

Remarks By Postal Regulatory Commissioner Tony Hammond

Opening Session of

The National Association of Postmasters of the United States

Convention

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Thank you, Dale, for inviting me to be here with you today in St. Louis. I

I want to add my personal welcome to Missouri. Even though I am in Washington DC most of the time, Missouri is still home and I get back as much as I can. I know you'll have a great time while you're in the Show-Me State. And, what a great, enthusiastic Missouri delegation up front here today.

I am honored to follow Jo Ann Emerson to the podium. Over the years, Congresswoman Emerson has rightfully built up a reputation among her colleagues as the "go-to" person on issues concerning rural America. And, you can see why she has been such

an effective voice in helping her colleagues understand the importance of post offices, and what they mean, in smaller communities across the country.

I'm also very familiar with the duties and the aggravations you face. As Dale pointed out, I pretty much grew up around a post office because my father was a postmaster in rural Missouri.

I remember first-hand how often postmasters have to go the extra mile to make sure that the public gets good mail service.

Your network of dedicated postmasters is an essential unifying factor in this country. Or, as President Bush put it ----“Our nation is strengthened by Postmasters’ hard work to ensure that our mail is delivered efficiently”.

You represent the best face that our national government presents to the American people and you should be proud of your efforts.

Postmasters are more visible to the public than members of the Postal Regulatory Commission, but we also have a role in making sure that an adequate level of affordable mail service is available throughout the country.

Our duties, of course, changed in late 2006 with the passage of the postal reform legislation we now operate under. The legislation granted the Postal Service flexibility in setting postal rates. In return, it gave our agency new oversight responsibilities and renamed us the Postal Regulatory Commission.

Under the old law, there was always a guessing game of when the Postal Service was going to file their next rate case and how much the increase would be. That started a ten-month long process. And then the old Postal Rate Commission would make a recommended decision to the Board of Governors for implementation.

It was a cumbersome process for everyone involved, especially the US Postal Service. So, when the reform bill passed, Congress

gave us until June of 2008 to write new rate-setting regulations and we started to work on the new system.

But, when Postmaster General Potter pointed out how difficult it was for the Postal Service to decide whether to file another rate case when entirely new rules would be put in place in the middle of it, we knew that the PRC owed it to everyone-- from the Postal Service and its employees to major ratepayers and customers alike-- to get the new system set up before the Postal Service was put in that situation.

And we were able to get the new system in place eight months ahead of schedule. This allowed your Postal Service to file for this year's rate adjustment under the new rules. We may not have gotten it perfect the first time but the postal community is already benefiting from the new structure.

I won't repeat all the details of the new regulations. But, some of the major points are:

Number One

- From now on, there is a cap on annual rate increases for most classes of postal products.

#### Number Two

- Competitive products will pay their own way.

#### Number Three

- There is a streamlined process for creating special rates for mailers who can make the postal system more efficient (Negotiated Service Agreements).

#### And, Number Four

- We established a Mail Classification Schedule, which categorizes products as either market dominant or competitive.

Rates are now more predictable because they are capped at the Consumer Price Index. They are more streamlined and

transparent. You can even check out the monthly CPI figures on the PRC's website ([www.prc.gov](http://www.prc.gov)).

The legislation also required the Postal Service, in consultation with the Postal Regulatory Commission, to establish modern service standards for all market-dominated products.

The Commissioners and the senior staff from the Postal Service met for half-day long meetings for several months on this issue. After those consultations, the Postal Service issued those new standards late last year.

These newly-drawn service standards are a key part of postal reform and they better reflect the actual service you provide.

And, I need to point out that the reform legislation allowed for closer interaction between the Postal Service and the PRC. The Postmaster General and his team have been very cooperative and I give Jack Potter a great deal of credit for giving the Postal Service a

new sense of mission operating with the transformation you're going through right now.

Last February, the Postal Service filed rate increases for market dominant products under the new regulations. After we received public comment, we unanimously verified that the increases were within the price cap for each class of mail and the rates went into effect soon after. The PRC accomplished in just 45 days, what used to take ten months to complete.

Then the Postal Service filed in March its rate changes for your competitive products, such as Priority Mail, Express Mail, and Parcel Select.

It took us only ten days to confirm that the rates met the requirements that each competitive product recover its costs.

Our Commission and the Postal Service have just scratched the surface of the advantages that the law now offers through its new

approach to price setting. And, these are just some of the examples of the changes the reform legislation brought about.

