

REVENUE ACT OF 1932

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

FIRST SESSION

ON

H. R. 10236

AN ACT TO PROVIDE REVENUE, EQUALIZE TAXATION
AND FOR OTHER PURPOSES

MAY 3, 1932

SUPPLEMENT No. 1

POSTAL RATES

Printed for the use of the Committee on Finance

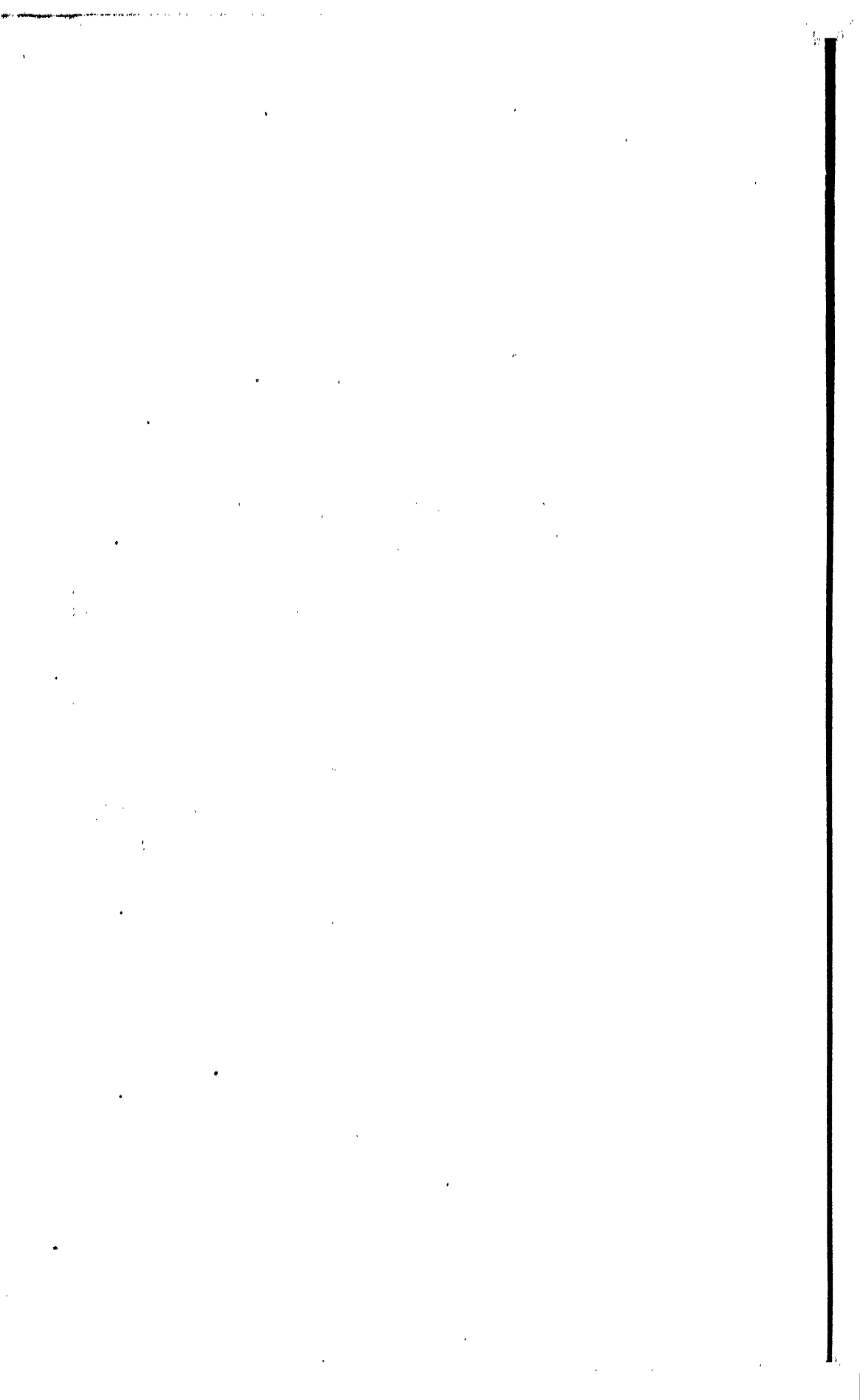


UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1932

PREFACE TO SUPPLEMENT NO. 1

After the conclusion of the hearings on the revenue act of 1932 (H. R. 10236) on April 21, 1932, the Finance Committee met in executive session from April 25 until May 9, 1932, for the purpose of revising the bill as passed by the House of Representatives. When the question of increased postal rates was reached for consideration several members expressed a desire to have the Postmaster General appear before the committee and express the views of his department in regard to said increase. The Postmaster General was accordingly invited and did appear on May 3, 1932. His testimony is here printed in full together with tables and charts presented by him.

