

**PREPARED TESTIMONY
OF
COMMISSIONER WILLIAM H. LEBLANC III
POSTAL RATE COMMISSION
BEFORE THE
HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE**

July 10, 1996

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

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

1 Postal Service, I hope that it would state what it believes the new purpose or
2 purposes of the Postal Service should be.

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

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

16 Effective oversight rests on information and the ability to influence
17 organizational behavior in response to information. Information, not only of
18 what has happened in the Postal Service, but of what its future plans are and
19 why. The Postal Service resists providing information that is essential for
20 oversight. This legislation recognizes this fact by providing the PRC with
21 limited subpoena powers. The lack of comprehensive oversight has cost the
22 nation dearly. Without ignoring positive changes of the past four years, it is
23 important to remember that the Postal Service has lost hundreds of millions of

1 dollars as a result of decisions to reorganize and down size, with the resulting
2 collapse of service in Washington, D.C., New York, Chicago, and elsewhere; as
3 a result of the ill-advised Postal Buddy experience; as a result of changing the
4 contracting rules for remote bar coding operations. I believe that effective
5 oversight may well have avoided much of this loss. The Board of Governors
6 approved these decisions. Had they had better information, plus some
7 analytical staff support independent of the Postal Service, their decisions may
8 well have been different. I see nothing in this legislation that would create
9 effective oversight that might preclude future disasters of similar magnitude. I
10 should remind everyone in considering this legislation that the Postal Service
11 resists the kind of oversight that I am recommending. They want less oversight
12 than they presently have. Are there no lessons to be learned from these past
13 four years? These past 25 years?

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

18 **General:**

19 * This legislation is intended to provide the Postal Service increased
20 flexibility in adjusting rates and establishing new services to meet the
21 challenges of the 21st Century. They are to do this in a more efficient way
22 motivated by the possibilities of bonuses to come from profits. This purpose is
23 laudable. It has the strong sound of god, country, as well as motherhood and

1 capitalism at work. But there is no evidence that increased flexibility will
2 significantly increase hard copy market share, nor can we be confident that
3 bonuses will improve the productivity or efficiency of the Postal Service. We
4 must take this on faith. The poor financial performance of the Postal Service
5 over the past 25 years has less to do with inflexibility than with management
6 performance. I would note that tens of thousands of American companies, big
7 and small, declare bankruptcy every year. These bankruptcies have nothing to
8 do with a lack of corporate flexibility. I owned a business a number of years ago
9 that had to close its doors. Closing the doors of my business was an unhappy
10 event, but it had nothing to do with flexibility. Sadly, I had no “exigency”
11 clauses in my bank notes.

12 * This may seem to be a small matter, but I am disappointed with the
13 reasoning that justifies the elimination of the title of Postmaster General. For
14 two hundred years the Post Office and the Postmaster General have been
15 proud and important parts of the American heritage. Following the line of
16 reasoning that supports renaming the Postmaster General, it is important the
17 two new Inspector General positions created in this legislation be redesignated.
18 Perhaps additional legislation can be passed by the Congress to redesignate
19 the Attorney General as Chief Counsel of the United States; the Surgeon
20 General as the Chief Medical Officer of the United States. Both organizations
21 are widely known to be terribly militaristic. And maybe we should consider
22 redesignating the Commandant of the Marine Corps as the Chief Executive
23 Officer of the Marine Corps.

1 * I am deeply concerned that under this legislation the role of the
2 mailers in their capacity as intervenors in the rate making process will
3 effectively disappear. The intervenors (and the Office of Consumer Advocate)
4 have played a vital role in the rate making process. As users of the mail system
5 they understand its strengths and weaknesses very well. They have kept the
6 Postal Service accountable and in the process have educated both the Postal
7 Rate Commission and the Postal Service. Our Postal System will be poorer
8 without their input.

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

13 **Non-Competitive Products:**

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

21 * Is discovery to be permitted for the PRC's annual audit or only once
22 every five years during the hearing on the establishment of new adjustment

1 factors? Can the PRC require the Postal Service to conduct studies relevant to
2 the effective performance of the PRC's functions?

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

6 **Competitive Classes:**

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

10 **Conclusion:**

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

20 Of all the issues raised in this statement, the most important concerns
21 oversight. I do not think it adequate now and unless it is increased in
22 conjunction with the new authorities granted the Postal Service, it will be even
23 less adequate in the future. Implicit in the increased flexibility is the

1 opportunity for the Postal Service to engage in discriminatory pricing. Under
2 this legislative proposal, it will be difficult to know when this occurs, and more
3 difficult to correct.

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