S. Hrg. 108–50

NOMINATIONS OF CLAY JOHNSON, III, ALBERT CASEY, AND JAMES C. MILLER, III

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

ON THE

NOMINATIONS OF CLAY JOHNSON, III TO BE DEPUTY DIRECTOR FOR MANAGEMENT OF THE OFFICE OF MANAGEMENT AND BUDGET; AND ALBERT CASEY AND JAMES C. MILLER, III TO BE MEMBERS OF THE BOARD OF GOVERNORS OF THE U.S. POSTAL SERVICE

APRIL 2, 2003

Printed for the use of the Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

86–995 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

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WEDNESDAY, APRIL 2, 2003

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Committee, presiding.

Present: Senators Collins, Akaka, Carper, Dayton, Pryor, Lautenberg, and Levin.

OPENING STATEMENT OF CHAIRMAN COLLINS

Chairman COLLINS. Good morning. The Committee will come to order.

Today the Committee on Governmental Affairs is holding a hearing to consider three nominees, the nomination of Clay Johnson to be the Deputy Director for Management at the Office of Management and Budget, and the nominations of Albert Casey and James Miller to be members of the Board of Governors of the U.S. Postal Service.

The Office of Management and Budget has an important dual mission. On the one hand it oversees the preparation of the Federal Budget and helps formulate the President's spending plans. On the other hand, OMB also oversees Federal procurement, financial management, information, and regulatory policies in all executive agencies. But despite its dual responsibilities, the agency has gravitated increasingly toward the budget side of the ledger, to the point where some experts question whether management has become little more than just a silent partner.

I am pleased, therefore, that this administration has placed more emphasis on management issues. The President's management agenda, for example, is meant to ensure that management issues are appropriately considered. OMB is responsible for assessing agencies' performance in five key areas: Financial management, human resources, e-government, competitive sourcing, and linking budget to performance.

The Bush Administration is also attempting to link management and budget issues through its Program Assessment Rating Tool also known as PART, which is intended to help identify strengths and weaknesses in Federal programs. This will help us make agencies more accountable, and ensure that they are performing as intended. OMB is responsible for further refining and improving this tool while working with agencies to develop better performance measures and to collect accurate and timely data. Ensuring good management in an array of areas, including information technology, personnel, financial systems and procurement, can help to ensure that agencies are carrying out their responsibilities in the most effective and efficient manner. Thus we can save taxpayers money and lead to more accountability.

I am very pleased that Clay Johnson has agreed to take on this challenge. His extensive management background in both the public and private sectors would certainly help to provide him with the experience and tools that he will need as Deputy Director for Management.

I am also pleased that today we are considering the nominations of Albert Casey and James Miller to be members of the Board of Governors of the U.S. Postal Service. The Postal Service is in the midst of serious financial and operational challenges, the effects of which affect the economy as a whole. It is the linchpin of a $900 billion mailing industry that employs 9 million Americans in fields as diverse as direct mailing, printing and paper manufacturing. As members of the Board of Governors, Mr. Casey and Mr. Miller will be faced with a multitude of challenges that the Postal Service must overcome to provide affordable universal service for every American. It has been more than 30 years since the Postal Reorganization Act was passed. The time has come to reassess how the Postal Service should adapt to its customers, competitors and technology in order to best fulfill its mission in the 21st Century.

The White House Commission on the Postal Service is now examining the financial and operational challenges confronting the Postal Service. At the end of July the Commission will release a report of its findings, including recommendations for legislative change.

For my part, I believe that privatization of the Postal Service is not the answer to the problems the Postal Service faces. The need to preserve a strong and universal Postal Service is clear, and particularly evident for those of us who represent States with large rural areas.

Mr. Casey and Mr. Miller bring strong credentials and experience to the positions to which they have been nominated. As Members of the Postal Service Board of Governors they would be charged with overseeing the Postal Service and guiding it through the approval of all major policies and initiatives.

I would now like to turn to my colleague from Delaware, Senator Carper, who I am pleased to say has been designated by Senator Lieberman to act as the Ranking Member for this hearing. So we are very pleased to have his participation today as well as that of Senator Akaka and Senator Dayton.

Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you, Madam Chairman. Good morning.

Chairman COLLINS. Good morning.

Senator CARPER. I only wish that more of our colleagues are running for President.

Senator DAYTON. Well, he has just dropped a notch in my standing. [Laughter.]

Senator CARPER. You will have your turn soon, I am sure.

To colleagues Senator Akaka and Senator Dayton, good morning as well. And Senator Hutchison and Senator Cornyn, welcome. There must be somebody from Texas coming up today. [Laughter.]

Thank you for joining us. We look forward to your introductions.

I am pleased to be here today as the Committee considers three important nominees, some of whom we have known for a while. Welcome, we value your service and welcome your willingness to serve further.

As we all know, balance sheets in both the Postal Service and certainly the Federal Government as a whole have taken quite a hit in recent years, and strong effective management has been and is going to continue to be one of the keys in turning things around.

I look forward to questioning both Messrs. Casey and Miller about the role that they believe the Board of Governors can play in the coming months as the Postal Service attempts to continue to recover from declining volume, recession, and terrorist attacks.

The Postmaster General predicted that an increase in volume was on the horizon the last time that he appeared before this Committee, but some fundamental changes need to be made in the Postal Service in the coming years if it is to remain viable in this 21st Century. If, as I believe it should be, postal reform means giving the Postal Service more flexibility in setting prices and managing its own affairs, then the Board of Governors will need to play an active role.

I also welcome Clay Johnson to the Committee, and I point out that the Federal Government is not only in deficit right now but is in the midst of a massive transition. Dozens of agencies were all brought together earlier this year as part of the Department of Homeland Security. In order for what we have put together to work, we are going to need some strong leadership from the top, especially since some key agencies with Homeland Security missions were not brought over to the new Department.

I look forward to hearing from Mr. Johnson, how OMB can help Secretary Ridge and his colleagues to coordinate with agencies like the Department of Health and Human Services, the FBI, and the CIA, in making our Nation more secure. I also look forward to hearing how he will help other agencies manage their scarce resources and continue to fulfill their missions at a time when budgets are tight and our country is mobilized and at war.

Thank you, Madam Chairman.

Chairman COLLINS. Thank you very much. Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Madam Chairman. I join you and the Committee in welcoming our distinguished nominees this morning. Our nominees know that sound management is vital to the government function we rely on every day. I believe that effective management demands accountability and transparency.

This administration has placed great emphasis on outsourcing government functions. However, regardless of whether work is performed by Federal employees or contractors, the Federal Government needs to have the people and the tools necessary to identify costs and manage outsourced activities. Mr. Johnson, if confirmed, I hope you will help agencies adopt appropriate management strategies that promote equity. I also hope you will seek the active participation of Federal employees, their unions and management associations.