ISAAC M. STEWART, *Clerk.*



POSTAL RATES

TUESDAY, MAY 3, 1931

STATEMENT OF WALTER F. BROWN, POSTMASTER GENERAL

The CHAIRMAN. Now, Mr. Postmaster General, you have no doubt looked over the House provision, as provided in the bill before us, and the committee would be very pleased indeed to hear from you as to your views on that amendment of the House, or any suggestions that you may desire to make.

Postmaster General BROWN. I do not know that I can add anything, Mr. Chairman, to what I said before the House Committee on Ways and Means, as reported, beginning on page 268 of the hearings on the revenue revision of 1932. The whole question of rates was very thoroughly discussed there. I stated at that time that an increase of 1 cent on the first-class postage rate, if it applied to letters for delivery outside of the post office of origin would raise substantially \$100,000,000. I stated at that time that \$25,000,000 to \$30,000,000 more could be raised, theoretically, by increasing the rate on what we call drop letters, or letters that are mailed for delivery at the post office where they originate. We do not recommend that, however, for this reason: There 's a growing tendency on the part of large mailers of letters to deliver their own letters.

Senator REED. Like the gas company here in Washington?

Postmaster General BROWN. The public utilities do it a great deal. They can do it cheaper than the 3-cent postage. There is no way to reach that, in our judgment.

Here we have an increase of 1 cent for first-class letters for delivery outside of the post office of origin, and we think that increase is justified from every viewpoint—the value of the service to the mailer, and in comparison with all other services. Great Britain's rate is 3 cents, Canada's rate is 3 cents, Australia's rate is 4 cents, Germany's rate is 3½ cents for five-sevenths of an ounce.

Senator HARRISON. Are those permanent rates, General?

Postmaster General BROWN. Yes; those are permanent rates. France's rate is 2 cents for five-sevenths of an ounce, Italy's is 4½ cents; Russia is 7½ cents, and Argentine 6 cents, and Mexico 4 cents. Ours is the only 2-cent postage country.

Now it may interest you to know that the letter carrier in our country gets \$2,100 a year, and that letter carriers are paid \$900 in London. Those are the relative rates of pay in the services. We do not favor an increase of rates on postal cards, because that would drive them out of the mails. If a man could send either a drop letter or a postal card for 2 cents, he would not send the postal card.

The war revenue act of 1917 made some changes in the rates. One cent was added to the first-class rate, and there was an increase in the volume all during the period in which the 3-cent rate was in

effect, perhaps the normal increase of business in the country at that time.

Of course, we are in a period of depression now, and there is a difference in the volume. Our volume has shown a falling off.

Senator REED. By what per cent?

Postmaster General BROWN. It has shown a falling off in the larger cities about 30 per cent, and in the smaller cities about 14 per cent.

Senator KING. Do you mean for all receipts?

Postmaster General BROWN. For all receipts. It is impossible for us to keep those figures current by classes of mail.

Senator GORE. Has that been gradual or uniform, or has there been some sudden drop?

Postmaster General BROWN. Well, there have been some rather extraordinary things. For instance, there was a falling off of 25 per cent the week the House dealt with the revenue bill; and the following week we recovered 12 per cent.

Senator CONNALLY. That was because they were all writing to the Senators.

Postmaster General BROWN. It may have been because there was an increase in the correspondence in that direction. But there has been a steady falling off all the time, and we are at the low point now.

Senator WALSH of Massachusetts. And apparently that is still continuing?

Postmaster General BROWN. Yes; that is still continuing.