## WHAT IS NEXT FOR THE PRC

While our focus for the past year has been on getting the new rules in place and working with the Postal Service on standards, the reform legislation actually gave the PRC much more to do as we head into our new role as a strengthened overseer.

### USO/Postal Monopoly

1. One of our biggest mandates from Congress is for the PRC to do a comprehensive report on universal service and the postal monopoly. The report includes an assessment of future needs and potential changes. We have to have the report sent to Congress by December of this year. And we have spent a great deal of time on it.

We have already asked for public comments.

And, once again, we held field hearings in different parts of the country—Flagstaff, Arizona—St. Paul, Minnesota—and Portsmouth, New Hampshire. This was so we could hear from a broad cross section of the mailing public in addition to the usual Washington sources.

The PRC also hosted a public forum on universal service and the postal monopoly. And, finally, we held a hearing last month that included various postal employee groups, and testimony from your President Dale Goff.

I would like to take a moment to thank your organization, and especially Dale and your NAPUS Government Affairs department, my friend Bob Levi, for the assistance they provided in these hearings.

We heard from five different NAPUS members from across the country.

- Postmaster Mike Larson in St. Paul gave his views on serving a metropolitan community.
- Also in Minnesota, Postmaster Dennis O'Neill testified about the importance of post offices to small rural areas.
- And, retired Postmaster Lyle Puppe spoke about the effect on communities when post offices are suspended or closed.
- Maine Postmaster Jeannie Schnell discussed the dependence of isolated communities on post offices at our New Hampshire hearing.
- And finally, Dale Goff, the President of NAPUS, testified on the record about how post offices are the “bedrock” of a universal Postal Service.

To all of you, your input added greatly to our record and I appreciate your efforts.

The reform legislation allows the Postal Regulatory Commission to have more informal access to the views of both the Postal Service and organizations such as NAPUS. Under the old rate-making system, once a case was filed with us, any interaction had to be in formal hearings and strict rules applied to all our discussions.

While we still have ethical guidelines to follow on all matters that come before the PRC, we are able to have more interaction. That allowed us, for instance, to host the State Legislative Directors portion of the NAPUS Conference in Washington last spring in our PRC hearing room.

It's why, tomorrow, you will have a good question-and-answer session with my new fellow Commissioner Nanci Langley. I know you'll get a lot of information from Nanci during that session, especially since she was instrumental in

the passing of postal reform legislation from her previous position on Capitol Hill.

We can now interact more with the Postal Service's senior personnel in Washington also. As I mentioned before, the PRC and USPS met monthly through much of last year on the modern service standards for your products. And, once that process was completed, Deputy PMG Pat Donohoe suggested that we continue those meetings on an on-going basis. And, we appreciate that time commitment from Pat and the senior vice presidents at the Postal Service because the continued meetings have been very beneficial for both our agencies.

Bob Levi wanted me to specifically update you on the other mandates the postal reform legislation requires of us, so let me quickly highlight some major projects we are working on:

**Number One**

Service Standards/Performance Goals

Now that the service standards are set, the PRC is to consult with the Postal Service on developing a plan for meeting those standards. We are continuing our consultations with the Postal Service on this issue.

## **Number Two**

### Complaints Process

Just last week, the PRC proposed new rules that will create a framework for us to use in evaluating complaints against the Postal Service. Congress expanded the scope of our authority and these new rules are intended to improve and enhance our current process.

## **Number Three**

### Periodic Reporting

Last Friday, in the last Order I signed before leaving for St. Louis, the Commission issued a notice of proposed rulemaking proposing periodic reporting rules that cover cost, revenues and volumes for Postal Service products. The proposal does not

address the issue of service performance measurement for any product. That issue will be addressed separately.

#### **Number Four**

##### Postal/Non-Postal

The PRC is required to review all non-postal products offered by the Postal Service, and then determine whether each of them should continue. That final report is also due in December.

#### **And Number Five**

##### Periodicals Study

The PRC and the Postal Service are also mandated to study and report to Congress on attributable costs for periodicals- mostly newspapers and magazines. I know many of you deal frequently with small newspaper owners on delivery of their papers. And this report will be of interest to them particularly.

I could give a recitation of the other reports, reviews and studies that the PRC is mandated to do with postal reform. But, it

only gets more technical and unexciting. So, I will stop because I know you have a full agenda before you today.

Thank you again, Dale, for inviting me. It's good to be back in Missouri. I've enjoyed getting to visit with some of your postmasters and their families. And, I hope you have a great convention.