Mr. Miller and Mr. Casey, there are many challenges facing the Postal Service, as we all know, and I hope that the Postal Service of today will continue to be competitive tomorrow. I look forward to hearing more about your views.

And also in welcoming you, I want to welcome your family members and friends, or I should say supporters of our nominees.

Thank you very much, Madam Chairman.

Chairman COLLINS. Thank you very much. Senator Dayton.

OPENING STATEMENT OF SENATOR DAYTON

Senator DAYTON. Thank you, Madam Chairman. I think, as you said, we have three extremely well qualified individuals here, and I look forward to the opportunity to discuss some of the issues with them, but I have nothing further to say at this time. Thank you.

Chairman COLLINS. Thank you very much.

As Senator Carper keenly detected, we do have two nominees today who are from Texas, and thus we are very honored to be joined by the two very able Senators who represent that State. I will note that the two nominees from Texas are offset by a nominee from New England. So it all balances out in the end.

It is my pleasure to first call on the Senior Senator from Texas, Senator Kay Bailey Hutchison, for any comments that she would like to make.

STATEMENT OF SENATOR HUTCHISON, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator HUTCHISON. Well, thank you very much, Madam Chairman. I am very pleased to be here to talk about two very important constituents whom I have known for years and years.

I will say that Clay Johnson has with him—and he will probably introduce them as well—his wife, Anne, and his sister, Margaret. His other sister, Liz, and I went to college together, so I have certainly known their family for quite a long time.

As many of us know, Clay Johnson has been the Assistant to the President for Presidential Personnel since President Bush was sworn into office. His organization has been responsible for the identification and recruitment of approximately 4,000 senior officials, middle management personnel and board and commission members for President Bush. He had the same very important job for then Governor George Bush in Austin, and later was Governor Bush's Chief of Staff.

He also has substantial private sector experience, which I think will really help him in the management of this very important agency. Before entering public service, he was the Chief Operating Officer for the Dallas Museum of Art, and he was President of the Horchow Mail Order Company, which became the Nieman Marcus Mail Order Company.

He earned his bachelor's degree from Yale, and a master's degree from the MIT Sloan School of Management.

I know that his experience in the public sector and the private sector is going to be very helpful. OMB has a very important job, a very tough job, and I think he will be helpful in managing that office.

He is from Fort Worth and his family has been from Fort Worth for a long time, for generations actually, as has his wife Ann.

Al Casey is a New Englander, who made his way to Texas as soon as he could. [Laughter.]

He is nominated of course for a governor position for the U.S. Postal Service. He was Postmaster General once before under President Reagan, and has been an interim member of the Postal Service Board since August 2002.

He is a distinguished Executive in Residence at the Cox School of Business at SMU and he has extensive private sector experience as well. He was Chairman and Chief Executive Officer of First Republic Bank Corporation, Chairman and Chief Executive Officer of American Airlines and its umbrella organization, AMR Corp. He was President of the Times Mirror Company for 8 years.

He was born in Boston, received an undergraduate degree in economics from Harvard and an MBA from Harvard Business School. He served our country in the Army for 4 years during World War II.

He has a great record of management experience and I will say that from the things that all of you have said this morning, you are looking for independent leadership of this organization, and I can assure you Al Casey is the perfect person for this job.

Before I leave, Madam Chairwoman, you said there is a New Englander nominated. Well, he had experience at Texas A&M, so I want to say a word for Jim Miller as well, also known for his integrity and independence. Jim Miller would be a fine member of the Postal Board.

And I think you are looking for exactly these two kind of people and what they will bring to the table is, I hope, a turnaround of the Postal Service that will make it self supporting and more competitive. So I thank you for having us here today. I am going to leave to go to the floor because we are doing our tribute to the troops right now, but I would not miss the chance to say a word about my two fellow Texans and also Jim Miller, who has great Texas experience.

Chairman COLLINS. Thank you very much, Senator. I appreciate your being here with us this morning.

Senator Cornyn, it is a pleasure to also welcome you here today, and I would ask that you proceed with your statement.

STATEMENT OF SENATOR CORNYN, A U.S. SENATOR FROM THE STATE OF TEXAS

Senator CORNYN. Thank you, Senator Collins.

I want to add my voice to that of Senator Hutchison in support of all of these nominees, but particularly on behalf of Clay Johnson, who I got to know when he served as the Appointments Director and the Chief of Staff for then Governor Bush in Austin when I was Attorney General of the State of Texas.

To me, Clay Johnson represents the finest example of those who do not get the attention, do not get the accolades that those of us who run for office and who hold elected office do. We get a lot of attention. Some of it is welcome, some of it is unwelcome, but the truth is, it is people like Clay Johnson, who day in and day out make government work for the benefit of the people of my State, and in his job now and in his new job, on behalf of the American people.

In my previous life I served as Attorney General to the State of Texas, and in so doing, I had the responsibility to oversee the work of 3,700 employees, about two-thirds of whom collected child support for about 1.2 million children in our State. And in that job I came to appreciate the challenges of managing large numbers of people, and I really came to feel, and I have not been formally trained in management, as has our nominee, Clay Johnson, nor do I have the experience he has, but I almost feel like the word "management" is a misnomer when we talk about the challenges that we have in dealing with people.

Really what it boils down to, I believe, is leadership, setting the priorities, providing the resources, and holding people accountable for performing. And then finally, in essence, being a head cheerleader, to try to encourage them in every way that we can to be successful in the jobs that they have chosen to perform. I cannot think of anybody who would be more prepared, by virtue of his training and experience, than Clay Johnson, to perform this important job as we go forward at the Office of Management and Budget as Deputy Director for Management.

I wanted to be here today and just take these few moments to add my voice of support for this outstanding nominee, and really my support for all three of these nominees, but particularly for Clay and his wife, Anne Johnson, who are friends as well.

Thank you very much.

Chairman COLLINS. Thank you very much. And again, we appreciate your taking the time out of your busy schedule to introduce these nominees. Thank you very much.

We will now first consider the nomination of Clay Johnson to be the Deputy Director for Management of the Office of Management and Budget.

Mr. Johnson, I would ask that you come forward and remain standing so that I can swear you in.

Do you swear that the testimony you are about to give to the Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. JOHNSON. Yes.

Chairman COLLINS. Thank you. You may be seated.

Mr. Johnson has filed responses to the biographical and financial questionnaire, answered prehearing questions submitted by the Committee, and has had his financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record with the exception of the financial data, which are on file and available for public inspection in the Committee offices.

First, Mr. Johnson, I do want to give you the opportunity to introduce any family members that are here with you, if you would have them stand.

