



**Testimony of Chairman Ruth Y. Goldway
Postal Regulatory Commission**

before the

**U.S. Senate Appropriations Subcommittee on
Financial Services and General Government**

March 18, 2010

Chairman Durbin, Ranking Member Collins and members of the Subcommittee, thank you for the opportunity to testify. I am pleased to represent the Commission today, and to explain its role in the process of reviewing the coming Postal Service proposal for a reduction in the mandated mail delivery frequency. This proposal impacts virtually every citizen in the Nation, and this Subcommittee is wise to turn its attention so quickly to this issue. Today, I hope to provide you with a clear understanding of the Postal Regulatory Commission's statutory obligation and how we intend to fulfill it.

When the Postal Service determines that there should be a change in the nature of postal services which will generally affect service on a nationwide, or substantially nationwide basis, it must submit a proposal to the Commission requesting an advisory opinion on the change. This requirement was established by the Postal Reorganization Act of 1970, and was retained by the Postal Accountability and Enhancement Act of 2006. Our rules provide that such a request must be filed with the Commission no less than 90 days in advance of the date on which the Postal Service proposes to make the change effective.

The Commission is responsible for providing a public, on-the-record, hearing process so that mail users and other interested members of the public can test the Postal Service's proposal and offer supporting or opposing views. The Commission will then provide an opinion that takes into account all applicable public policies, such as the need to maintain adequate and effective universal service, and the need to provide services in an economic and efficient manner.

While we have not yet received a formal proposal from the Postal Service to eliminate Saturday delivery, we have been told to expect one this month. In this specific instance, the Postal Service must also seek approval from Congress, since for over 25 years, 1983 delivery levels have been specified as a minimum in annual appropriations legislation, thereby requiring maintenance of 6-days-a-week city and rural delivery.

Last week, on March 10, the Commission submitted an advisory opinion on another service change proposal. The Postal Service requested a review of its process for closing the more than 4,000 retail facilities it denominates as classified stations and branches. The Commission found that significant improvements should be made to this process. These improvements would result in more accurate, comprehensive, and balanced financial projections as a basis for Postal Service decisions, and would ensure the rights of affected customers who should have a

meaningful opportunity to provide input before a decision to cut service is made. Copies of that opinion have been provided to members of this Committee. I believe this case is representative of the thorough review and constructive advice the Commission provides in response to Postal Service requests.

When the Postal Service submits the request for an advisory opinion on elimination of Saturday delivery, it will provide evidence explaining why it believes this change is justified. The Commission will follow established procedures and create a schedule to analyze that evidence. The schedule will include an opportunity to question the Postal Service, and an opportunity for the public to provide its views, both informally and as part of more formal, technical presentations. The Postal Service and interested members of the public will have the opportunity to brief issues and submit reply briefs.

Based on recent experience, I expect the Commission will receive detailed and thoughtful comments from a wide variety of businesses and associations that are dependent upon, or make significant use of, the Postal Service. To the extent necessary, the Commission will issue information requests so that a comprehensive record exists to support conclusions on potential cost savings, volume declines, and impacts on the maintenance of timely and reliable service.

Additionally, the Commission will expand its outreach efforts to encourage participation by both individuals and groups representing businesses and average citizens affected by the proposal. In recent cases, the Commission has found that going outside of Washington, DC, and holding field hearings in such places as The Bronx, New York, Independence, Ohio, St. Paul, Minnesota and Flagstaff, Arizona has proven extremely helpful. During these hearings, we learn about specific experiences that

give meaning to the broad national trend data we generally rely on.

As we have not yet seen the actual Postal Service proposal, it is difficult to estimate precisely the amount of time that will be necessary to develop a thorough advisory opinion. Depending on the complexity of the issues raised both by the Postal Service and by individual and business participants, a rough estimate would be six to nine months.

The invitation to testify today also sought witness comments on the current financial situation facing the Postal Service.

Suffice it to say that we are all well aware of the seriousness of the Postal Service's current situation, and hopeful that Congress may see fit to address the retiree health care benefit issue promptly. The Commission will issue its Annual Compliance Determination later this month that will provide a full analysis of the Postal Service finances in the context of its rate and service

performance in Fiscal Year 2009. I will make certain that each member of this Committee is immediately provided with a copy of the Annual Compliance Determination.

As a point of reference, the Commission recently had occasion to approximate the cost savings associated with 5-days-a-week mail delivery. In December 2008, the Commission submitted a report to Congress entitled “Universal Postal Service and the Postal Monopoly”, as required by the Postal Accountability and Enhancement Act of 2006. Specifically, the Act required the Commission to estimate the costs of the Universal Service Obligation and the value of the existing monopoly.

The Commission accepted as reasonable an estimate developed by a team of outside consultants that reducing the frequency of delivery from 6 to 5 days would have increased the Postal Service’s Fiscal Year 2007 profits by \$1.9 billion. This was

about \$1.6 billion less than a Postal Service calculation at that time. About one-third of the difference was due to the fact that the Postal Service assumed no mail volume would be lost as a result of the reduction in service. The consultants' estimates reflected a 2 percent reduction in volume due to the reduction in service. The other major difference related to the costs of delivering pieces that otherwise would be delivered on Saturday.

However, neither the Postal Service nor the Commission were quantifying a fully developed change proposal of the type the Postal Service has said it will be providing later this month. I look forward to carefully analyzing a Postal Service proposal that includes a sophisticated presentation of potential cost and revenue changes to support its estimates of the impact of elimination of Saturday delivery both on the Postal Service and on the economic and social interests of its customers.

Thank you again for providing me the opportunity to testify today. I would be pleased to respond to any questions Subcommittee members may have.