
PROVIDING THAT ALL EMPLOYEES OF THE VETERANS' CANTEEN SERVICE SHALL BE PAID FROM FUNDS OF THE SERVICE

MARCH 24 (legislative day. MARCH 18), 1949.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

R E P O R T

[To accompany S. 1185]

The Committee on Finance, to whom was referred the bill (S. 1185) to provide that all employees of the Veterans' Canteen Service shall be paid from funds of the Service, and for other purposes, having considered the same, report favorably thereon with an amendment, and recommend that the bill as amended do pass.

The amendment is as follows:

Page 4, after line 6, insert the following:

SEC. 4. The provisions of this Act shall take effect on the first day of July 1949.

The purpose of this amendment is to make this act effective on the first day of the fiscal year.

This amendatory legislation was recommended by the Administrator of Veterans' Affairs in a letter dated March 3, 1949, addressed to the chairman of the Finance Committee. Its principal purpose is to place the Veterans' Canteen Service on a more self-sustaining basis and, at the same time, enable the Service to continue to furnish veterans in hospitals and homes merchandise and services at reasonable prices, as contemplated by the act.

ANALYSIS OF THE BILL

This bill seeks to accomplish the following:

1. Permit Veterans' Canteen Service to make final disposition of equipment transferred to it by the Veterans' Administration;

2. Require Service to reimburse Veterans' Administration for all utilities furnished;

3. Payment of all Service salaries, wages, and expenses of all its administrative and supervisory personnel as well as those employed in canteens, warehouses, etc.;

4. Exclude Service personnel from personnel ceilings of Federal Employees Pay Act of 1945;
5. Permit use of Service funds for cashing of checks, money orders, etc.

COST

The principal effect of the proposed bill would be to transfer a major item of cost in the operation of the Veterans' Canteen Service from appropriated funds of the Veterans' Administration to funds of the Service, which would make the Service self-sustaining except for the space, equipment, and services authorized to be furnished by the Veterans' Administration without reimbursement under sections 2 (c) and 2 (d) of the act. This would not increase the cost to the Government and appropriated funds of the Veterans' Administration would be relieved of approximately \$1,137,000 annually as follows: The charge of approximately \$1,125,000 a year for salaries and expenses of branch and central office employees for the Canteen Service would be transferred from Veterans' Administration appropriations to the funds of the Canteen Service, and approximately \$12,000 a year would be transferred from funds of the Service to appropriations of the Veterans' Administration as reimbursement for utilities furnished. Based on operating experience to date it is believed that the Veterans' Canteen Service can assume this additional cost of operation and still furnish veterans in hospitals and homes merchandise and service at reasonable prices as contemplated by the act.

The letter from the Administrator of Veterans' Affairs is as follows:

MARCH 3, 1949.

HON. WALTER F. GEORGE,
*Chairman, Committee on Finance,
 United States Senate, Washington 25, D. C.*

DEAR SENATOR GEORGE: During the second session of the Eightieth Congress, the Veterans' Administration submitted to the President pro tempore of the Senate a draft of bill, the major purpose of which was to transfer the burden of paying the salaries and expenses of personnel presently being paid from appropriated funds of the Veterans' Administration to funds of the Veterans' Canteen Service. The act now provides that employees of the Service, other than those employed at canteens, warehouses, and storage depots of the Service, shall be paid from Veterans' Administration appropriations. The bill also proposed certain other changes designed to facilitate the operation of the Service.

This legislation was introduced in the Senate as S. 2772, was reported favorably by the Committee on Finance on June 7, 1948 (Rept. No. 1533), was passed by the Senate on June 12, 1948, and on June 14, 1948, was referred to the Committee on Veterans' Affairs of the House of Representatives. A companion bill (H. R. 6550), was introduced in the House of Representatives. Neither of these bills was enacted. A bill (H. R. 2109), identical in substance with H. R. 6550 and S. 2772 has been introduced in the House of Representatives during the current session of Congress.

As set forth in a letter accompanying the draft bill submitted to the Eightieth Congress, the primary function of the Veterans' Canteen Service is that—

"of making available to veterans of the armed forces of the United States who are hospitalized or domiciled in hospitals and homes of the Veterans' Administration, at reasonable prices, articles of merchandise and services essential to their comfort and well-being."