Senator BINGHAM. The magazine publishers state that they send out a series of follow-up letters to subscribers who have not renewed their subscription; one magazine lost 400,000 subscribers, and they sent out one after another of those letters, and they got a 10 per cent favorable reply. And then they sent another, and then another. And they find out by careful bookkeeping that it pays to send out seven letters. Now they tell me that by this increased postage cost, if it goes in, it will not pay them to send out the last three sets of letters, and their postage bill will be the same as it is to-day, and it will not help the Post Office Department.

Postmaster General BROWN. We make an allowance in our estimates for loss of volume. We realize that some advertisers who use what they call direct advertising will abandon the sealed letter and use a circular. That will take away slightly from the first-class and increase the third-class mail. That is all in our figures.

We do not figure on holding all our volume. But there is a great deal that does not come from the class of people you speak of. We are convinced, based on our present volume, that we can turn in \$100,000,000 into the Treasury to apply on our postal deficit of \$150,000,000.

Senator GEORGE. General Brown, how much of your deficit is due to new construction?

Postmaster General BROWN. None.

Senator GEORGE. None at all?

Postmaster General BROWN. No. We are not charged with the building program; that is all charged to the Treasury.

Senator GEORGE. That is all charged to the Treasury?

Postmaster General BROWN. Yes, sir.

Senator GEORGE. No part of those charges have to be borne by the department?

Postmaster General BROWN. None whatever. Our charges consist of labor for employees actually in the service, and —

The CHAIRMAN (interposing). What do your rents amount to now?

Postmaster General BROWN. Our rents amount to about \$18,000,000.

Senator WALSH of Massachusetts. Are you not charged with the maintenance of those post-office buildings?

Postmaster General BROWN. No; they are maintained by the Treasury.

Senator HARRISON. General, have you given any consideration to making this one-half cent postage, on the stuff that goes for one-half cent, or that has a half cent in the postage rate to raise that, increasing it to 1 cent?

Postmaster General BROWN. No; we have made no figures on that. You mean the 1½ cent rate to 2 cents?

Senator HARRISON. Yes.

Postmaster General BROWN. Those circulars are largely for promoting business. We do not believe we ought to raise that rate in a revenue bill, Senator Harrison. That is not an emergency. The revenue bill is an emergency matter. You are trying to raise some money quickly and get it where you can get it. The rate structure of the Post Office Department, we think, ought to be very carefully studied before changes are made in the services where we have competition. The only thing where we have a monopoly is first-class mail. Raising the second-class rate is something that is advocated by a great many people. We think a small increase could be made, but a large increase would undoubtedly drive a lot of that business away from us. We are carrying now only 17 per cent of the potential second-class matter of the country.

Senator SHORTRIDGE. What does that include?

Postmaster General BROWN. That includes magazines and papers of all kinds. Some are carried as baggage and express; some are sent by freight. We carry only 17 per cent of the potential second-class mail matter.

Senator GEORGE. General, what is your recommendation as to the reentry feature in that connection?

Postmaster General BROWN. You mean to make some further charge on it?

Senator GEORGE. Yes.

Postmaster General BROWN. Well, we have no recommendation on that. That would be only chicken feed: it would not amount to much.

Senator REED. What recommendation do you make as to the increase in the rates on second-class mail matter?

Postmaster General BROWN. We make no recommendation, Senator for action in the revenue bill. We think that a 10 per cent increase would be justified.

Senator LA FOLLETE. How much revenue would it produce?

Postmaster General BROWN. About \$2,500,000. The revenue act of 1917 made effective certain progressive increases in rates, and if those rates were effective now to their maximum limit in 1921, they would increase our revenues by about \$5,000,000. That is, if

that increase did not put the newspapers and magazines out of the mails.

Senator HARRISON. When will that become effective?

Postmaster General BROWN. It would all go in at once.

Senator HARRISON. Under the law, we changed the law of 1917, and it was repealed, was it not?

Postmaster General BROWN. Yes; by the act of February 28, 1925. Four years ago it was again reduced with the idea that it would produce more volume, but it did not. The volume did not increase. We think the second class would stand an increase.

Senator WALSH of Massachusetts. What was that reduction?

Postmaster General BROWN. I have the schedule here. In zones 1 and 2—on advertising portions—this is the rate per pound, or fraction, the 1925 rate was 2 cents, and it was reduced to 1½. In zone 3 it was 3 cents, and reduced to 2.

