

**Vice Chairman Dawn Tisdale  
Postal Regulatory Commission  
National League of Postmasters  
Annual Convention, Las Vegas, Nevada  
July 24, 2007**

Thank you, Charley for that kind introduction. Let me assure all of you, that your president, Charley Mapa, represents your views and your interests so well in Washington, DC, as does Bob Brinkman, your legislative counsel.

I am delighted to be here. Some of you may know, the Postal Regulatory Commission has been traveling over the past few weeks – we have held three field hearings in Kansas City, Missouri, Los Angeles, California, and Wilmington, Delaware to hear from mailers outside of Washington, DC on how the new postal rate system should look.

Before I discuss our field hearings – which proved very interesting, I would like to talk about what is in store for the PRC. As postmasters, you are well aware that on December 20, 2006, the Postal Accountability and Enhancement Act was signed into law. The PRC is now a true regulator. We are moving away from the entity outlined in the Postal Reorganization Act of 1970, where rate recommendations were made by the PRC and approved by the Postal Governors.

Although the new Act gives the PRC eighteen months from the date of enactment – June 2008 – to issue regulations for a new system to replace the one used over the past 30 plus years, the Commission is working to have new regulations in place some time this fall – hopefully in October. We have already issued two Advance Notices of Rulemaking, a Public Inquiry for comments on service standards, and held three field hearings.

We know Congress wants the U.S. Postal Service to operate in a more business-like manner. The Act gives the Postal Service the flexibility to raise rates under a CPI-based price cap system, as well as earn and retain profits. But with this new flexibility comes the need for greater transparency and accountability, which is why Congress significantly strengthened the Commission's regulatory authority.

In addition to creating a framework for a new ratemaking process, the PRC is charged with issuing annual rate compliance reports to Congress and financial accounting reports. The PRC was also granted subpoena power. We now have the ability to impose fines for non-compliance of law or for not carrying out Orders, and the ability to rule on complaints, closings, rates and classifications, standards.

Let me share with you what the PRC has done so far. In order to meet the requirements of the new Act, we are working with a management consultant to determine the right staff needs and skill sets. We have taken steps to reorganize our internal structure resulting in the appointment of a Chief of Staff, who is Ann Fisher, the former Deputy Staff Director to Senator Susan Collins, one of the authors of the PAEA. The Commission also created a new office to

provide greater visibility – an Office of Public Affairs and Government Relations headed by Nanci Langley, Senator Daniel Akaka’s long-time advisor; and we named Jack Callendar, Representative Tom Davis’ postal counsel as the PRC Inspector General, a position mandated by the Act. Rounding out these recent personnel additions is Judy Grady, Chairman Blair’s Special Assistant, who has been instrumental in our internal transformation.

I’m also proud that two former postal employees have joined the PRC: Louis Honoré, my Special Assistant, and Paul Harrington, Special Assistant to Commissioner Mark Acton.

With the Commission’s new responsibilities, we are moving as expeditiously as possible to set up a basic framework for the new rate-making system, which is why we held the three field hearings. I’d like to share with you what we heard from the diverse community of postal stakeholders “outside the beltway” – from our field hearings in Kansas City, Los Angeles, and Wilmington. Our witnesses were asked to share with us their expectations for a new ratemaking system as well as their views on delivery service standards, which the Postal Service must establish in consultation with the Commission.

Many of the issues discussed at our field hearings impacts you as postmasters. The primary concern is having consistent and reliable mail service. Witnesses said that system-wide performance measurements are critical and should be publicly available. They noted that mailers, their customers, and the Postal Service would best be served by reports listing service performance regionally and between specific 3-digit pairs.

And of course those testifying were quick to point out that the possibility of a final rate case being filed under the old ratemaking rules, which follows the lengthy 10-month process, should be avoided. Although any decision on a last rate case under the old system will be determined by Postal Board of Governors, we at the Commission, also want to avoid another rate case under the 1970 law. It is in everyone’s interest if we dedicate our resources to creating regulations for the new system, rather than having the Commission and the mailing community expending time, money and resources on another rate case under the pre-reform act rules. By having a basic framework in place by early Fall could ensure that we avoid one last filing under the old rules.

The witnesses stressed the need for manageable and predictable rate increases and some suggested that the PRC establish, by regulation, a set, annual date on which rate changes would take effect. Several witnesses said exigent rate cases, which would allow the Postal Service to raise rates above the Consumer Price Index, should be used sparingly and only under extreme catastrophic conditions. Another area of discussion was that the new regulations should allow the Postal Service to introduce more customized and consumer-centric products to increase the value of the mail, such as encouraging tracking and tracing, intelligent mail, and guaranteed delivery of mail.

Lastly, the field hearing witnesses shared their views on how the Commission should calculate the Consumer Price Index (CPI), on which the rate cap will be based. In recent rulemaking comments, some mailers argued that using the most recently available volume date would most closely match the time period for the CPI data and would be an easy method to

employ. One important fact to keep in mind is that the new law requires only that the average increase for each class of mail be equal to the CPI, which means there is no guarantee that individual rates will not rise above CPI.

The Commission's rules on competitive products will effectuate provisions within the new law that prohibit subsidization of competitive products by market-dominant products and ensure that each competitive product covers attributable costs and contribute an appropriate share of institutional costs.

In addition to working on getting out new ratemaking regulations, we're also consulting with the Postal Service in its efforts to develop new service standards. We've already had several preliminary briefings in this regard, and more are planned for August and September. As you know, the Act requires that the Postal Service have in place service standards for all classes of mail by the end of December 2007. Again in consultation with the PRC, the Postal Service is to report to Congress on how to achieve these service standards by June 2008. This report will include the establishment of goals and provide details on changes in postal operations to meet these goals. A long-term vision of the USPS infrastructure and workforce will also be included in the report.

The Act requires that the new modern service performance standards be coupled with an objective service measurement system for all market-dominant products. The performance is to be externally measured unless approved by the PRC. Customers want reliability, not just speed. We've heard that two day delivery should be two days, not four or five days or next week for delivery. Currently EXFC, a single piece report, is the only service measurement system of the postal service. EXFC is externally measured by a third party vendor utilizing prepared test kits and anonymous droppers at collection box entry points while receivers record date of receipt for test pieces. The Commission is confident that acceptable modern service standards and measurement system for market-dominant products will be established in a timely fashion.

Another area of the PAEA that we're working on is fashioning a new complaint process. Our goal here will focus on complaints concerning the ratemaking process and coverage; not late delivery issues, for example. The framework is not yet set, but in my mind it will cover three main areas: rates and classifications; closings of post offices and delivery standards; and ways to achieve them, including consolidations.

In closing, you can see we have a lot of work ahead of us, and the next month will be an intense period at the PRC as we draft the proposed final rules for the new ratemaking system. We're also aware of the need to report to Congress on our progress as well as file annual compliance reports. You can keep up with what we're doing by visiting our web site at [www.prc.gov](http://www.prc.gov).

Again, thank you for the opportunity in joining you today at your annual convention, and I welcome any questions you may have.