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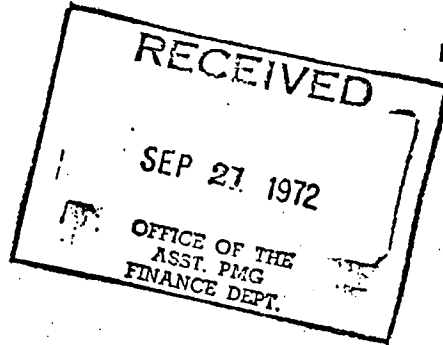
DATE: September 19, 1972

REPLY TO
OF: 410:PEJ:e

SUBJECT: Trust Territories - Postal Service

P. O. CL:

TO: Mr. Richard F. Gould
Assistant Postmaster General
Finance Department
U. S. Postal Service
Washington, D. C. 20260



In response to your memorandum of September 6, 1972, concerning a request from the Department of Interior for information on U. S. postal service for the Micronesians, we have assembled the information requested.

Your memorandum requests that the Marianas District be separated from the other five districts, and that we provide information on the cost of Guam-level service to other islands in the Marianas. The cost of present service in the Marianas is \$132,000 per year. In our judgment, the present level of service is "Guam-level", meaning it is as high as can be justified with existing mail volumes.

Presently, the Island of Rota is served six (6) times a week and Tinian is served three (3) times a week.

In 1968, high level service was initiated to the Islands Sarigan, Almagan, Pagan, and Agrighan. Almost immediately, the new service was dropped because of insignificant volume.

Mr. A. L. de Graffenried requests that we respond to the feasibility of providing on a continuing basis the level of service presently provided in the Palau, Yap, Truk, Ponape, and Marshall Districts. This service is presently considered good using all available transportation and is provided at a cost of \$622,000 per year.

The question of a reduced level of operation and maintenance of a viable postal system is most difficult since the only significant service variable is frequency. Traditionally, we have had difficulty reducing the service level after having once provided customers a higher level. In this context viable seems to be what the Micronesians could or would live with. From our standpoint, the present service is at a level that should not be reduced.

At present, all commercial carrier transportation is used to the extent that mail is available for dispatch and transport.

The major islands are now served by air and surface international carriers. The smaller islands are served by Postal Service highway and water star routes.

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Our existing transportation service in Micronesia is divided into the following categories:

1. Ship service (international) between Pacific Coast ports and Agana, Guam.
2. Commercial air service (international) between Pacific Coast points, Honolulu, and Agana, Guam.
3. Commercial air service (Air Micronesia) between Honolulu and the Islands of Guam, Saipan, Rota, Yap, Koror, Truk, Ponape, Majuro, and Kwajalein.
4. Ship service (Transpacific Lines) between San Francisco, Majuro, Ponape, Truk, Saipan, Guam, Yap, and Koror.
5. Highway service (mail messenger) on various islands between the airports, ship docks, and postal facilities.
6. Water messenger service between the islands having air and/or ship service (Majuro, Ponape, Truk, Koror, Yap, Saipan) and inhabited islands in their respective areas. This service is similar to our intra-SCF service on the mainland.

Service in the Mariana Islands consists of:

1. Ship and air service between Guam and Saipan.
2. Water messenger service between Saipan and Tinian and Saipan and Rota.
3. Local highway messenger service between the Saipan airport, ship dock, and postal facilities.
4. Dock messenger service between Tinian dock and postal facilities.

Transportation costs represent a major component of operating costs. Transportation is divided into the international (USPS Headquarters) costs and local (USPS District) costs.

A summary of all costs for present level service is as follows:

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	Marianas (Excluding Guam)	Micronesia (Five Districts)
Transportation (District/Region)	\$ 14,000	\$ 40,000
Transportation International/ Headquarters	34,000*	306,000*
Personnel	69,000	232,000
Other Support	<u>15,000</u>	<u>44,000</u>
TOTAL COSTS	<u>\$ 132,000</u>	<u>\$ 622,000</u>
Revenue	\$ 128,500	\$ 187,500

*Allocation based on mail volume

Having reviewed the service and cost conditions for the Trust Territory, it is our opinion that it will be feasible to maintain present postal service even though political arrangements may change. We do not feel that it would be practical to reduce the level of service since low volumes of mail and limited availability of commercial transportation have kept service at a minimum; a minimum which we consider viable.

We can continue to serve Micronesia by maintaining the present service provided that an appropriate arrangement can be made to cover the total costs of operation and, thus, allow the Postal Service to comply with the Postal Reorganization Act.



R. E. James
Assistant Regional Postmaster General
Western Region

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