As contemplated by the act, the Service is basically a commercial-type operation engaged in selling merchandise and services to veterans in hospitals and homes of the Veterans' Administration. When the bill proposing the establishment of the Veterans' Canteen Service was presented to the Congress in 1946, the Veterans' Administration was without experience or precedent in the operation of such a service. Operating experience to the present time has demonstrated that the Service is capable of paying salaries and expenses of all employees without

impairing its service to veterans and has disclosed certain imperfections in the original law which should be corrected by amendatory legislation. It is believed that the proposed bill, if enacted, will facilitate the operation of the Service for the purposes intended.

The proposals will be discussed in the order set forth in the draft bill.

The following changes would be effected by the proposed amendment to section 2 (d) of the act:

1. The Service would be permitted to make final disposition of equipment transferred to it by the Administrator of Veterans' Affairs which is no longer of use to the Service by reason of obsolescence or otherwise.

Under the present law, such equipment must be returned to the Administrator for disposition since it may now be furnished to the Service only "for its use." This imposes the burden of final disposition upon the Veterans' Administration and often will result in a smaller return to the Government than would be realized were the Service permitted to dispose of it. In the event this proposed amendment is enacted, the proceeds from such disposals would become part of the revolving fund and therefore available for return to the Treasury in accordance with the law, if in excess of the estimated needs of the Service. The additional administrative burden imposed on the Veterans' Administration under the present language of the law is further complicated by the fact that in disposing of the equipment which the Service has returned to the Veterans' Administration it is necessary to determine the equity of the Service in the equipment to which it may be entitled because of betterments and improvements made with Service funds. The determination of the equities of the Veterans' Administration and the Service in such equipment involves accounting expenses which are disproportionate to the proceeds that can be expected from the disposal of such equipment.

It is not anticipated that any substantial amount of equipment purchased from Veterans' Administration funds will hereafter be transferred to the Service by the Administrator. Therefore, this proposed amendment would relate largely to the equipment that has already been transferred to the Service. This equipment cost the Veterans' Administration approximately \$315,000, and most of it has a life expectancy of from 4 to 10 years. It is the policy of the Service not to dispose of equipment until its useful life has been exhausted. Hence, it is expected that the residual value of the equipment affected, which would be returned to the Veterans' Administration under the present law, will be merely its salvage value and in case it is returned to the Veterans' Administration for its disposition the aggregate realization thereon would not exceed about \$25,000.

2. The Service would be required to reimburse the Veterans' Administration for all utilities furnished.

Under the present law, necessary utilities, including light, water, and heat, are furnished the Service by the Veterans' Administration without reimbursement except that the Service is required to pay for electricity and gas furnished for cooking, refrigeration, and power. The cost to the Veterans' Administration of the light, water, and heat currently being furnished the Service on a nonreimbursable basis has not been definitely ascertained but this is a comparatively small item in the operation of the Service and, it is estimated, does not exceed \$12,000 a year for all canteens, and Veterans' Administration appropriated funds would be relieved in that amount.

The proposed amendment to section 2 (e) would effect the following changes:

1. It would exclude personnel of the Service from personnel ceilings as provided in section 607 of the Federal Employees' Pay Act of 1945, as amended (5 U. S. C. 1947).

It has become apparent that the purposes for which the Veterans' Canteen Service was established cannot be accomplished most effectively so long as employment of its personnel is subject to these personnel ceilings. The operation is essentially a merchandising activity which requires flexibility of control in its management as well as prompt and unhampered adjustments to fluctuations inherent in any operation of this type. Personnel requirements are based primarily on volume of sales and extent of service conducted. The Service cannot be expected to conduct an efficient merchandising operation unless it has unhampered authority to add personnel to handle increases in volume or extensions in service. Unpredictable changes in the operation due to seasonal fluctuations and changes in the scope of authorized services rendered make it necessary that these adjustments be independent of personnel ceilings which are not readily adjustable. In accordance with sound commercial practices the Service itself will necessarily maintain control over the number and cost of personnel, with no necessity for imposing additional control in the form of personnel ceilings as comprehended by section 607 of the Federal Employees' Pay Act of 1945.

2. The Service would be required to pay the salaries, wages, and expenses of all its administrative and supervisory personnel as well as of its employees at canteens, warehouses, and storage depots.

This would result in elimination of the principal burden of the Service upon appropriated funds of the Veterans' Administration and would place it practically on a self-sustaining basis. Under the present law the salaries and expenses of personnel other than those employed at canteens, warehouses and storage depots must be paid from Veterans' Administration appropriations. The salaries and expenses of Veterans' Canteen Service personnel in field offices and the central office at the present time amount to approximately \$1,125,000 a year and the charges against appropriated funds of the Veterans' Administration will be reduced by that amount.

