

**REMARKS OF
COMMISSIONER TONY HAMMOND
BEFORE THE
NATIONAL LEAGUE OF POSTMASTERS**

**Portland, Oregon
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Thank you for that kind introduction. I appreciate you having me here in Portland today.

And I especially want to thank all of you for inviting me because I'm probably more familiar with the problems and aggravations of your jobs than many of your speakers. I pretty much grew up around a post office because my father was a postmaster in rural Missouri, and a thirty year employee of the U.S. Postal Service.

So, I know the kind of problems that you face, and probably more importantly, I remember first-hand how often postmasters have to go the extra mile to make sure that the public gets good mail service.

Our nation's network of dedicated postmasters is an essential unifying factor in this country. Just as President Bush has said—our nation is strengthened by Postmasters hard work to ensure that our mail is delivered efficiently.

It's true. You represent the best face that our national government presents to the American people.

While postmasters are more visible to the public than members of the Postal Rate Commission, the Commission also has a role that we take seriously in making sure that an adequate level of affordable mail service is available throughout this country.

The Postal Service, of course, must come to the Postal Rate Commission before it changes rates or implements major service changes. Our Commission provides the forum in which all interested members of the public may question the Postal Service to

see that rate changes are justified and that there are valid reasons for changing the nature of mail service.

As you know, this current structure for managing the nation's mail was established in 1970. In that year, the Postal Reorganization Act replaced the old Post Office Department with a Postal Service that was instructed to operate in a businesslike fashion.

At that time, the Postal Rate Commission was designed primarily to assure that rates for the captive customers of the postal monopoly were not inflated to cross-subsidize other mailers or to finance inefficient management.

I think this system has worked surprisingly well. While it hasn't been without error, the cost of mail service has generally tracked the rate of inflation and the pay and working conditions of postal employees has improved.

As you know from your reports, the Postal Service has been achieving record levels of service performance while holding rates stable. I think all Postal Service employees should be proud of their organization and the record of success it has achieved.

Of course, there is no system that can't be improved. New technology has enabled the Postal Service to deliver mail more rapidly and reliably. However, new technology has also given rise to forms of competition, such as the Internet, that didn't exist just a few years ago. And, this has threatened the continued financial health of the Postal Service.

Because of this, back in 2001, when I was first nominated to the Postal Rate Commission, the Postal Service was getting more publicity than it had gotten in some time, and much of it wasn't good.

The Postal Service was still facing big deficits, even after major rate increases. We had the horrible anthrax scare, and the additional costs for protection from terrorism for employees and customers alike. There was a genuine concern that there was no way to keep the USPS viable for the long-term future.

Fortunately, at that time, there were a good number of decision-makers who cared enough about our mail service to be willing to work with Postmaster General Potter on improvements. And, let me say that I give General Potter a good deal of credit for giving the United States Postal Service a new sense of mission. I commend him on the job he and his team have done.

Of course, President Bush appointed the Commission to review Postal Service issues and to recommend solutions to the problems. I think the work of the President's Commission laid a solid foundation in their recommendations for Congressional action.

With Senator Susan Collins, the Chair of the Senate Government Affairs Committee, you have someone who cares about and understand postal issues. And, she takes special interest in issues involving smaller and rural post offices, as those of you from Maine know.

In the House, Government Reform Committee Chairman Tom Davis of Virginia, has spent a lot of his career concerned with making government enterprises more effective and also on federal employee issues.

They both have worked hard- along with a broad bipartisan group, Democrat and Republican alike- at getting legislation out of their committees unanimously that has put postal reform on the congressional agenda.

Now, I have no better crystal ball than Steve LeNoir or Bob Brinkman as to whether postal reform will become law this year, or next year, or ever. I know you've had serious discussions here at this convention about the legislation.

My position keeps me from becoming too involved in the details of the bills. However, I can comment on the current responsibilities of the Postal Service and the Postal Rate Commission and how they might be adjusted. I think there is some consensus that improvements can be made.

Some of the more important suggestions are:

- First---that the Postal Service should be given more flexibility to adjust rates to meet changing market situations;
- Second---that mail users should be protected from excessive rate hikes by limiting any increases to some inflation-related measure;
- Third---that postal finances should become more transparent;
- And Fourth---of particular importance to me--- the Postal Rate Commission would no longer hear rate requests. Instead, we would be responsible for substantial new oversight duties.

If taken together, these things would make the Postal Service more like a private business. Essentially they would continue the process begun in 1970, to allow the Postal Service to be more responsive to its customers.

Today's Postal employees are good enough to thrive under this model. I believe local managers would have to exercise more responsibility. But this is a business model that works.

Now, I know that most businesses operate without extensive government oversight. And, personally, philosophically, I am not a big fan of government regulation.

But the Postal Rate Commission is unique in that it doesn't regulate or constrain private businesses or individuals. Our function is to assure that postal rates are set openly, and that they are fair.

In this instance, oversight is necessary because the Postal Service is a government monopoly. It is essentially the only government monopoly in our free enterprise system. It has the ability to seriously impact many important sectors of the American economy.

The Postal Service is important. It is too important to be allowed to fail. It is so important that Americans need to know that the Postal Service is continuing to earn their trust.

An independent regulator with authority to subpoena records, and with the responsibility to annually review Postal finances, can provide that assurance.

An independent regulator can also make sure that sufficient resources are available in every part of the country, to ensure that satisfactory service is provided everywhere.

If we were to have national data collection and reporting, it would help assure that rural areas received the same level of management attention as urban areas, which I believe is very important as we guarantee that the Postal Service continues to provide universal service.

Over the last decade, the Postal Service has used outside organizations to measure single piece First-Class end-to-end delivery times. Management then focused on problem areas and the delivery scores have soared.

Mail delivery is faster and more reliable than ever. Nothing attracts and retains business better than fast, reliable service.

But I also think, now is the time to expand the focus beyond single piece First-Class Mail. Currently, less than 25 percent of the mailstream is single piece First-Class Mail.

In order to attract and retain more business, we need to show that business mail, too, is fast and reliable.

Currently, there aren't any independent measures of the service provided to periodicals, to standard mail, and to parcel post mailers. Business mailers complain that service is not consistent, and that there is little accountability when service standards are missed.

Proponents of postal reform argue the Commission should collect and publish data on service provided to business mailers.

I think whether postal reform legislation passes or not, the Postal Service needs to initiate comprehensive, independent testing so that all postal customers will know what they are getting for their postage dollar.

Business mail is going to be more and more important to the Postal Service. To remain financially sound, the Postal Service has to attract and retain new business mail. To do that, the Postal Service has to show potential customers that mail is a valuable product.

Before it began to publish its service performance reports, the Postal Service stated its goal was to achieve scheduled overnight delivery 95 percent of the time. The most recent report shows scheduled overnight delivery is being achieved 97 percent of the time. That is a good job, which you are an important part of.

I think we can exceed the goals for the delivery of all types of mail. If we do, the U.S. Postal Service will remain an essential part of American life for the future.

So, in closing, let me thank you again for having me here today. I've enjoyed getting to visit with several of you. And, I know you will continue to keep a strong and vital mail system working for all of us.