In zone 4 it was 6 cents, and reduced to 3. In zone 5 it was 6 cents, reduced to 4.

In zone 6 it was 6 cents, and reduced to 5, on advertising matter. In the eighth zone it was 9 cents, and reduced to 7. The percentages we have worked out here. I would be glad to put this into the record.

The CHAIRMAN. It may go into the record at this point.

RATES OF POSTAGE APPLICABLE TO SECOND-CLASS MATTER

The rate of postage on second-class matter from July 1, 1885, to June 30, 1918, was 1 cent a pound.

Rates of postage on second-class matter during the period from July 1, 1918, to January 15, 1922

(Cents per pound)

	Act of Oct. 3, 1917 (40 Stat. 328)				Act of Feb. 28, 1925, effective Apr. 15, 1925	Act of May 29, 1925, effective July 1, 1925
	Effective July 1, 1918	Effective July 1, 1919	Effective July 1, 1920	Effective July 1, 1921		
In county of publication.....	1	1	1	1	1	1
Publications exempt from zone rates on advertising portions.....	1½	1½	1½	1½	1½	1½
Publications containing 5 per cent or less advertising.....	1½	1½	1½	1½	1½	1½
Publications subject to zone rates on advertising portions:						
Other than advertising.....	1½	1½	1½	1½	1½	1½
Advertising—						
Zones—						
1 and 2.....	1½	1½	1½	2	2	1½
3.....	1½	2	2½	3	3	2
4.....	2	3	4	5	6	3
5.....	2½	3½	4½	6	6	4
6.....	2½	4	5½	7	6	5
7.....	3	5	7	9	9	6
8.....	3½	6½	7½	10	9	7

Exception: When there are more than 32 individually addressed copies or packages to the pound of any publication sent outside the county of publication, the foregoing rates are doubled, trebled, and so on, for each additional 16 copies or packages to the pound, except when 1 cent per zone rate applies.

Statement of mailings of second-class matter during the fiscal years 1917 to 1931

Year	Free in county	At pound rates	Postage collected
	Pounds	Pounds	
1917	60,719,202	1,141,620,466	\$11,416,204.66
1918	66,602,637	1,171,206,818	11,712,066.18
1919	60,480,618	1,126,817,848	10,065,947.76
1920	61,628,172	1,907,227,130	26,107,841.02
1921	59,082,440	1,177,147,870	26,496,717.94
1922	60,201,897	1,109,129,006	26,140,269.69
1923	64,894,812	1,262,552,746	28,601,842.20
1924	67,681,706	1,328,936,189	29,268,264.95
1925	69,196,041	1,348,296,632	29,617,728.19
1926	72,660,137	1,420,676,761	31,983,209.63
1927	74,664,634	1,478,636,606	32,860,366.74
1928	74,646,164	1,476,274,022	32,648,781.86
1929	74,711,671	1,618,811,126	27,812,037.80
1930	78,328,204	1,664,416,068	28,601,716.89
1931	70,467,028	1,395,146,612	25,366,798.79

Analysis of the mailings of second-class matter during the fiscal years from 1917 to 1931 shows that the changes in postage rates on such matter, either by increases or decreases, did not have an appreciable effect on the volume of such matter. During the fiscal year 1918 the mailings of second-class matter at the pound rates increased 30,000,000 pounds over the preceding year, while during the fiscal year 1919, the first year of the increase in rates, there was a decrease in the mailings as compared with 1918 of 45,000,000 pounds. This decrease, however, was not due to the increase in postage rates but to the order of the War Industries Board of August 5, 1918, prohibiting, for the purpose of "curtailing the use of paper," the establishment of additional newspapers and restricting the output of publications already established.

The fiscal years of 1921 and 1922 show decreases of mailings of second-class matter as compared with the respective previous years due primarily to the depression of 1921 when other businesses were similarly affected. From 1922 to 1930 there were normal increases in second-class mailings, while the mailings for 1931 as compared with 1930 show a decrease of 59,000,000 pounds. These figures as well as the figures showing the free-in-country mailings indicate that the economic conditions of the country, rather than increases or decreases in the postage rates on second-class matter, have been the controlling features governing the volume of such matter.

