
STAR ROUTE CONTRACT PRICES

M E S S A G E

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT APPROVAL THE BILL (H.R. 2035) PROVIDING COST-OF-LIVING ADJUSTMENTS IN STAR ROUTE CONTRACT PRICES

JULY 20, 1966.—Referred to the Committee on Post Office and Civil Service and ordered to be printed with accompanying bill

To the House of Representatives:

I am returning H.R. 2035 without my approval.

I am returning it because the principle it embodies is inflationary.

I am returning it because it would set a bad example, not only in Government, but throughout our economy.

This bill provides that whenever the Consumer Price Index rises by at least 1 percent a year, the costs of more than 9,600 star route postal contracts would be automatically and arbitrarily increased.

Such a blanket adjustment of Federal contracts, based on the Consumer Price Index—or any price index—is dangerous. It substitutes an arbitrary rule for the need to judge each case on its merits.

Often, an increase in the Consumer Price Index does not mean that the contractor's actual operating costs have gone up. Yet, under this bill, the contractor would be automatically entitled to price increases.

This is not sound fiscal policy. It is not fair to those who do business with the Government, and it is not fair to the taxpayers.

The principle of this measure, if approved, would not stop with the star route postal contracts. It would spread to other Post Office contracts—and ultimately to contracts throughout the Federal Government.

This would open the door for similar actions throughout the private sector of our economy. The resulting automatic and, often unjustified, wage increases would fuel the fires of inflation.

Thus, we would be caught in an endless chain—a chain that would imprison the wage-earner behind the bars of inflation.

I do not intend to let that happen.

We are now in the sixth year of sustained prosperity. This prosperity was not achieved by accident. It was achieved by responsibility and restraint on the part of American business, American labor, and your Government. We imperil that prosperity if Government itself breaks the line.

I recognize that adjustments in contracts may be necessary from time to time. And it is the policy of this Government to make these adjustments whenever they are justified.

I also share the concern of the Congress that we should do everything possible to reduce the burden of paperwork which is now required of our star route contractors. But we must not attempt to achieve that goal by setting into motion arbitrary contract increases which can only contribute to a wage-price spiral with its disastrous impact on our economy.

Accordingly, I have withheld my approval from H.R. 2035. But I have directed the Postmaster General to take immediate steps to eliminate unneeded and unnecessary paperwork of these small contractors.

I believe that the purpose intended by the Congress in the enactment of this measure can be fully served in that manner without jeopardizing our sustained prosperity.

LYNDON B. JOHNSON.

THE WHITE HOUSE, July 19, 1966.

[H. R. 2035, 89th Cong., 2d sess.]

AN ACT To provide for cost-of-living adjustments in star route contract prices

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 6423 of title 39, of the United States Code is amended by inserting at the end thereof the following new subsections:

“(c) After January 1, 1966, and after each succeeding January 1, the Postmaster General shall determine the per centum change in the annual average of the Consumer Price Index published monthly by the Bureau of Labor Statistics of the United States Department of Labor from 1964 or the year immediately preceding the most recent contract price adjustment made pursuant to this subsection, whichever is later. On the basis of such determination by the Postmaster General, the following adjustments shall be made in each star route contract personally operated or requiring not more than two employees:

“(1) Effective July 1, 1966, if the change in such annual average from 1964 to 1965 shall have equaled a rise of at least 1 per centum, the contract price for each such star route contract which has a commencing date earlier than January 1, 1965, shall be increased by (A) such per centum rise for the first \$5,000 of the contract price, (B) three-quarters of such per centum rise for that

part of the contract price in excess of \$5,000 but not in excess of \$10,000, and (C) one-half of such per centum rise for that part of the contract price in excess of \$10,000 but not in excess of \$15,000.

“(2) Effective July 1 of each year after 1966, if the change in such annual average from the second preceding year to the immediately preceding year shall have equaled a rise of at least 1 per centum, the contract price for each such star route contract which has a commencing date earlier than January 1 of the immediately preceding year shall be increased by (A) such per centum rise for the first \$5,000 of the contract price, (B) three-quarters of such per centum rise for that part of the contract price in excess of \$5,000 but not in excess of \$10,000, and (C) one-half of such per centum rise for that part of the contract price in excess of \$10,000 but not in excess of \$15,000.

Each increase in a star route contract price made in the manner provided for by this subsection shall be adjusted to the nearest one-tenth of 1 per centum.

“(d) The increases authorized by subsection (c) of this section shall not apply in the case of any contractor who operates more than one star route contract or to any contract which has been increased pursuant to subsection (a) of this section within the twelve months next preceding the date on which an adjustment in such contract would otherwise be authorized under subsection (c) of this section.”

JOHN W. McCORMACK.

Speaker of the House of Representatives.

CARL HAYDEN,

President pro tempore of the Senate.

I certify that this Act originated in the House of Representatives.

RALPH R. ROBERTS, *Clerk.*

