Ladies and gentlemen, I am pleased to be able to present to you my views on the issues raised by this significant legislation which, if passed by the Congress, will make dramatic changes both in the manner that the Postal Service conducts its business and in the way that the nation is served by the Postal Service.

At the outset, you should know my belief in the purpose of the Postal Service. Traditionally, and surely still, it is the delivery of what is called “hard copy” mail. We all hope that this can be done in a business like way - efficiently and effectively. The Postal Service management should not be primarily motivated by profit, but by its desire to provide the very best service possible to the American people: to people everywhere; people in all walks of life; and in all circumstances. The Postal Reorganization Act which established the Postal Service clearly states that this is the purpose of the Postal Service. I have always felt that my responsibility as a member of the Postal Rate Commission is to further these principles as defined by the Act. I believe that the Congress was right in 1970. I would be deeply disappointed if the Congress were to change the operation of the Postal Service in a way that compromised these principles. If it is the intent of this committee to change the purpose of the
Postal Service, I hope that it would state what it believes the new purpose or purposes of the Postal Service should be.

There is probably good reason to change certain particulars of the current statute. The nature of communications and the character of American society have changed dramatically in the past 25 years. But whatever changes are made should be made in light of the principle of service to the American people.

There has been a great deal of talk about the need for flexibility for the Postal Service. I certainly understand the meaning of flexibility. However, I only have a vague understanding of what it means to the Postal Service, other than less oversight by the PRC. It is in the area of oversight that there needs to be change in the statute. Presently, oversight is not simply divided among the Governors, the PRC, and the Congress; it is fractured. Collectively, we know less about the Postal Service and its operations than a good brokerage firm knows about most of the major publicly traded corporations in America.

Effective oversight rests on information and the ability to influence organizational behavior in response to information. Information, not only of what has happened in the Postal Service, but of what its future plans are and why. The Postal Service resists providing information that is essential for oversight. This legislation recognizes this fact by providing the PRC with limited subpoena powers. The lack of comprehensive oversight has cost the nation dearly. Without ignoring positive changes of the past four years, it is important to remember that the Postal Service has lost hundreds of millions of
dollars as a result of decisions to reorganize and down size, with the resulting
collapse of service in Washington, D.C., New York, Chicago, and elsewhere; as
a result of the ill-advised Postal Buddy experience; as a result of changing the
contracting rules for remote bar coding operations. I believe that effective
oversight may well have avoided much of this loss. The Board of Governors
approved these decisions. Had they had better information, plus some
analytical staff support independent of the Postal Service, their decisions may
well have been different. I see nothing in this legislation that would create
effective oversight that might preclude future disasters of similar magnitude. I
should remind everyone in considering this legislation that the Postal Service
resists the kind of oversight that I am recommending. They want less oversight
than they presently have. Are there no lessons to be learned from these past
four years? These past 25 years?

Unfortunately, I can find nothing in the proposed legislation that deals
with the above kinds of issues. I now turn to the particulars of your legislative
proposal. I have divided my comments into three areas: general; non-
competitive classes; and competitive classes.

**General:**

* This legislation is intended to provide the Postal Service increased
flexibility in adjusting rates and establishing new services to meet the
challenges of the 21st Century. They are to do this in a more efficient way
motivated by the possibilities of bonuses to come from profits. This purpose is
laudable. It has the strong sound of god, country, as well as motherhood and
capitalism at work. But there is no evidence that increased flexibility will
significantly increase hard copy market share, nor can we be confident that
bonuses will improve the productivity or efficiency of the Postal Service. We
must take this on faith. The poor financial performance of the Postal Service
over the past 25 years has less to do with inflexibility than with management
performance. I would note that tens of thousands of American companies, big
and small, declare bankruptcy every year. These bankruptcies have nothing to
do with a lack of corporate flexibility. I owned a business a number of years ago
that had to close its doors. Closing the doors of my business was an unhappy
event, but it had nothing to do with flexibility. Sadly, I had no “exigency”
clauses in my bank notes.

* This may seem to be a small matter, but I am disappointed with the
reasoning that justifies the elimination of the title of Postmaster General. For
two hundred years the Post Office and the Postmaster General have been
proud and important parts of the American heritage. Following the line of
reasoning that supports renaming the Postmaster General, it is important the
two new Inspector General positions created in this legislation be redesignated.
Perhaps additional legislation can be passed by the Congress to redesignate
the Attorney General as Chief Counsel of the United States; the Surgeon
General as the Chief Medical Officer of the United States. Both organizations
are widely known to be terribly militaristic. And maybe we should consider
redesignating the Commandant of the Marine Corps as the Chief Executive
Officer of the Marine Corps.
* I am deeply concerned that under this legislation the role of the mailers in their capacity as intervenors in the rate making process will effectively disappear. The intervenors (and the Office of Consumer Advocate) have played a vital role in the rate making process. As users of the mail system they understand its strengths and weaknesses very well. They have kept the Postal Service accountable and in the process have educated both the Postal Rate Commission and the Postal Service. Our Postal System will be poorer without their input.

* I see no reason for establishing an Inspector Whatever for the Postal Rate Commission. Our finances, all of which are handled by the appropriate divisions of the Postal Service, are relatively small and straightforward. Our decisions are transparent.

**Non-Competitive Products:**

* This is rate setting by formula. It is a process that is much less sophisticated than the present process which, though arduous and deliberate, carefully, and with meticulous attention to the concerns of the mailers, examines and evaluates all aspects of establishing cost-based rates. This new system does not address rates at the same level of detail. This permits abuse of the monopoly classes through differential, unexamined discounts for various rate categories to be established by the Postal Service on its own initiative.

* Is discovery to be permitted for the PRC’s annual audit or only once every five years during the hearing on the establishment of new adjustment
factors? Can the PRC require the Postal Service to conduct studies relevant to the effective performance of the PRC’s functions?

* What does the word “profit” mean to a government agency that has no shareholders, and is by its very nature is a public service organization? Is there to be any limit to “profit”? Who will decide?

**Competitive Classes:**

* Will the Postal Service be competing on a level playing field with private industry? Will it pay state and federal taxes? Will it pay local property taxes? Or will the Postal Service be a “specially advantaged” competitor?

**Conclusion:**

I realize that this proposed legislation and these hearings are only the first step in a long process, both in the House and the Senate, that will end in major changes in the Postal Statutes. This is the way it should be. It is important that any changes to the present law be made only after all affected parties have had their say. The parallel between the processes of Congress in changing laws and those of the Postal Rate Commission in changing rates is striking. The PRC, too, holds hearings for all interested parties and makes decisions on the basis of evidence provided. I think that these involved drawn out processes are the best way both for making laws and making postal rates.

Of all the issues raised in this statement, the most important concerns oversight. I do not think it adequate now and unless it is increased in conjunction with the new authorities granted the Postal Service, it will be even less adequate in the future. Implicit in the increased flexibility is the
opportunity for the Postal Service to engage in discriminatory pricing. Under this legislative proposal, it will be difficult to know when this occurs, and more difficult to correct.

The Postal Service belongs to the American people. The American people are entitled to a full accounting of the performance of the Postal Service.