For several years prior to 1928, as well as since that time, many publications took out of the mails a considerable part of their circulation and made delivery by their own or other agencies in order to expedite their service. The reduction in 1928 of the postage rates on second-class matter brought none of the matter back into the mails which had been taken out prior thereto. As pointed out in the annual report for 1929 (p. 47) the only effect which the 1928 reduction in rates had on the volume of second-class matter was to bring about a shifting of points of mailing by a number of publishers, such publishers presenting at the office of original entry copies of their publications formerly mailed from additional entry points.

Senator HARRISON. With the increase, did we turn back to the old law?

Postmaster General BROWN. The increases were progressive from 1918 to 1925, when the rates were reduced. They were again reduced in 1928.

Senator REED. The act of 1928 reduced the rates?

Postmaster General BROWN. The 1928 act made reductions, yes. There was no indication that the maximum rate drove anything out of the mails. It was argued that the reduction would bring a greater volume, but that was not justified by the results.

Senator KING. General, I have been informed—and this has been several years ago, by the way—that there was a loss of \$7,000,000 annually in the carrying of the second-class mail. Is there any corroboration of that statement?

Postmaster General BROWN. Possibly. All depending on how you figure loss, Senator KING. If you figure by count or weight it costs us quite as much to handle a newspaper as it does to handle a sealed letter. If we count it that way then there is a very great loss on second-class mail. But, as a matter of fact, the second-class matter gets deferred treatment. All our equipment is set up for the handling of the first-class matter. That is, all of our plant, facilities, and equipment are set up for that purpose, and the carrying of all the other matter is incidental. And we do not think it is fair to charge the subordinate classes of mail on the basis of count and weight. Our operations are not based on that. The cost of handling this matter must be dealt with differently. The Postal Service must be dealt with as a public utility. The purpose is to keep all of the facilities in use all the time. A telegraph company sends 50 words for you at night for the cost of sending 10 in the daytime, although it is obvious that it costs just as much to send a given number of words at night as in the daytime; but by doing that they keep their facilities employed.

Senator REED. You said that a 10 per cent increase in the second-class rate would yield \$5,000,000 more?

Postmaster General BROWN. No; not quite, Senator.

Senator REED. How much would be figured by the 5 per cent reduction?

Postmaster General BROWN. The act of 1917 fixed the war period rates which reached the maximum July 1, 1921, and continued until 1925.

Mr. TILTON. Then there was an intermediate rate between the 1921 rate and the rate as it was fixed in 1928.

Postmaster General BROWN. That of 1921 was the peak rate, and that did not injuriously affect the volume either. There was a reduction in 1925 which resulted in increased volume. The 1928 rate reduction resulted in a loss of 15 per cent or \$5,000,000 without increase of volume.

Senator KING. General, I have examined a number of magazines; I remember going over the matter several years ago, there were huge magazines, weighing several pounds, with probably 50 or 60 pages of reading matter, and a much larger number of pages of advertisements, and it seems to me the cost of carrying them would be much greater than the amount stated by you.

Postmaster General BROWN. The rate schedule makes a distinct charge for advertising matter as distinguished from reading matter. Some of those magazines paid as high as 10 cents a pound. The highest rate now is 7 cents a pound.

Senator SHORTRIDGE. For the record, and for the purpose of clearing the matter in my own mind, how many rates are there?

Postmaster General BROWN. Four rates. The first-class rate is for letters.

Senator SHORTRIDGE. And the second-class rate?

Postmaster General BROWN. That is for periodicals and newspapers.

Senator SHORTRIDGE. Precisely. And the third?

Postmaster General BROWN. And the third-class rate is for circulars, and merchandise and books not to exceed 8 ounces in weight.

The fourth-class is for merchandise in excess of 8 ounces. That is parcel post.

Senator KING. That is the parcel-post rate?

Postmaster General BROWN. Yes, sir.

Senator SHORTRIDGE. What is your suggestion to the committee now, General?

Postmaster General BROWN. I would suggest 3 cents on letters for delivery outside of the post office of origin; and I would suggest an increase in the second-class rates, probably those in effect between April 15, 1925, and July 1, 1928.

Senator SHORTRIDGE. That would be a raise of 10 per cent?

Postmaster General BROWN. Yes; it would raise somewhere between \$2,000,000 and \$3,000,000.

Senator HARRISON. General, you said 1928. I am a little confused. I understood you to say that would go back to the war rate.

