

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No. 266

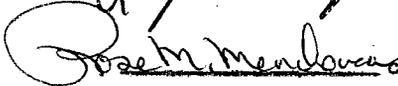
Approved May 3, 1980

WHEREAS, The United States Postal Service has proposed an increase in First Class Postage of Thirty-three Percent (33%) to take effect early next year if approved by the Postal Rate Commission;

NOW, THEREFORE, BE IT RESOLVED, That the United States Postal Service is hereby reminded of the Presidential Guidelines relative to wage increases of Seven Percent (7%) when considering the First Class Postal Rates proposed increase of Thirty-three Percent (33%).

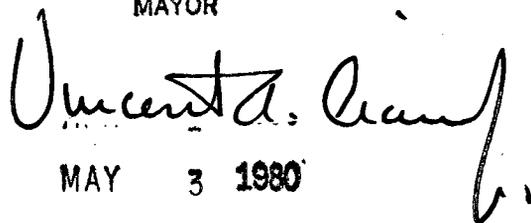
IN CITY COUNCIL

MAY 1 1980
READ AND PASSED


PRES.

CLERK

APPROVED

MAYOR


MAY 3 1980



UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza, SW
Washington, DC 20260

Dear Ms. Mendonca:

Postmaster General William F. Bolger has asked me to respond to your May 2 letter.

Your concern about the prospect of higher postage rates is understandable. Enclosed is a fact sheet that provides the details of the proposed increase. I hope you have the time to read it and that it clarifies why it was necessary for the Postal Service to take this action. If we had a choice, we would not raise rates. We realize it hurts us as well as most of our customers. Inflation and our legal mandate, however, leave us no alternative.

It is important to keep in mind that there will be no rate increase this year. This means that, despite runaway inflation, we will have gone from 1978 to 1981 with the same rates. Also, although the rate filing represents a 28% average increase overall, these rates will apply for a multi-year period. Unlike companies in the private sector, we can't--and don't want to-- raise our prices every few months. In addition, once the new rates are implemented, we will do everything in our power to avoid having to raise them again for at least another two and one-half years. Our ability to hold the line, of course, will depend largely on the future course of inflation.

We appreciate your writing and giving us the benefit of your views.

Sincerely,

Thomas W. Chadwick
The Consumer Advocate

Ms. Rose Mendonca
City Clerk
City Hall
Providence, Rhode Island 02903

Enclosure

PROPOSED POSTAGE RATE INCREASE--1981

On May 29, 1978, when United States postage rates and fees were last increased, Postmaster General William F. Bolger pledged that the Postal Service would do everything possible to hold the line on any future rate increases for two and a half years. Despite three years of unprecedented inflation, this promise has been kept.

Public Law 91-375, the Postal Reorganization Act of 1970, requires the Postal Service to recommend postage rates and fees which will fully cover the direct and indirect costs attributable to each class or type of mail. As a consequence, when Postal Service cost projections for 1980 indicated an estimated revenue shortfall of \$600 million, Postal Service management was legally bound to submit a rate increase proposal to the independent Postal Rate Commission.

In compliance with the above-cited Federal law, the Postal Service submitted a rate increase proposal to the Postal Rate Commission on April 21, 1980. The Postal Service has requested a 20-cent first-class rate and proposed other major rate category increases as follows: second-class, 1.9 percent; third-class bulk rate, 17.7 percent; and parcel post, 8.4 percent.

The Postal Service's proposal is now in the hands of the independent Postal Rate Commission. Federal law prescribes that the Commission has ten months to review the proposal, conduct public hearings, and issue a recommended decision to the Governors of the Postal Service.

There are a number of reasons why postal costs have begun to exceed revenues. Although energy and material costs have been major contributing factors, the primary cause is the uncapped cost-of-living-adjustment clause of our labor contract. In 1978, when we last negotiated a contract with our union employees, we insisted on a cap on cost-of-living adjustments (COLA). The proposal was rejected by the union membership and the issue was referred to binding arbitration. The arbitrator, appointed by the Federal Mediation and Conciliation Service, decided to uncap the cost-of-living payments and, under Federal law, this decision was legally binding on the Postal Service. As a consequence the Postal Service has been required to provide large cost-of-living pay increases every six months. For example, last February's rise in the consumer price index alone added \$110 million to our payroll costs.

It is fair to ask what the Postal Service has done to keep costs down. Perhaps the most dramatic statistic which demonstrates how hard we have been working on this problem is the fact that between 1971 and 1979 we reduced the number of employees by 80,000 at a time when mail volume was increasing from 86.9 billion pieces of mail per year to 100 billion.

In addition to the production increases noted above, we have purchased more than 1,000 battery-powered postal vehicles which operate at an annual cost of half the amount required for the gasoline-powered vehicles they replaced. This innovation, and other energy-conservation programs have resulted in savings equivalent to 1.5 million barrels of oil a year over what was being used in 1973. And, we recently embarked on an \$11.8 million facilities improvement program designed to save \$5 million in utility costs per year. Finally, by judiciously investing our excess cash in short-term United States Treasury bills on a day-to-day basis, we earned \$349 million in interest during Fiscal Year 1979.

The Postal Service believes that even at 20 cents, a first-class postage stamp is still one of the American consumer's best buys. For less than one-sixth the cost of a gallon of gasoline, your personal messages are collected, sorted, transported thousands of miles, and delivered to a friend or relative. United States postage rates are, in fact, among the lowest in the world. The average first-class rate among the major nations of the world is 26.4 cents.