TESTIMONY OF CLAY JOHNSON III[1] TO BE DEPUTY DIRECTOR FOR MANAGEMENT OF THE OFFICE OF MANAGEMENT AND BUDGET

Mr. JOHNSON. Thank you, Senator. I would like to introduce my wife Anne, and my sister Margaret Johnson, who lives here in the District, and I am delighted that they are here to support me in this.

Chairman COLLINS. We welcome both of you. Mr. Johnson, do you have a statement you would like to make?

Mr. JOHNSON. I only have just a very brief comment to make here at the outset.

I am honored and pleased that the President has asked me to take on the challenging and important responsibilities of the Deputy Director for Management position at OMB. If confirmed by the Senate, I look forward to working with this Committee, the Congress, the leaders of the departments and agencies, the Federal employees and the unions, Senator Akaka, which you mentioned, to ensure that the Federal Government is giving our citizens the results they deserve and expect.

I have met with the majority of the Members of this Committee, and I share the Committee's enthusiasm and excitement and interest in all the many opportunities we have before us to improve how the government is managed, and I look forward to working with you in the future.

Thank you.

Chairman COLLINS. Thank you very much. I am going to start my questioning today with three standard questions that we ask of all nominees.

First, is there anything that you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. JOHNSON. No, not that I am aware of.

Chairman COLLINS. Second, do you know of anything personal or otherwise that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated?

Mr. JOHNSON. I do not.

Chairman COLLINS. And third, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. JOHNSON. Yes, I do.

Chairman COLLINS. We will now start a round of questions limited to 6 minutes each.

Mr. Johnson, as I alluded to in my opening statement and in my prior conversations with you, there is a long-held view that management issues at OMB have taken a back seat to the budget issues, that the budget debates are so all-consuming, that OMB tends to slight the management responsibilities. As I have remarked and others have said, it is important that we put the "M" back in OMB.

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[1] The biographical and financial information appears in the Appendix on page 37.
Responses to pre-hearing questions appears in the Appendix on page 42.

Do you agree with the assessment that management issues have not received the attention that they have deserved in previous administrations, and how would you work to make sure that management issues, which have such an impact on the delivery of services and the cost of programs, are a high priority at OMB?

Mr. JOHNSON. Well, I am not a student of what past administrations have done, but I do know that management is an important priority for this administration and this President. I would like to think that he, President Bush, asked me to do this because it was important, as opposed to asking me to do it because it was unimportant. I noted from the very beginning that he has challenged Mitch Daniels, the Director of OMB, to think boldly and aggressively about how the Federal Government can be managed better. And there are opportunities, there are technologies, there are things taking place in the workforce, Federal workforce, now that afford this administration, the Federal Government now, opportunities to significantly improve things that were not available previously.

And I think great work has been done in the last 2½ years, first with Sean O'Keefe, and second with Mark Everson, all under Mitch Daniels' directorship, to focus on how the Federal Government has managed to make an attempt to significantly change how the Federal Government is managed. And I hear, albeit mostly anecdotal feedback from long-time career employees in different agencies, that this administration is doing as much, if not more, than any previous administration in terms of trying to significantly change how agencies are really managed, how to make the Federal Government more performance oriented.

So I am very confident and comfortable that this is a high priority for the President, and I am very confident and comfortable that I can continue to make it a high priority for this administration and for the Federal Government.

As I pointed out in my questionnaire answers, I have been involved in helping the President identify and appoint most all of the senior leadership in the Federal Government. So I know them, they know me. I think I have their respect. I respect them. And so my ability to communicate and interact with the leadership of other departments and agencies is significant, and that is the primary challenge now. It is not figuring out what to do. I think there is some very good planning that has taken place in the last 2 years, and that the primary emphasis going forward is to actually go do and implement and execute the plans that have been laid out before us.

Chairman COLLINS. The General Accounting Office, every other year, issues a list of programs that are known as the "High-Risk List". These are programs that the GAO has identified as being particularly vulnerable to mismanagement, waste, fraud, and abuse. It is startling to me that there are programs that have been on that list since it was originated more than a decade ago. Every single year, probably half the list is comprised of the same programs that were there 10 years ago. What will you do to make sure that programs that have been identified as high-risk programs have their deficiencies or management flaws remedied, so that we see programs actually leaving the list rather than appearing year after year?

Mr. JOHNSON. Jim Lockhart, who is the Deputy Administrator of Social Security, talked to me and some others a couple of weeks ago about how they went about getting one of the items that had been on the high-risk list off the high-risk list this past year, and it really was pretty straightforward, and I bet what applied there would apply to these other items as well, which is they made sure that the senior official in the agency, the administrator, was very interested in getting off the high-risk list, that the rest of the organization knew what a priority it was for the administrator, that there was a very specific plan developed for getting the item off the high-risk list. There were to-do items, and it was a plan that everybody felt comfortable with; it assigned was clear responsibility, it was clear who was in charge, whose responsibility it was for getting this item off the high-risk list, milestones to be hit, specific actions on specific dates. And they did it.

It strikes me that the same approach is called for on these other items. And so I have talked to David Walker about this, and am making sure that for all the 24 items, I think it is, 23, on the high-risk list, that the same thing exists, that there is an action plan, it is clear who is responsible. Some of these things have persisted, as you said, been there for 10, 12 years. They are not going to be removed in 6 months. But there is a plan that everybody is comfortable with, we know what we are dealing with, we are not going to get to the end of a 2-year effort and say, "Well, that is really not good enough." We are going to get agreement up front what we need to do to get it off the list, and then we are going to identify who is responsible for following through on the plan, and then make sure it happens.

So I see OMB's role, my role in particular, as ensuring that there is a specific plan, there is clear accountability, and that people meet the milestones they say they are going to meet and do the necessary work to get the items off the high-risk list.

Chairman COLLINS. I am pleased to hear that. This Committee is going to hold a series of hearings to look at some of these programs and identify exactly what the issues are in the hope of assisting in the task that you have outlined.

Mr. JOHNSON. Great.

Senator COLLINS. Senator Carper.

Senator CARPER. Thank you, Madam Chairman.

Mr. Johnson, welcome. How are you?

Mr. JOHNSON. Fine, thank you.

Senator CARPER. Nice to see you. And welcome to your wife and sister. I could just barely see your wife's lips move when you spoke. [Laughter.]

I sometimes say to Bill Frist or Trent Lott beforehand, and occasionally to Senator Daschle, that I would not want their job for all the tea in China. And I have thought about your job. It is not a particularly wonderful position to have——

Mr. JOHNSON. Or my previous job.

Senator CARPER. I thank you for doing it. From most accounts, I have heard, you're doing it well.

