

**Remarks of the Honorable Edward J. Gleiman
Chairman, United States Postal Rate Commission
before the
National Association of Postmasters of the United States**

August 27, 1996

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President Bates, Secretary-Treasurer Carrico, delegates, and distinguished guests.

As I look out and see hundreds of NAPUS delegates who represent the more than 43,000 active and retired postmasters, I know I am looking at the true front line of the Postal Service. Two years ago, I had the pleasure of joining you at your convention in Albuquerque. Then, I stressed the importance of "service" in Postal Service. As you may recall, the Postal Service was receiving a fair amount of criticism at the time about deteriorating service. Well, all that has changed, and I know who should get the thanks. While in Washington officials at headquarters issue press releases, give speeches and sit around thinking fancy thoughts, I know it is you, the leaders in the field, postmasters in places like Clanton, Alabama; Palisades, Colorado; Elmont, New York; Silver Spring, Maryland; and Camden, Arkansas, who ultimately are responsible for making sure the Postal Service delivers. And, a good many of us in Washington realize that, more-often-than-not, postmasters deliver in spite of, not because of, Postal Service headquarters.

Moreover, I know you are not just getting the mail out -- making sure that hundreds of millions of letters, cards, flats, and parcels get to the right place each day in a timely manner -- managing your office and your workforce. You also are dealing with customers, explaining complex mailing rules such as the July 1st reclassification regulations, and, many of you serve as respected leaders in your communities.

You are doing a fine job. Thank you for your efforts.

Understandably you have some serious concerns these days; concerns that we at the Commission and I, personally, share. First and foremost is the matter of how best to ensure a strong and viable Postal Service. Then, there is the increasing number of post office closing appeals filed with the Postal Rate Commission, which raises concerns about the future of these important community fixtures. The NAPUS intervention, and the individual letters from postmasters retained in the Commission's public commenter file, make clear your concerns about the Postal Service's proposal to increase post office box fees as part of the current Special Services Reform case. Your efforts in the Congress, led by your Director of Government Relations Teena Cregan, tell me you are concerned about some aspects of the far reaching reform bill (H.R. 3717) recently introduced in the House of Representatives by Chairman John McHugh of the Subcommittee on the Postal Service.

I would be remiss if I didn't pause here to give some credit where it is due. While I, just as you, have questions and concerns about the reform bill, Chairman McHugh deserves a great deal of credit for the courage and concern he has shown in tackling a very complex and politically difficult issue. I think it is important to keep in mind that while he is attempting to balance many interests, it is clear that he cares deeply about the future of the Postal Service and appreciates the importance of universal service.

Before I get to our shared concerns I would like to take a few minutes to talk about the Postal Rate Commission.

The Postal Rate Commission

Two years ago, in Albuquerque, I talked quite a bit about the postal ratemaking process which, of course, is the primary responsibility of the Postal Rate Commission. I won't replot that ground, but I find that for many in the postal community, the Postal Rate Commission remains somewhat of a mystery.

The Commission consists of five, presidentially-appointed Commissioners who serve six-year terms. It has a staff of 45 (down from 55 two years ago). It is totally independent of the Postal Service. It is a unique institution; probably the closest analogy would be a public utility regulator at the state level, although the Commission regulates only one entity -- the Postal Service.

The Commission exists to consider Postal Service proposals for postal rate and classification changes and to provide a forum where postal customers, consumers, and the general public can express their views on those proposals. After considering these views, the Commission applies the rate setting provisions of the Postal Reorganization Act to make recommendations on these proposals to the Postal Service Governors. While the Commission's recommendations carry great weight, it is the Governors who make the final decisions on rate and classification matters.

From time-to-time, big business mailers, postal officials and I guess even a few of you have taken shots at the Postal Rate Commission. Someone or another is not happy with what we've recommended, most likely because of how it will affect his or her pocketbook; some complain that the process takes too long or that it seems too adversarial. You know, when you think about it, these criticisms echo criticisms leveled at all regulatory bodies or at any entity which reviews, watches over, and questions the activities of another group. The attacks even parallel the

tension between postal employees and postal management relative to consultations and bargaining. In any event, I understand and I appreciate these criticisms.