Postmaster General BROWN. The war rate would give you about \$5,000,000. That was abandoned in 1925. And then a new rate came in, which Mr. Tilton speaks of as the intermediate rate.

Senator WALSH of Massachusetts. You would go back to the war rate?

Postmaster General BROWN. I do not think I would. The periodicals are having a hard time, Senator.

Senator HARRISON. General, I have heard something to the effect that these publishing concerns ship their publications into the first zone and then transfer it to trucks and transport it. Could we increase the rate in the first zone to some extent?

Postmaster General BROWN. We have done so in the fourth class so as to produce about \$7,000,000 or \$8,000,000 more parcels post. We did that by petition to and action of the Interstate Commerce Commission recently. I do not think there is much you can do with the second-class rate in that particular. We had that problem before us recently. We raised the second-class rate to Canada, as we had a right to do by treaty. The result was that they went into Canada by freight, and then distributed in Canada by other methods, so we lost that mail. Now we have reduced the second-class rate to bring that back into the Post Office Department.

Senator GORE. Did it come back?

Postmaster General BROWN. Yes; it came back right away. The publishers prefer to use the mail, if they can.

Senator HULL. General, the Post Office and Post Roads Committee is in the habit of taking charge of these intricate matters that arise in the department, and matters of accounting, are they not?

Postmaster General BROWN. Yes.

Senator HULL. And the department knows more about it than we could learn in a week?

Postmaster General BROWN. Well, I would think in a week you would be able to learn quite a lot.

Senator HULL. I remember that in 1917 the chairman of the Committee on Post Offices and Post Roads of the House of Representatives came around to the Committee on Ways and Means and conceded jurisdiction to that committee, inasmuch as it was for an emergency purpose. And we discovered that we had taken hold of a red-hot poker, and they have shifted it back and forth ever since.

Senator KING. If the Post Office Committee refuses to take jurisdiction of it, we shall have to do it.

Postmaster General BROWN. I think these broad questions could be very properly introduced into a revenue bill, but the intricate matters, I think, require more study than you are prepared to give to them now.

Senator WALSH of Massachusetts. Only one question I want to ask you, General. Upon what theory do you charge up what you pay out for rents and you do not charge up anything for maintenance?

Postmaster General BROWN. Well, we are out of pocket what we pay for the rental premises.

Senator WALSH of Massachusetts. Why should not you charge up the expense of maintenance of the building?

Postmaster General BROWN. In a proper accounting system we would charge up the rent, of course.

Senator KING. If you charged for all the services you perform, it would be probably \$50,000,000.

Postmaster General BROWN. It would be.

Senator GORE. You set that off against the other services?

Postmaster General BROWN. Congress recently passed a law which allows us to take credit for our non-postal expenditures.

Senator GORE. Now do you have the figures for the decreased rate before the war, and the increased rate after the war?

Postmaster General BROWN. I think we have them available, if you have in mind what was the difference in the volume.

Senator GORE. Yes; and the revenue. I was wondering if the revenue raised proportionately to the increased rate?

Postmaster General BROWN. Yes; it did, because the volume did not fall off.

Senator GORE. Now when the rate went down, did the volume go up?

Postmaster General BROWN. Not materially.

Senator KING. Before you or some of your associates conclude, I would be very glad for you to figure up what the deficit would be if you charged yourself with the expenses now which you are unloading upon other branches of the Government but legitimately, in private business, you would be assuming.

Postmaster General BROWN. You would like to have the amount we should be charged by them as rent?

Senator KING. Yes; and the maintenance; all the things you put on other departments.

Postmaster General BROWN. The Government-owned quarters, that is all.

Senator GORE. Are you carrying some mail free?

Postmaster General BROWN. Yes; we carry all the mail of all the departments, and the Congress, free.

Senator GORE. I think that should be taken out of that.

Senator HARRISON. That is all set forth in your reports?

Postmaster General BROWN. Yes, sir.

Senator HARRISON. General, let me ask you this question: Is it possible to increase the air-mail rates any?

Postmaster General BROWN. Yes; it is.

Senator HARRISON. What about that?

Postmaster General BROWN. The law permits us to do it, and we have been waiting for a sign of business recovery before we do it.

Senator HARRISON. How much can you raise by that method, do you think?