Part of what you have done for the President is to go out and to identify people to serve in leadership positions in this administration and previously in the administration in Texas, and obviously you have given a lot of thought to trying to match the right person with the right set of skills, with the jobs that you are trying to fill. What is it about you and your set of skills that well equip you for this position?

Mr. JOHNSON. I like to bring method to madness, order to chaos, structure where there may not be as much structure as there can be or should be.

Senator CARPER. You might like serving in the Senate. [Laughter.]

Mr. JOHNSON. I like getting people around a table and figuring, clarifying real succinctly what it is we are trying to do, how we are going to get there, who is responsible, and I think I am good at it. And that is what is called for in this position.

And I have had firsthand experience with a large Fortune 500 company and a privately held company, and in all these areas that we are dealing with here in the Federal Government, with very different, smaller groups of people, smaller budgets, but firsthand experience in all these arenas. So I have first hand experience. I think what I like doing is tremendously applicable here, and I think also the knowledge of the people, the key players involved, that I have, makes me well qualified to do this.

Senator CARPER. Talk to us a little bit about the nature of the job for which you have been nominated. Just describe it for us.

Mr. JOHNSON. Well, the job in general, in most summary form, I see it as trying to bring better management practices to how the programs the Federal Government supports are managed and how the agencies and departments are managed. We are to provide leadership in the management arena. We cannot manage the State Department, not supposed to manage the State Department, the Interior Department, EPA, but we are to work with the secretaries or administrative heads of those departments to help identify what the opportunities are to make those departments more results oriented, and bring focus to it, and then identify what can be done. And if laws need to be changed, work with Congress and this Committee, and on the House side as well, to identify those legislative actions that would allow the Federal Government to be more results oriented.

So it is as a facilitator. It is not our firsthand responsibility to take responsibility, but to provide them with a direction and hold them accountable for sound management practices, and the President is very interested in this. He meets with his Cabinet Secretaries at least once, I think it is, every month or two, and during almost every one of those meetings he asks them how they are doing. With all else that is going on, he asks them how are they doing on the President's management agenda? Are they out of the red score category yet? Are they at yellow, or are they green in the category? They get it. They understand that this is an interest of his and a priority of his. And my responsibility, one of my key responsibilities is to keep making that point with them, and they are involved, and they are engaged, and how to help them identify and follow through on those opportunities to better manage their agencies.

Senator CARPER. I believe that the administration has proposed something called a human capital fund.

Mr. JOHNSON. Human capital performance fund.

Senator CARPER. There has been a fair amount of discussion about whether or not we can adjust our compensation systems to attract some of the key people that we need, to retain those who might otherwise leave us, and to reward those who are doing a better job. As a former governor of Delaware I was interested in being able to attract good people, keep good people, and to reward people who really did a terrific job. The legislature in my State was always concerned, and understandably so, that we would invite favoritism and situations where people would receive better treatment better compensation, not just because they were more critical, more valuable, and tougher to keep, but because of favoritism. Just take a moment and talk with us about how we meet the laudable objectives of such a performance fund and balance that with the concerns that such a fund could create. How do we deal with those concerns?

Mr. JOHNSON. I believe it is very important to reward performance, identify and recognize performance, and encourage better performance and discourage bad performance. Right now our pay systems do not do that. They reward longevity. Sixty, 75 percent of all the Senior Executive Service people are paid at the highest level, so high performance, low performance, does not make any difference. They cannot make any more money if they do exceptionally well, nor are they going to make less if they do exceptionally poorly. That is not a good situation to have.

The human capital performance fund is an opportunity to start getting into the rewarding of high levels of performance. Again, it allows a lot of flexibility from agency to agency but it would allow us to start demonstrating creative ways of using extra pay to either encourage people to come into the Federal Government, that otherwise could not be encouraged to come because we do not normally offer enough, or to reward and retain superbly performing individuals that you otherwise might lose. So that is the primary purpose behind the human capital performance fund.

There is a question, is there bias? If we reward performance are we going to open ourselves up to people playing favorites and giving their friends higher increases than people that are not their friends? I do not believe that there is more or less bias in the Federal Government or more or less tendency to play favorites in the Federal Government than there is in the private sector. There are pay systems in the private sector and have been, especially with all the high-performing companies, that do this. I do not know why the Federal Government would be more apt to engage in bias and playing favorites than the private sector. Plus there are things you can do to review performance evaluations that were given. If somebody gives an exceptional performance to somebody, have a supervisor review it to make sure they sign off and agree. There are all kinds of checks and balances that can be engaged in, but I do not believe there is any problem at all with the human capital performance fund, or some vehicle like that, leading to people getting bonuses or extra pay for reasons other than exceptional performance.

Senator CARPER. Let me say in closing, thank you for that response. The concerns about a system like this being misused are real and I think are genuinely felt. I would just urge you to give some thought to the kinds of checks and balances that are appropriate, and that you and your colleagues can use in addressing the concerns when they are raised, because they will be. Thank you.

Chairman COLLINS. Thank you, Senator Carper. Senator Akaka.

Senator AKAKA. Thank you very much, Madam Chairman. It is good to have you here before us, Mr. Johnson. OMB has proposed revisions to the public-private competition process used to determine whether Federal workers or contractors should perform government functions. OMB's Office of Federal Procurement Policy has emphasized that agencies need to do a better job analyzing processes and reviewing internal agency structures before conducting a public-private competition. In fact OFPP has noted that some Federal agencies may have outsourced too many functions and should consider bringing back some of them into government.

As Deputy Director for Management, how would you ensure that agencies improve their internal management efficiencies to ensure that functions are being outsourced appropriately?

Mr. JOHNSON. As you know, the A–76 Circular is being rewritten to address the hundreds of concerns expressed and expressions of support when it was put out for public comment. A lot of the concerns had to do with, is it fair? I have seen some of the drafts of the rewritten A–76 Circular and I believe those issues are being addressed.

Is somebody responsible for the overall fairness and effectiveness of the system? I believe there is an attempt being made to do that that I think will be effective. There was concern expressed about it being positioned as an outsourcing initiative. We have to be careful that it is not positioned as that. It is not an outsourcing initiative. It is a taxpayer fairness, or it is a value to the taxpayer, issue. There were provisions in the old circular that allowed certain things to bid outside without a competition, if the numbers of employees were small, which could be viewed as not fair to employees on the inside. I think there are some attempts being made to address those kind of issues.

It is important that the procurement people, not only the people that are inside to manage the competitions, but if something has been bid and now is going out to somebody on the outside, that there are acquisition and procurement people in place qualified to manage that relationship? I think there have been examples, I think at HUD primarily where a lot of things were bid out and given to the outside and they, by their own admission, would say that they lost control of that and they are now trying to bring some of those items in.