While you have been working on improving service to your customers, we at the Commission have tried to do the same. Since I last spoke with you:

- we have finished a major rate case in record time, enabling the Postal Service to earn an additional half billion dollars in unexpected revenue;
- one of our recommendations in that case was the flat \$3 Priority Mail rate, which has become a cornerstone of USPS advertising and has led to increased volume;
- our recommendations in reclassification phase I supported the Service's interests and were accepted by the Governors (the first time in recent memory they didn't ask us to go back to the drawing board);
- the Service filed an experimental case for pre-barcode small parcels (they asked us to finish in four months; we approved it in less than three months);
- we worked with the Postal Service and others to develop regulations streamlining many of our procedures; and,
- we completed the non-profit reclassification case in just three months.

We may not always agree with the Postal Service, but then again, who does? We do care about and are interested in doing our best to ensure a strong and viable U.S. Postal Service.

Post Office Closings

One of the areas where we occasionally find ourselves in disagreement with the Postal Service is in matters involving appeals of post office closings.

When last I spoke with you, I pointed out that the Postal Service had markedly reduced the number of post office closings during the past several decades and that the closure rate had dropped to 200 or fewer per year. There was some hope that this trend would continue. Unfortunately, that has not proven to be the case.

According to press reports, the number of post office closings reached record levels in fiscal year 1995. The number of post office closing appeals the Commission has received thus far in fiscal year 1996 suggests the trend toward more closings may be continuing. The number of 1995 appeals (22) was the highest since 1986, and the number in 1996 is only one short of that mark (21) with two months still to go in the fiscal year. So-called "temporary suspensions", which do not fall within our jurisdiction, may actually portend even larger numbers of closings in the future.

Publicly, at least, the Service is proud of its wide-spread, geographical presence. It's ads tout "40,000 retail outlets." So, what's driving this increase in post office closings?

The 1992 downsizing and concurrent "early outs" arguably created an unusually large number of postmaster vacancies with corresponding opportunities to close small offices. But that effect should have worked its way through the system by now. There is another possible factor in the increased number of closings: among the goals of the Postal Service for the next few years is to increase revenue by one billion dollars a year AND cut costs by a billion dollars a year. It may be only coincidental that post office closings are on the increase, but I can not help wondering -- after hearing a very senior postal official tell the Direct Marketing Association just last year that closing several thousand small post offices could save a billion dollars -- whether something more is afoot.

For its part, in those cases when closings are appealed, the Commission will continue to ensure that the Postal Service complies with every aspect of the law. And, we will continue to seek changes in the law which we believe are consistent with Congress' intent to maximize citizens' opportunities to retain their local post offices.

The Special Services Reform Case (Docket No. MC96-3)

The Postal Service filed its proposal on June 7th. The parties are presently engaged in the discovery phase of the case, asking written questions of the Postal Service about its proposals. Formal hearings are scheduled to begin in September. Various special services are involved -- insurance, registry, post office boxes, certified mail/return receipts, special delivery, and postal cards. The Postal Service has described this case as the third phase of classification reform. But, Commissioner Edward Quick, the Commission's Vice Chairman and Presiding Officer in this case, noted the case has significant revenue implications:

[U]nlike the first two phases of reclassification, the proposals in Docket MC96-3, if approved in their current form, would generate a considerable amount of additional net revenue for the Postal Service, approximately \$340 million. Until now, revenue increases this high have only been seen in omnibus rate cases,

This precedent has already caught the attention of some of the Postal community's keen observers. In its June 17 issue, Postal World said: "The Postal Service needs bucks to prevent a general rate hike and will seemingly take almost any tack to get it. Now it's after an extra 340 million a year in the new, higher special services rates"

In its June 17 issue, Business Mailers Review notes that MC96-3 "looks more like a rate case" and says the additional revenue the Postal Service would receive from the proposal is "one-third of the way to the Marketing Department's goal of one billion dollars in new revenue."

The post office box aspect of this case is a major revenue raising component of this Postal Service initiative; the expectation is that fee changes will yield an additional \$134 million in revenue. The post office box fee increase has received considerable attention and was the subject of a formal Commission request (known as a Presiding Officer's Information Request or POIR) to the Postal Service for background data on the proposal and written questions (known as interrogatories) asked by NAPUS. While I am somewhat restricted in what I can say about a case that is currently before the Commission, a quick review of already public documents will show that the Commission is scratching its collective head about the same issues that concern NAPUS and those individual postmasters who have written us. The Commission also has such questions as: which boxes will really see increases and by how much; are there some \$2 boxes that will go to \$16, rather than free; will overall Postal Service costs go up as customers opt for delivery instead of paying increased fees?

