present of the property service distributed, on the one hand, among the main heads of service, such as collection, assorting, transportation, and so on, with cross allocation, on the other hand, of all the expenditures to the respective classes of mail matter for which they are performed. Some twenty-five thousand small post-offices are made non-accounting and grouped under the general head of "im-prest" offices, thereby avoiding an immense prest offices, thereby avoiding an immense amount of needless accounting and book-keeping. A Commission of Postal Appeals is created, to pass on all questions of a quasi-judicial nature involving a citizen's right of access to the mail. Rates of postage and all matters liable to lead to protracted debate were omitted so as to avoid divorting attention from the fundamental

tracted debate were omitted so as to avoid diverting attention from the fundamental question of reorganization.

But I must forego further pursuit of details. The bill was cordially approved by Postmaster-General Meyer and his assistants, and likewise has the approval of Postmaster-General Hitchcock. It failed of passage during the last Congress owing to lack of time for its proper consideration, but I have reintroduced the bill, which is now designated Senate 6287, Second Session, Sixty-first Congress. The Committee on Post-Offices and Post-Roads will favorably report the bill to the Senate and it should be enacted into law before the close of this report the bill to the Senate and it should be enacted into law before the close of this session. I believe not only that it will increase efficiency, but that, after the expense of installation is absorbed, it will result in such economies in the administration of the Department and service as will ere long wipe out the deficiency. In operating under it the Department will be able with almost unerring certainty to determine the actual cost of each service performed, thereby reaching a sound basis for legislation such as is neither available nor obtainable under the present system.

I deeply sympathize with the earnest desire of the Department officials to get rid of the deficiency they are fated to en-

desire of the Department officials to get rid of the deficiency they are fated to encounter each year, but I submit that the first real movement toward that end must begin with the substitution of a modern, up-to-date business organization for the existing antiquated system, which rests upon a few sections of law enacted in 1835, supplemented by statutory fragments added from time to time since that year.

Plain Words From a Painter To a House-Owner





OU would think that painters averaged better than bankers, lawyers or merchants, the way people trust them" said an old painter to a property-owner who had called him in to tell him why his painting had gone wrong.

"Painters will average just as high in skill and honesty as any class,

perhaps," he continued, "but don't think that good painters have no unworthy competitors. We have fakirs to contend with in our trade as much as you do in yours. And you property-owners make it hard for those of us who try to do the right thing. You leave

everything to the painter.

¶ "But what painter? The man who bids lowest." What do you expect the cheapest man in the bunch will do to you when you leave it all to him? Of course

you get stung sometimes.

There is nothing much wrong with this job except that the painter used a substitute for pure white lead and did his work too hurriedly. I suppose he had to do it in order to make anything on what you paid him."

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