So you have to have the professional competencies at all those levels to make sure that the taxpayer is really getting what the goal is, which is value. That they are getting the highest delivery of service at the best price for these things that are inherently commercial. I am confident that the revised A–76 Circular and the way it will be implemented will do that.

Senator AKAKA. I have long supported providing adequate funds to Federal agencies to pay for recruitment and retention incentives and as we look to the future we know that we will have a huge problem with this. We have been talking about how human capital programs will deal with this.

Unfortunately, agencies generally lack the funds to utilize these management flexibilities. However, the administration has proposed creating a $500 million human capital performance fund to reward high performance by Federal workers. I have several questions. One is, where was this money found to create this fund, and were other budgets lowered as a result? What role will OMB take to ensure that this funding is administered in a fair and equitable manner? And what steps will you take to make sure that agencies also have funds for recruitment and retention bonuses as well as student loan repayments?

Mr. JOHNSON. The Federal Government is involved in doing a lot of things that require a lot of money so we have to be very careful about how we spend the taxpayer's money. But the notion of rewarding employees for performance, having something like a human capital performance fund, is so important that the President supported Mitch Daniels' recommendation to find $500 million to support the fund, to get the Federal Government in the business of rewarding exceptional performance, or attracting exceptional performers, or retaining exceptional performers. I am not aware that other budgets were reduced to create that $500 million fund. I just do not know the answer to your question.

The second and third parts of your questions were?

Senator AKAKA. I was asking about what steps would you take to make sure that agencies will have funds for recruitment and retention.

Mr. JOHNSON. What we hope to do is, with this fund, demonstrate the creative ways it can be used and how effective money spent in this fashion can be. And then we would come back to Congress for additional funding or to perhaps work with the Congress to change the pay system in general that allows this kind of flexibility in pay. OPM will be responsible, Office of Personnel Management, if it is agreed to by Congress, will be responsible for the implementation of the fund and make sure that it is used fairly. They will require each agency to submit a plan for how they intend to spend their proportional share of the monies. If the agencies then do not follow through on that they can have the monies taken from them; again if all of this is agreed to by Congress.

So I think there are necessary safeguards in place and I think the fair way to think about it is this is a first step in a direction that I would bet most all the elected members of the House and Senate agree we ought to be going in.

Senator AKAKA. Thank you very much, Madam Chairman. My time has expired.

Chairman COLLINS. Thank you. Senator Dayton.

Senator DAYTON. Thank you, Madam Chairman. As I said earlier, I think the nominee is very well-qualified. My only conflict or concern is, he was a year ahead of me in college, and it is hard for my classmates and I to follow behind a class that produced the President of the United States, and the Deputy Secretary of State, and a couple of ambassadors, just for starters. I do not think our humility could withstand another high-level agency head.

Mr. JOHNSON. Your classes did OK.

Senator DAYTON. We are struggling along behind you. In between you and the class behind us who got Garry Trudeau and Doonesbury, so we are making do as we can. I am glad you are taking this position because you are well known for your veracity and your integrity and your probity, and I would say—we did not have a chance to talk before this hearing but I want to put this on the public record anyway. I do not expect you to respond because you are new to this situation, but I have found with OMB a lack of veracity that I find very disturbing.

I took the position of chair of the Joint Committee on Printing a year ago in January 2002. The then-chairman of the Rules Committee, Chris Dodd, offered me that opportunity and when you are one-hundredth in seniority the chance to be chairman of any committee is just something you leap at, so I did. The Joint Committee on Printing is responsible for overseeing the Government Printing Office, and has a bicameral, bipartisan and not political board of members from both the House and the Senate.

We were going along with a former administration appointee who was a 23-year career employee. He was a veteran of the Government Printing Office, so this was not somebody with a political background. Suddenly, we just got blindsided in the summer of last year when Mr. Daniels issued a directive to all the Executive Branch agencies to ignore a 100-year long-standing Federal law that requires Federal agencies to use the Government Printing Office for their printing. Mr. Daniels just declared the law was unconstitutional, and with no forewarning, no attempt to meet with myself or the head of the Government Printing Office. I held a hearing, wrote him a letter asking him to come, offered at the hearing and before in the letter to try to work things out. No interest whatsoever, no response.

And I found two things that were disturbing about our interaction. First, there was no attempt to make any kind of effort to resolve anything. Mr. Daniels just took a sledgehammer whack at the institution, and then took no responsibility for managing it or trying to make anything better come out of it.

But also Mr. Daniels used at the hearing and has used thereafter a figure that scores all this contracting with the private sector as saving the government $70 million a year. I tried to find out where that number came from. I called OMB. I asked, where is the study, where is the analysis that proves or that even states that privatizing this function will save $70 million a year? No one produced it. If you can find one when you get over there, I would like to see it. But my view is he just pulled a number out of the air, as far as I could tell, and asserted that time after time so that became the justification for this.

Then the President made an excellent appointment, or a nomination later confirmed by the Senate: Bruce James, a man with an extensive printing background. Last fall I worked with him to get him expedited through the committee process.

I want good government. I do not care whether it is a Republican Administration or a Democratic Administration, I want government to work as well as possible for the citizens. Now that Mr. James got on board, there is an agreement to set aside all of these matters that Mr. Daniels was absolutely determined to proceed with. I give credit to Mr. James and I am glad that he was able to be a voice of reason here.

I have asked Mr. Daniels to walk forward with me as we establish the facts about printing and information dissemination. I think the facts are exactly what are needed here. But there was not any interest in facts during that time.

Another example that came up just last week. I had the police officers come to me from Minnesota. Police officers are pretty straightforward individuals. I do not know—it does not even matter what their political views are—they want to make government work. They get funds to put cops on the street, and they were particularly concerned about a Byrne formula grant. Again, I do not expect you to know any of this.

I did not know about it, Madam Chairman, until this came to me last week. But the program has been proposed by the President to be zeroed out in funding and the justification for that in the budget, which I pulled out, that the President submitted, OMB submitted on his behalf, says, of particular concern are the billions of dollars in State and local law enforcement grants that have been awarded through programs that lack verifiable performance goals or measures such as the State criminal alien assistance program, the Byrne formula grants, and some others. Some of these programs were eliminated in the 2003 budget and others have been assessed using the new PART. It goes on to later say, the PART found similar, although less severe, problems with other grant programs performance goals and measures.

I read that and I think that any objective reader would read that to say that the program which has been proposed to be zeroed out in funding, the Byrne formula grant had been evaluated by PART and found to be wanting in some way. It turns out it was not evaluated by PART. PART did evaluate some other programs including the COPS program. It did not evaluate the Byrne formula grant program. I just think that again does not serve the cause of honest and objective decisionmaking on anybody's part when assertions are made or points are implied that are not in fact true. I have just seen that over and over.