The proposed subsection (k) to section 2 would permit the use of Service funds for cashing checks, money orders, and similar instruments for the payment of money presented by veterans hospitalized or domiciled in hospitals or homes of the Veterans' Administration and by other persons authorized by section 3 of the act to make purchases at canteens. Because of the remoteness of some hospitals and homes of the Veterans' Administration from banking facilities, it is frequently difficult for authorized patrons of the canteens to obtain cash. This is particularly true in respect to patients and members. Prior to the establishment of the Service, concessionaires observed the general commercial practice of cashing checks and accepting such instruments in exchange for merchandise. The Service followed the same practice, in a restricted way, until the Comptroller General, on November 13, 1947 (B-56092, 27 Comp. Gen. 276), ruled that under existing law the Service is not authorized to use its funds for this purpose. In consequence, patients and members in hospitals and homes have been denied the facility for cashing their checks at canteens, which occasions a certain amount of hardship, and authorized patrons are denied the ordinary commercial facility of making purchases with payment by check.

In the event this proposal is enacted, it is not the intention of the Administrator to institute a general check-cashing service at canteens but to limit same strictly by regulations. Cash at canteens is not normally available in amounts to make possible the cashing of salary checks of employees or personal checks for large amounts. It is contemplated that personal checks, money orders, etc., in only small amounts as limited by regulations, would be cashed and that cashing of Government checks would be limited to those issued to veterans in payment of benefits under laws administered by the Veterans' Administration. Under the administrative controls which will be established, it is believed that losses from uncollected checks would be nominal. Such losses at all canteens prior to the ruling of the Comptroller General mentioned above amounted to approximately \$100 and they should be nominal under the strict administrative controls which will be put into effect if the proposed authority is given.

The proposed amendment to section 4 of the act, which provides for financing the Service through a revolving fund, would modify that section in conformity with the substantive changes proposed in the amendments to subsection (e) of section 2. Another substantive change, however, would be made in section 4 in that the Service would be authorized to pay premiums on fidelity bonds of its employees. It is highly desirable that all canteen employees be bonded due to the loss hazard inherent in the type of business done. Merchandise is more apt to be stolen than ordinary supplies in view of the ready market, and specific individual accountability is not possible. Canteen employees are drawn from a more transient class than the average Government employee and it is impracticable to require the purchase of individual bonds by canteen employees at the high rate demanded for such bonds, due to the comparatively low "take home" pay which is common to retail business. To impose this burden on canteen clerks, all of whom have access to merchandise, would make it extremely difficult to secure the necessary employees and provide the required service. Commercial enterprises of a similar type generally bear the fidelity bond expense for all employees on a blanket basis and the value of this protection as a necessary business cost is universally recognized in such businesses. The cost to the Service of a blanket bond would be approximately \$3,000 per year, or about one-third the aggregate cost of individual bonds. Although the total dollar saving effected through the protection of fidelity bonds is not susceptible of exact measurement, the deterrent effect of such bonds, the investigative facilities of the surety and the actual recoveries facilitated thereby would more than justify the expense.

The principal effect of the proposed bill would be to transfer a major item of cost in the operation of the Veterans' Canteen Service from appropriated funds

of the Veterans' Administration to funds of the Service, which would make the Service self-sustaining except for the space, equipment, and services authorized to be furnished by the Veterans' Administration without reimbursement under sections 2 (c) and 2 (d) of the act. This would not increase the cost to the Government and appropriated funds of the Veterans' Administration would be relieved of approximately \$1,137,000 annually as follows: The charge of approximately \$1,125,000 a year for salaries and expenses of employees now being paid from Veterans' Administration appropriations would be transferred from Veterans' Administration appropriations to the funds of the Canteen Service, and approximately \$12,000 a year would be transferred from funds of the Service to appropriations of the Veterans' Administration as reimbursement for utilities furnished. Based on operating experience to date, it is believed that the Veterans' Canteen Service can assume this additional cost of operation and still furnish veterans in hospitals and homes merchandise and service at reasonable prices as contemplated by the act.

It is believed important that this proposed legislation be enacted and there is enclosed another draft bill entitled "A bill to provide that all employees of the Veterans' Canteen Service shall be paid from funds of the Service, and for other purposes," which is identical with S. 2772, Eightieth Congress. It is requested that this proposed legislation be introduced and considered for enactment.

Advice has been received from the Bureau of the Budget that there would be no objection by that Office to the submission of the proposed legislation to the Congress.

Sincerely yours,

CARL R. GRAY, Jr., *Administrator.*

The committee is in accord with the purposes of the bill and recommends its enactment.