Postmaster General BROWN. By raising 3 cents per letter, it would bring us in about \$3,000,000.

Senator HARRISON. About \$3,000,000 increase?

Postmaster General BROWN. Yes. And we have that all planned.

Senator HARRISON. Now, you carry in here in your estimate, as I understand it, \$25,000,000 on some other miscellaneous items. Where do you expect to get this difference between \$100,000,000 and \$125,000,000?

Senator SHORTRIDGE. That is just what I wanted him to cover.

Postmaster General BROWN. We are asking for an increase in the C. O. D. fees; and to revise the registry fees and limit of indemnity on the registry service. And on several incidental operations, increased insurance and C. O. D. fees, and a revision of the money-order fees; also a surcharge on registered matter not indemnified for the full value by the Post Office Department.

Readjustment of the fourth-class rates—that has been done already—effective as of October next.

We have also gotten from the Interstate Commerce Commission the authority to increase the limits in weight and size. I will be glad to submit this summary of pending legislation.

The CHAIRMAN. Mr. Postmaster General, you may put that in the record at this point.

Legislation recommended and matters pending referred to in the annual report fiscal year 1931

Increase rate to 3 cents an ounce or fraction thereof on matter of the first class, except postal cards, private mailing or post cards, and drop letters and other first-class matter mailed at post offices not having letter-carrier service. (This estimate takes into consideration the loss in volume which would occur on account of increase in rate.....	\$130,000,000
Increase insurance and C. O. D. fees (H. R. 10247).....	2,500,000
Revise registry fees and limits of indemnity on the registry service (H. R. 10244).....	2,000,000
Surcharge on registered matter not indemnified for full value by Post Office Department.....	5,000,000
Revise money-order fees (H. R. 10246).....	1,250,000
Payment of money orders at offices other than those on which drawn (H. R. 278).....	20,000
Readjustment of fourth-class rates authorized Mar. 15, 1932, by Interstate Commerce Commission.....	7,500,000
Increased limits of weight and size for fourth-class mail (accomplished).....	5,000,000
To fix the rate of postage on publications mailed at the post office of entry for delivery at another post office within the postal district in which the headquarters or general business offices of the publisher are located (H. R. 4594); passed House of Representatives Mar. 21, 1932.....	20,000
Total.....	153,290,000

BILLS INTRODUCED THIS SESSION NOT REFERRED TO IN THE ANNUAL REPORT

List recommended by letter

Make transient second-class rate 1 cent for each 2 ounces or fraction thereof, except in cases where the postage at the fourth-class rates would be lower, in which case the latter rates shall be applicable (H. R. 8818).....	\$500,000
Place a charge of 2 cents each on card Form 3578 furnished publishers concerning undeliverable copies of publications (H. R. 10494).....	250,000

Fees to accompany applications for entry of publications as second-class matter and for permits to mail matter without stamps affixed (H. R. 3317).....	\$500,000
To amend section 321, title 18, United States Code (to make statements, circulars, etc., placed in approved letter boxes subject to postage) H. R. 9262 (there is question as to the constitutionality of this bill).....	4,000,000
To fix the rates of postage on certain periodicals exceeding 8 ounces in weight (H. R. 6638).....	200,000
Total	5,450,000

TENTATIVE PROPOSALS NOT INCLUDED IN THE ABOVE

Increase rate on bulk mailings of third-class matter, other than books, catalogues, seeds, etc., to 14 cents a pound.....	3,000,000
Restores the zone rates on the advertising portions of second-class matter to the rates in effect from July 1, 1921, to Apr. 14, 1925..	5,260,000
These rates per pound or fraction thereof were as follows: Cents	
For the first and second zones.....	2
For the third zone.....	3
For the fourth zone.....	5
For the fifth zone.....	6
For the sixth zone.....	7
For the seventh zone.....	8
For the eighth zone.....	10
Making the doubling, trebling, etc., of the postage now applicable to publications numbering more than 32 copies to the pound begin with 6 copies to the pound.....	60,000
Increase the air mail rate from 5 cents for the first ounce and 10 cents for each additional ounce to 8 cents for the first ounce and 13 cents for each additional ounce.....	3,000,000
Total	11,320,000
Revenue list recommended in annual report.....	153,290,000
Revenue list recommended by letter.....	5,450,000
Revenue (tentative proposals).....	11,320,000
Grand total	170,060,000

Senator GORE. The air mail is costing how much, General?