My time is running out, but at the macro level of this I see this manifested with the budget. When this administration took over, the Office of Management and Budget provided a 10-year projection of the budget and that seemed to fit. Any projections going out 10 years, understandably, get to be in the area of speculation. But on the other hand, we are doing tax policy for 10 years and the President and others are proposing to make tax cuts permanent. So we are going out as far as the eye can see, and yet within a year after when deficits became more of a concern, the budget now is presented with a 5-year projection, even though the tax proposals continue to be 10 years.

I think that, in my mind, evidences a lack of willingness to confront the issues head-on. I expect this agency to be responsible to the President and to serve the President under any administration.

But I also expect it to be an honest broker in terms of numbers and information.

That leads me to my last concern and the time for your response. Now this talk about dynamic scoring is another one, and Mr. Daniels was quoted in an article I read last week as saying that he thought that under dynamic scoring, which he advocates, the President's tax proposal should be reduced, 35 percent, in terms of its cost to the Treasury. I do not know where that number came from. I assume it came from the same study that had the $70 million in savings for GPO. But when OMB presents their assessment of tax proposals they do not include the additional interest on the debt that is paid over that period of time.

So again I would ask you to make sure that OMB is an honest broker and comes forward and advocates the President's policies. But on a management level, OMB must be willing to work with all of us who would like to make this government work better, and like to do so regardless of who happens to be in the Executive Branch.

And second, that when OMB does come forward with things as important to the future of this Nation, given the fiscal decisions that are being made by both the Executive and Legislative Branches, OMB must come forward in an honest, straightforward way. If they believe honestly that there is going to be a 35 percent boost, then let us talk about that head-on, but let us talk about the fact that there is going to be additional interest paid on the debt. Let us deal with the numbers, and if the administration believes in those numbers, believes in those policies, believes they are beneficial, then it ought to be willing to put the numbers out straight, and explain those, or defend those, or justify them, and take on and engage in that debate, not try to hide it or twist it or distort it so that it fools us and fools the public unless we ferret it out.

So sorry for the diatribe, but I welcome your going in there, sir, and I look forward to seeing the evidence of your presence there. Thank you.

Thank you, Madam Chairman.

Do you have any comments? On dynamic scoring, you are welcome to——

Mr. JOHNSON. I have a lot of respect for Mitch Daniels, and the President does too, and I think he would be the first to say he is about honest debate over dynamic scoring, or the cost of this, or why something was zeroed out. I do not know what the problems were. I am not familiar with that particular situation.

Senator DAYTON. I understand that. I am not looking for an answer. I just want to inform you.

Mr. JOHNSON. I will make sure that he is aware of the concerns that you have raised. On the management side of things, I look forward to working with you, and the way you like to work which is, everybody is up front, and here are the numbers, and here is what the pros and here is what the cons are, and let us not hide anything from each other. That is the way I like to work and I do not believe there is going to be any problems with the way this Committee and the management part of OMB is going to work, and I look forward to working with you.

Senator DAYTON. I would ask then, when you get there, and I mean this, that you find and send to me the study or analysis that demonstrates that there is going to be $70 million of savings per year in privatizing the Government Printing Office. I would also appreciate any backing for the 35 percent dynamic scoring figure that I assume is now going to start to be computed in these numbers.

Thank you, Madam Chairman.

Chairman COLLINS. Senator Dayton, I apologize for cutting you off but Senator Lautenberg is waiting to question as well so if we could proceed, unless he wants to yield.

OPENING STATEMENT OF SENATOR LAUTENBERG

Senator LAUTENBERG. I began to tire of Mr. Johnson's lengthy answers. [Laughter.]

Mr. Johnson, you come with a distinguished record, and I am sure are well-qualified to do the job. So I would like to get on to the area of discussion that we have now heard repeated a couple times because it is a concern of ours, and it is a concern of mine as well. I come out of the corporate sector too, and as Senator Dayton said, that when you get to be chairman of anything in your early days it is an astounding and marvelous thing to have happen. You are looking at a 19-year service person here and I have finally worked my way from the last desk.

So in my experience, and I am sure yours as well—you have had considerable business experience as well as government experience. I had pretty good fortune with an excellent company that three of us founded many years ago and today has over 40,000 employees. I wonder if your experience was any different than mine.

We had a very productive group of employees in my old company ADP, Automatic Data Processing, but when I got to government I saw what I thought was a remarkable dedication, very skilled, very hard-working, less rewards than almost anybody in the private sector would get for overtime and things of that nature. I wonder with your experience now both in government and in the productivity or the performance of the employee groups within each of the bodies, government and the private sector?

Mr. JOHNSON. No. I think there is a higher calling element that motivates somebody to come to work for the Federal Government. Because they can make more money, probably work fewer hours in the private sector. That is the con. The pro is, you can be involved in making this an even better country. So there are some different motivations involved I think, but the commitment to the calling, commitment to the purpose, the commitment to the country is second to none.

I do still think that there are opportunities to place more emphasis on performance. I do not believe that the way we now evaluate performance, either program performance or individual performance, is satisfactory. I do not belive it is as good as it can be, and I do not believe it places the proper emphasis on performance. Therefore, I think there are opportunities to make our programs and our employees even more performance oriented.

Senator LAUTENBERG. I regard that comment, your comment as a very positive one, trying to find a better way to incentivize employees. I think we struggle with that, and it is frustrating when you have got someone who is an exceptional performer but because they are a particular grade and you do not have much budget or you have not got any budget left in most cases, it is hard to supply the kind of incentive that might make a difference.

As a result of that, I have been concerned about why it is that the administration is so determined to turn the 400,000-some jobs at a minimal, maybe 850,000 as a target, over to the private sector, and setting things in place that would enable that it can be done. One of the things that bothers me is the air traffic control group had been identified as inherently governmental. That structure now has changed last year, and that would set the stage for privatization. That does not make a lot of sense to me and I would prefer that my family was not flying in the safety on the cheap in the air. Frankly, I cannot understand it because to me, the FAA responsibility is in those towers and everything, and we saw it manifest time and time again, almost makes them the equivalent of a branch of the military.

So what do you think about putting this out to the lowest bidder? Because look what has happened with baggage screeners. We took them out of private hands, moved them to the government, gave them all a bid raise, and picked up 28,000 Federal employees in the process. Here we want to take the people who are not screening the bags, which is an important job, but you have got millions of people in the air every week and we want to see if we can find the cheapest bidder. That is like going in the operating room and checking the price for the surgery with the doctor and saying, are you the lowest in the area? So what do you think about my statement?

