

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

X-9534

March 26, 1936.

SUBJECT: Expenses of Leased Wire System.

Dear Sir:

The Board of Governors of the Federal Reserve System has given consideration to the report of the leased wire committee, dated October 21, 1935, which was submitted to, and approved by, the Governors' Conference on October 23, 1935, and transmitted to the Board by Deputy Governor Strater, Secretary of the Conference, with the official minutes of the Conference, under date of November 25, 1935.

The Committee has recommended that messenger service, printing and stationery, and expenses in connection with branch lines be not charged to the leased wire system. The Board is in agreement with these recommendations.

The Committee has also recommended that the Board of Governors assume as a direct expense the cost of messages sent by it over the main line leased wires; that the cost of clerical work on main line business such as the counting of the number of words in messages, and supper money paid employees working overtime be charged to the leased wire system; that the salaries of the Washington operators be paid by

the Board; and that each Federal Reserve bank bill the various Government departments and agencies direct for the cost of messages sent by such bank over the main line leased wires for their account. The Board approves these recommendations effective as of April 1, 1936.

The adoption of these recommendations will require certain changes in procedure and it is requested that, in lieu of the figures which are now being reported monthly to the Board, the items shown below covering April telegraph operations be reported to reach the Board not later than May 6. Similar information should be reported for subsequent months to reach the Board not later than the 6th day of each following month.

- (1) Total amount expended for personal services. This should include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (2) Total words sent by bank over main lines (which should include, without segregation, words sent on reimbursable business). New York will report separately, as at present, the number of words sent by that bank chargeable to other Federal Reserve banks. In arriving at the word count in messages, the address and signature should be counted, but punctuation marks should not be counted. Each digit, decimal and comma in a number or amount should be counted as one word. Signs such as \$ and % should each be counted as one word.

After all information necessary to compile the monthly main line leased wire expense statement has been received by the Board, the per word cost of main line messages sent during the month will be computed and telegraphed to the Federal Reserve banks. For this purpose

the code word OPENMIND will be used which will have the following meaning:

Per word cost of messages sent over the main lines of the leased wire system for the month shown is given herewith (month covered followed by per word cost).

Immediately thereafter the monthly statement will be sent to all of the Federal Reserve banks, following receipt of which each bank will, as at present, credit the amount payable by the bank to the Federal Reserve Bank of Richmond in the daily statement of credits through the Inter-district Settlement Fund for the account of the Board of Governors. A specimen copy of the statement, revised in accordance with the changed procedure, is attached for your information.

The per word cost of main line messages as thus furnished should be used as the basis for determining the amounts payable by the various Government departments and agencies for the cost of messages sent by your bank over the main line leased wires for their account during April and subsequent months. The Board will follow a similar procedure in billing the various Government departments and agencies for the cost of sending telegrams from Washington for their account during April and subsequent months. The amounts payable by the various Government departments and agencies for messages sent by your bank for their account should be included in the usual monthly vouchers requesting reimbursement for Fiscal Agency, Custodianship, and Depositary expenses and copies of all telegrams should be attached in accordance with the requirements of the General Accounting Office. Since the Reserve banks

cannot be advised by the Board as to the per-word cost of telegrams sent in April until after the first of May, the charges for telegrams sent in April for the account of the various Government departments and agencies should be included in the regular monthly vouchers requesting reimbursement of expenses incurred in May and thereafter each monthly voucher should include the cost of telegrams dispatched in the prior month.

It appears that the Federal Reserve banks are now submitting claims for reimbursement of expenses to all interested Government agencies but apparently have not had occasion to request reimbursement for certain expenses which are chargeable against specific appropriations of the Treasury Department. For your information, a list of such Treasury appropriations, together with a brief description of the type of telegrams chargeable to each, is given below:

APPROPRIATION:

Expenses of Loans, Act of September 24, 1917, as Amended and Extended

Includes the cost of telegrams chargeable to the "Current Issues" unit on the bank's functional expense report, Form E. Cost of such telegrams should be included in the bill for other "Current Issues" expenses on Form PD 849 and submitted to "Commissioner of the Public Debt, Section of Administrative Accounts".

Contingent Expenses, Public Moneys

Includes the cost of telegrams sent by Federal Reserve banks to the Treasurer of the United States for the purpose of determining whether balances of disbursing officers are sufficient to permit the Reserve banks to cash disbursing officers' checks (Code, "FINCH").

Includes the cost of telegrams sent to the Treasurer of the United States acknowledging receipt of, and advising of credit

APPROPRIATION (continued)

for, United States currency shipped by the Treasurer of the United States (Code, "TRENCYMENT").

Includes the cost of telegrams relating to shipments of coin from Federal Reserve banks for account of the Treasurer of the United States (Code, "SHIPCON").

Cost of above mentioned telegrams, without segregation, should be billed separately on Form No. 1034 and submitted to "Division of Bookkeeping and Warrants".

Expenses, Emergency Banking, Gold Reserve and Silver Purchase Act

Includes the cost of telegrams relating to the receipt and custody of gold and gold certificates for account of the Treasurer of the United States; the licensing of member banks; and the purchasing of silver. Cost of such telegrams, without segregation, should be billed separately on Form No. 1034 and submitted to "Chief Clerk, Treasury Department".

Emergency Relief Act of 1935, Treasury Administrative Expenses

Includes the cost of telegrams relating to Work Relief checks. Cost of such telegrams should be included in the bill for other "Work Relief Checks" expenses on Form 6591 and submitted to "Treasurer of the United States, Accounting Division".