Postmaster General BROWN. Domestic service is costing \$20,000,000 this year.

Senator GORE. Could not that be kept down to \$5,000,000?

Postmaster General BROWN. The revenue amounts to about \$7,000,000. We can increase that \$3,000,000 by increasing the rate.

Senator SHORTRIDGE. And as I understand you have the authority now to do that?

Postmaster General BROWN. Yes; the only limit is, we can not charge less than five cents for the each ounce, or fraction thereof. After that, anything the traffic will stand.

Senator GEORGE. General, have you lost anything in the Postal Savings Department?

Postmaster General BROWN. No; we get along very well with it. We have not been able to get enough during this depressed condition to justify urging a higher return to depositors but I think we will come out whole on it.

Senator GEORGE. You are not losing anything?

Postmaster General BROWN. No.

Senator GORE. Do you deposit that money in banks, or keep it in bonds?

Postmaster General BROWN. We put about 85 per cent in the banks, 5 per cent is required to be kept in cash and 10 per cent has been invested in Government bonds.

Senator KING. Is it not losing money for you by putting it in the banks?

Postmaster General BROWN. It would be if we did not buy some bonds and get the benefit of the higher rate. But by buying some higher priced bonds we are able to keep it in black figures.

Senator REED. General, is there some legislation that we could put in this bill, or is that taken care of in some other legislation?

Senator SHORTRIDGE. That is the question I wanted to put to him.

Postmaster General BROWN. Separate bills have been introduced to cover those various matters, and they are all coming along. I do not believe it is necessary to put them in the revenue bill.

The CHAIRMAN. Will you note what you have described that you refer to, so we will know?

Postmaster General BROWN. Yes; the only two things, I think, that should be included here are the first-class rate and, possibly, the second-class rate that we have accepted; everything else is being taken care of by appropriate committees.

Senator KING. There is one question I want to ask you, General. I noticed when I was home a few years ago that you were carrying shingles, and flour in 50-pound lots, and things of that nature cheaper than you could hire a man to carry it in big loads. I inquired about that, and the postmaster told me that on one load the Post Office Department would lose several hundred dollars. Do you still persist in that policy?

Postmaster General BROWN. We have been trying to raise our rates, Senator. We have had a good deal of difficulty with Congress in changing it.

Senator GORE. Does the parcel post pay its way?

Postmaster General BROWN. Not entirely. With these increases it will come near it.

Senator KING. Do you not think you could increase it? Do you think you are warranted in carrying these heavy articles, crates of chickens, and so on?

Postmaster General BROWN. I do not think there are any such instances now, Senator. But you see we come into competition with the trucks on freight. And we have to make a rate to handle it.

Senator KING. Why? Why make the Government a transportation company?

Postmaster General BROWN. That is a policy that Congress decided on years ago. We would be better off if we did not have any fourth class.

The CHAIRMAN. And this was all discussed then.

Postmaster General BROWN. Yes; and you decided the express companies needed competition.

Senator GEORGE. General, you have no power to classify second-class mail?

Postmaster General BROWN. No.

Senator GEORGE. In other words, there is nothing going as second class now that you can regulate under your general powers? x

Postmaster General BROWN. No.

Senator CONNALLY. Just one question, General. If we increase the first-class rate to 3 cents, do you not think you are justified in increasing the air mail rate?

Postmaster General BROWN. I will increase it the day that you do; the day you increase the first-class rate I will increase the other.

Senator SHORTRIDGE. Perhaps it has been made perfectly clear, but I understand that legislation is needed or required in order to raise the first-class rate.

Postmaster General BROWN. Yes; it is.

Senator SHORTRIDGE. But that legislation is not required in order to enable you, representing the department, to increase the rate on second class.

Postmaster General BROWN. No; it is needed on second class, but not on air mail, Senator.

Senator SHORTRIDGE. I thought so, but I understood somebody to say differently.

Postmaster General BROWN. The air mail we can increase administratively.

Senator GORE. Are the statistics you mentioned in the statement you made before the House Ways and Means Committee?

Postmaster General BROWN. Yes; it is all in my statement.