Mr. JOHNSON. A couple of things. One, as I mentioned earlier, I think there is a tendency to view this as an outsourcing initiative, and it is not. It is a best value to the taxpayer. What we are working with the agencies to do, and the reason we are rewriting the A–76 Circular is to make it easier and more straightforward for the agencies to look at a particular job function that is inherently commercial and determine whether it is best to keep it inside or go outside with it. If the decision in all cases is to stay inside, then we can say that we have looked at it. We have taken the time, paid the attention to look at it and can determine that the best way to get this job done for the taxpayer is to keep it inside, or to take it outside; whatever the case may be. We do not care whether it stays all inside or goes all outside.

The statistics are, I think that when these competitions are done in States and other cities and so forth, is about 60 percent of the competitions are won by the inside group. I do not know what the Federal Government statistics will be. But this is not an outsourcing initiative. It is a best value for the taxpayer initiative.

The other thing is, my understanding about the air traffic controllers is, the reason it has been labeled an inherently governmental activity—excuse me, a commercial activity, is because air traffic controllers in some other countries are performed by private companies. I think the FAA's determination is, even though it is inherently commercial because it is done by commercial enterprises in other countries, they do not want to subject it to a competition, which is fine with us. What they are looking to do is to subject the weather reporting to outside competition. So I do not believe there is any move afoot to outsource or to consider outsourcing alternatives for air traffic controllers.

Senator LAUTENBERG. Mr. Johnson, you, by virtue of your education and your accomplishments apparently are a very thorough man and competent. I would, therefore, in that framework ask that you look at the performance of what has happened in Canada and the U.K. as a couple of countries have gone private and see that in the U.K. the number of near-misses has stepped up significantly. I do not like the idea of roller derby in the sky. In Canada they have had to bail out the system a couple of times because the private contractor could not make it. I would hate to see our aviation system tied up in a labor dispute with a private contractor who decides that they need more money. But anyway, I hope you will keep that in mind when you do your study, Mr. Johnson.

Mr. JOHNSON. Yes, sir.

Senator LAUTENBERG. If you would like to have a chat with me about it, I would appreciate it.

Mr. JOHNSON. Right.

Senator LAUTENBERG. Thanks very much, Madam Chairman.

Chairman COLLINS. Thank you, Senator. It is my understanding that Senator Levin is on his way with some questions for you.

He has now arrived and I will turn to him.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Great timing.

Thank you, Madam Chairman. You have my welcome and congratulations and thanks for your service and dropping in to visit me in my office.

Some of the questions that I am asking you today I have chatted with you about before. The first has to do with the Federal outsourcing policy to make sure that it is fair to both public and private sectors in allowing comparable appeal rights to both. Because I just had to race in here, I do not know whether you have been asked this particular question or not. If so, you can just indicate that, if you would.

The GAO Commercial Activities Panel, I think as you remember and know, said the following: "Fairness is critical to protecting the integrity of the process and to creating and maintaining the trust of those most affected. Fairness requires that competing parties, both public and private, receive comparable treatment throughout the competition regarding, for example, access to relevant information and legal standing to challenge the way a competition has been conducted at all appropriate forums, including the General Accounting Office and the U.S. Court of Federal Claims."

Now the administration proposes to amend Title X to allow the Department of Defense to implement best value competitions. That implements one of the report's recommendations. However, there has been no proposal yet from the administration to implement the report's recommendations relative to bid protests, and that also requires legislation. Do you agree that fairness dictates that the public and private sectors receive comparable treatment in the bid protest process?

Mr. JOHNSON. Yes, there has to be fairness. The demands placed on the employee group have to be similar to the demands placed on an outside group bidding for the business.

Senator LEVIN. Not only demands but would you add to that that the rights, and that the opportunity should be similar? In other words, if there is a right to appeal on the part of an outside group to a particular decision, should a similar right to appeal be available to the inside group, the public sector? Because that is what the report recommended, what I just read to you. It said here, and this is the same panel that is being relied on for the recommendation to amend Title X relative to best value competitions, the same GAO Commercial Activities Panel recommended that when it comes to challenging the way a competition has been conducted at all appropriate forums that comparable treatment be available, or be received throughout that competition. So why should the bid appeal process not be comparable?

Mr. JOHNSON. I am not familiar with what is being proposed for DOD or in Title X. I have worked some with Angela Styles and looked at what she is trying to do with the rewrite of the A–76 Circular and I feel like the issues about fairness and equal footing and accountability for the overall fairness of the process are being addressed very effectively with her rewrite of the A–76 Circular.

Senator LEVIN. Would you, for the record, take a look at this very specific issue as to whether or not the bid protest procedures should be comparable for both public and private? Would you give us that answer for the record?

Mr. JOHNSON. I will.

Senator LEVIN. The proposed revision of the A–76 OMB Circular provides that the time allowed for a public-private competition "shall not exceed 12 months from public announcement unless a deviation is granted." Now one possible consequence of a failure to meet that deadline would be, according to administration officials, the privatization of the work without competition. In a January 16, 2003 letter to OMB Director Mitch Daniels, the Comptroller General David Walker stated that those time frames are "unrealistic" and urged the administration to avoid "imposing aggressive, fixed deadlines" for public-private competitions. I personally am not aware of any circumstance in the procurement system where we impose similar deadlines on competitions that impact private contractors.

So if you are confirmed as the deputy director for management will you try to avoid enforcing arbitrary deadlines for public-private competitions, or are you going to be enforcing arbitrary deadlines for public-private competitions?

Mr. JOHNSON. I think what is being worked on now is that the goal is that they be done within 12 months. But there will be some competitions, the complexity of which will be such, that it will be unrealistic to get those things assessed within a 12-month period of time; so extensions will be granted. But there needs to be some process to allow that to happen. A lot can happen in 12 months. Right now these competitions take 3 years. Wars have been begun, fought, and ended in less than 3 years. The Normandy invasion did not take 3 years to plan and execute.

Senator LEVIN. Political campaigns take a lot longer than 12 months. You could add that to the list.

Mr. JOHNSON. But anyway, 3 years is way too long to be conducting these competitions. So I think it is an admirable goal that we are trying to do these competitions in a reasonable period of time—reasonable for everybody's benefit.

This is not a top-down, do it to them versus with them kind of a policy. This is supposed to be reflective of what the end goal is, which is not outplacement. It is about ensuring best value for the taxpayer, but yet to do so in a—we need to get on with it. We need to conduct a competition, and we need to say that it needs to be inside or it needs to be outside and let us get on to the next issue. We do not need to be taking 3 years to conduct these competitions.

Senator LEVIN. I agree with that as a goal. The question is, if the goal is not met, which way do you tilt it? Why should it tilt one way or another if the goal is not met?