That NAPUS is participating in this case is testimony to the need for a process that (1) allows questions to be asked, and (2) requires answers to be given, before decisions are made.

The Commission is, in essence, a referee that applies the rules handed down by Congress in the Postal Reorganization Act. As a referee, it is not surprising that the Commission is sometimes accused of making “bad calls” by contestants who appear before it. Thus, it is also not surprising that the bulk of the postal reform legislation now being considered deals with the role of the Commission vis-à-vis the Postal Service.

Postal Reform Legislation

Teena Cregan’s article in the July *Update* gave an excellent summary of Congressman McHugh’s far-reaching postal reform bill. And, I have had the benefit of reviewing President Bate’s July 18 testimony before the Postal Service Subcommittee. Importantly, your organization recognizes the downward pressure the bill’s price-cap approach inevitably would place on postal wages and salaries. The debate has just begun, and some of it already has been interesting.

I must admit I was struck by the Postmaster General’s position on H.R. 3717. For almost two years he has been asking the Congress to give the Postal Service the ability to compete. He wants private sector “flexibility” to enter new markets and roll out new products without a regulatory oversight mechanism, which he has characterized, repeatedly, as cumbersome and time consuming.

Well, Chairman McHugh’s bill would give the Postmaster General what he is asking for -- the freedom to compete in competitive markets. But it does more than that. It attempts to level the competitive playing field by making the Postal Service subject to the same fair competition requirements that apply to private sector companies such as AT&T, IBM, and yes, UPS and Federal Express.

Under the McHugh bill some, but not all, Postal Service activities would be subject to the anti-trust laws and Federal Trade Commission and Department of Justice oversight. The Postal Service would be liable for treble damages if it acted unfairly, and its Governors would be subject to civil and criminal penalties, the same as directors of private sector companies. Finally, its statutory monopoly would be narrowed by changing the “double postage” rule and by exploring whether the “mail box” rule should continue.

There’s an old saying: “Be careful what you ask for; you may get it” or, as Forest Gump might have put it, “legislation is like a box of chocolates -- you never know what you’re gonna get!” That may be what has happened to the Postmaster General. Testifying before Chairman McHugh he complained that the “proposed bill would add two new layers of oversight authority -- the Federal Trade Commission and the Department of Justice.” He worried that “relaxation of the

Private Express Statutes by the establishment of a \$2 price threshold [in place of the current \$3 or double the first class postage -- whichever is greater -- rule] would put more than \$4 billion of our current business at risk.”

The PMG’s testimony reminded me of a sign my grandfather had over his desk. My grandfather, as you may recall from my last convention speech, retired from the Post Office in 1949. At the time, he was superintendent of Merchant’s Station, which served the business district in Baltimore, Maryland. Well back to that sign -- and, yes, I am old enough to remember it -- it read:

Man is a fool. When it’s hot, he wants it cool. When it’s cool, he wants it hot. Always wanting what is not!

For some time I have been troubled by the notion that the Postal Service must enter new, unrelated markets and strive to capture market share from private enterprises. Maybe I am old-fashioned, but I think the Postal Service is here to provide a government sponsored (as opposed to government subsidized) service, and that service is delivering hard copy messages and parcels. Generally speaking, new postal products are okay, but I think the Nation would be better served if headquarters management would spend more time supporting your efforts in the field and less time on trendy ideas for which the Service is ill-suited and which are unlikely to provide substantial additional net revenues.

If, however, the Congress believes the Postal Service should be competing in other markets, I see my job as head of an independent regulatory agency as providing whatever insight and assistance I can to ensure that the legislative product is realistic and workable, and that it does not irreparably harm an incredibly important institution -- our United States Postal Service.

As I said, the debate has just begun. Chairman McHugh and his subcommittee should be commended for the thorough and thoughtful way they are meeting their congressional oversight responsibility.

I will close by once again commending your dedicated service. A blurb in a recent NAPUS *Update* really brought home the magnitude of the job you and those who work with you do. It was titled “How Much is a Billion?” and went like this:

Consider this:

- one billion seconds ago, John F. Kennedy was President of the United States.
- one billion minutes ago, Julius Caesar was ruling Rome.
- one billion letters ago, was the day before yesterday in the U.S. Postal Service.

Keep up the good work and enjoy your convention and your stay here in Salt Lake.