Comptroller of the Currency - Division of Insolvent National Banks

Includes the cost of telegrams relating to collateral held to secure deposits of insolvent National banks. Cost of such telegrams should be billed separately on Form No. 1034 and submitted to "Comptroller of the Currency, Division of Insolvent National Banks".

Miscellaneous and Contingent Expenses - Treasury Department

Includes cost of sending telegrams relating to the Treasurer's balances in depositaries; the redemption of silver certificates, National bank notes and other forms of Treasury currency; and miscellaneous matters.

In connection with this appropriation, reference is made to the letter of the Board's Fiscal Agent, dated November 29, 1935 (X-9378) in which you were informed that the Board had advised the Treasury Department that the leased wire system would continue to handle telegrams chargeable to the Treasury appropriation for miscellaneous and contingent expenses for the remainder

APPROPRIATION (continued)

of the fiscal year 1936, with the understanding that if an appropriation be not made to enable the Department to make reimbursement for the telegrams beginning with the fiscal year 1937, the Department would make some arrangement under which the leased wire system would be relieved of this expense.

In a few cases in the past the Board has found that messages have been sent for an agency that was not in a position to make reimbursement. Under the arrangement outlined above, where an expense voucher forwarded to a Government agency cannot be paid because the agency has no available appropriation or for some other reason, the cost of such telegrams will have to be borne by the sending bank and the question determined whether the bank will discontinue handling such telegrams or elect to absorb the expense.

Under the revised method, the following expenses should be included in item No. 22 "Telegraph" on the bank's current expense report, form 96, and it is requested that the necessary adjustments be made in the expense reports for the month of April to make this change effective as of January 1, 1936.

- (a) Salaries of telegraph operators and clerical help assisting in the operation of main and branch line leased wires.
- (b) Retirement System contributions at the current service rate based on salaries of employees included in (a) above.
- (c) Amount payable to the Board of Governors as shown in the monthly main line leased wire expense report.

Amounts payable by Government departments and agencies covering the cost of leased wire service on and after April 1, 1936, should be credited to "Telegraph" and included in reimbursable expenses. The cost of messages sent for the account of the loan agency of the

Reconstruction Finance Corporation should, of course, be billed to the loan agency and charged to "Sundry items receivable" pending payment.

With respect to the Committee's recommendation that each Federal Reserve bank request reimbursement from the various Government departments and agencies for the cost of messages sent over branch wires for their account if the volume, in the opinion of the bank, warrants reimbursement, the Board is of the opinion that reimbursement should be requested for sending messages over branch wires for the account of the various Government departments and agencies and believes that, for the sake of uniformity, charges should be made for branch line messages at the per word cost of main line messages as advised by the Board. It is requested, therefore, that each Federal Reserve bank bill the various Government departments and agencies direct for the cost of messages sent over the branch wires for their account during April and subsequent months.

It is noted from the report of the leased wire committee that the committee is giving further study to the question of the style of teletype machines it would recommend for use in the event of the installation of teletype equipment in the telegraph offices at the banks now using the Morse system. In this connection it is assumed that each Federal Reserve bank has given or is giving consideration to the recommendation of the leased wire committee with regard to the personnel problem connected with such a change in telegraph facilities. It is

also noted that the committee is giving further study to the question of the possible rerouting of certain of the main line wires.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(SPECIMEN FORM)

 REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
 LEASED WIRE SYSTEM FOR THE MONTH OF _____, 193_

	Number of words sent	Words sent by New York chargeable to other F. R. Banks	Total words chargeable	Personal services(1)	Wire rental	Total expenses	Pro rata share of total expenses(2)	Credits	Payable to Board of Governors
Federal Reserve Bank:									
Boston	42,804	966	43,770	\$284.65	--	\$284.65	\$668.55	\$284.65	\$383.90
New York	150,397	--	150,397	1,398.22	--	1,398.22	2,297.20	1,398.22	898.98
Philadelphia	40,403	1,022	41,425	245.25	--	245.25	632.74	245.25	337.49
Cleveland	57,090	1,034	58,124	334.26	--	334.26	387.80	334.26	553.54
Richmond	58,531	1,068	59,649	207.35	\$230.00	437.35	911.09	437.35	473.74
Atlanta	85,934	981	86,975	284.02	--	284.02	1,328.48	284.02	1,044.46
Chicago	105,151	1,450	106,601	1,818.99	--	1,818.99	1,628.25	1,818.99	(3)-190.74
St. Louis	36,393	1,420	37,813	212.43	--	212.43	1,341.28	212.43	1,128.85
Minneapolis	38,271	992	39,263	217.07	--	217.07	599.71	217.07	382.64
Kansas City	76,180	998	77,178	312.33	--	312.33	1,178.23	312.33	866.00
Dallas	68,839	1,698	70,537	273.34	--	273.34	1,077.40	273.34	804.06
San Francisco	109,341	1,373	110,714	412.03	--	412.03	1,691.07	412.03	1,279.04
Board of Governors	631,864	--	631,864	2,550.90	15,112.30	17,663.20	9,651.24	17,663.20	--
Total	1,551,308	13,002	1,564,310	\$8,551.34	\$15,342.30	\$23,893.64	\$23,893.64	\$23,893.64	\$8,011.96

(1) Includes salaries of main line operators and of clerical help engaged in work on main line business such as counting the number of words in messages; also, overtime and supper money and Retirement System contributions at the current service rate.

(2) Based on cost per word (\$.015274236) for business handled during the month.

(3) Credit. Amount reimbursable to Chicago.

NOTE: Retirement System contributions are included in this specimen form at the rate actually charged in November 1935, i.e., at the full rate. Beginning January 1, 1936, the rate used will be the current service rate.