Mr. JOHNSON. The expectation is that some of these are going to take longer, especially as you take an organization, any of these agencies that are used to conducting a competition and they are used to taking 3 years, and running in molasses, if you will, and now they are being told, you can remove yourself from the molasses and you can actually run, it might take some while to get used to that. So we are realistic, but the goal is to recognize that these competitions can and should be conducted in a reasonable period of time and we think a year is, for most of these competitions, adequate. But we also believe that there will be exceptions to that and exceptions will be allowed.

Senator LEVIN. I appreciate that, and I am glad it is not going to be inflexible. That red light is inflexible. I think my time is up.

Perhaps I could just finish this one question.

Chairman COLLINS. Certainly.

Senator LEVIN. Because I do not think you answered my last question. Assuming that there is going to be a cut-off point, for whatever reason in some cases, assuming there is not going to be an extension, why should the outcome be tilted more towards privatization than towards leaving it public? Why tilt the answer?

Mr. JOHNSON. You mean if the competition is not complete at the end of the 12- or 18-month period?

Senator LEVIN. And there is no extension.

Mr. JOHNSON. That the outside person wins?

Senator LEVIN. Yes, why is that?

Mr. JOHNSON. I am not sure that is the way it is being written.

Senator LEVIN. Good. Glad to hear it. Thank you.

Chairman COLLINS. Thank you, Senator.

Senator Pryor, it is my understanding that you have met with the nominee and do not have further questions at this time; is that correct?

Senator PRYOR. That is correct.

Chairman COLLINS. Thank you, Mr. Johnson, for appearing today. I do believe we are very fortunate to have an individual of your ability, experience, and background willing to serve in this very challenging and difficult post. As Senator Dayton indicated, a lot of us have frustrations with OMB from time to time so I am sure that you will be hearing from us, and we look forward to moving rapidly on your nomination. Thank you.

Mr. JOHNSON. Thank you so much. I enjoyed visiting with you. Thank you.

Senator DAYTON. Madam Chairman, I just want to say for the record, and make it clear, I support the nomination and look forward to your presence there.

Chairman COLLINS. Thank you, Senator.

We will now consider the nominations of Albert Casey and James Miller to be members of the Board of Governors of the U.S. Postal Service. I would ask that you come forward and remain standing so that I can swear you in.

[Witnesses sworn.]

Chairman COLLINS. Mr. Casey, we learned something of your background from Senator Hutchison when she introduced you. I do not think I could do it better than she did. I will give a little more background on Mr. Miller for the benefit of the Committee record.

Mr. Miller has a Ph.D. in Economics from the University of Virginia, and an undergraduate degree in Economics from the University of Georgia. He is currently chairman of CapAnalysis Group. He is a distinguished fellow for the Center for Study of Public Choice at George Mason University. He is a senior fellow at the Hoover Institution at Stanford University.

He is a member of numerous boards of directors and has extensive experience in both the academic world and in the private and public sector. We welcome you both here this morning.

Both of the nominees have filed responses to the Committee questionnaires, answered pre-hearing questions and had their financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record, with the exception of the financial information which is on file and available for public inspection in the Committee offices. As I indicated, we are going to see if you have statements that you wish to make, but first, if there is anyone you would like to introduce to the Committee, I want to give you that opportunity.

Mr. Casey.

Mr. CASEY. I consider the entire room my family.

Chairman COLLINS. They are all nodding in agreement. Mr. Miller.

Mr. MILLER. I include Mr. Casey and all the Members on the dais.

Chairman COLLINS. Mr. Casey, I will ask you to proceed with any statement you would like to make.

TESTIMONY OF ALBERT CASEY[1] TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE U.S. POSTAL SERVICE

Mr. CASEY. If I get approved, this will be my fifth Federal Government service since I retired from American Airlines. I really need the work. [Laughter.]

I love Washington. I have spent a lot of time with the Congress and a lot of time with, you could call it the bureaucracy, the var-

[1] The biographical and financial information appears in the Appendix on page 69. Responses to pre-hearing questions appears in the Appendix on page 76.

ious government agencies and I found very good, dedicated people and I enjoy their association. I would just say that I have already appeared before the Presidential's Commission on the Review of the Postal Experience and so forth and I left them with four ideas. If it is possible I would like to let these four ideas be a part of the record so you would know what I told the others.

[The information refered to follows:]

PRESIDENT'S COMMISSION ON THE U.S. POSTAL SERVICE

AUSTIN, TEXAS—MARCH 17,2003

1. *MORE PRICING FREEDOM*
   PRICES SHOULD BE BASED ON "VALUE" NOT COSTS—OTHERWISE NEVER HAVE EARNINGS.
2. *LABOR*
   HAVE MANDATORY MEDIATION—IF NO AGREEMENT THEN "MEDIATOR" BECOMES "ARBITOR" NOT NECESSARY TO START ALL OVER AGAIN—THE WAY IT IS NOW.
3. *PAY COMPARABILITY*
   GIVE WEIGHT TO HEALTH BENEFITS AND PENSIONS.
4. *GOVERNORS WITH MORE BUSINESS EXPERIENCE*
   NORMA PACE AND IRA HALL (IBM)—NOT DEPENDENT ON POLITICAL INFLUENCE

I want more pricing freedom, and we can go into the details if you want to. As regards to labor, we have got to improve the working ansugement. You go to get the labor mediations, forced mediation and if they do not agree they have to start all over again with an arbiter. I should like the mediator to be the arbiter. Just plain speed it up; that is all.

I want pay comparability reviews in none of the reviews of the unions or the others including the health benefits and the pensions of the Post Office when they compare pay scales. I think the pay scale in the Post Office is pretty good myself.

Another thing is I should like a few more business-oriented governors. I will not belabor that point, but really we have got a wonderful group of governors. They are fine; they are wonderful, very pleasant and agreeable. But we have only got, as far as I know, only one other businessman on the record. And we have no representation west of Texas. I think the whole subject of the selection of governors should be reviewed.

I will close with the fact that I told the Presidential commission the worst thing they could do is to leave the Post Office alone. We need change. Thank you.

Chairman COLLINS. Thank you very much, Mr. Casey. Mr. Miller.

TESTIMONY OF JAMES C. MILLER, III[1] TO BE A MEMBER OF THE BOARD OF GOVERNORS OF THE U.S. POSTAL SERVICE

Mr. MILLER. Madam Chairman, Mr. Carper, other Members of the Committee, thank you for having me here today. First I want

[1] The prepared statement of Mr. Miller appears in the Appendix on page 83.
The biographical and financial information appears in the Appendix on page 85.
Responses to pre-hearing questions appears in the Appendix on page 99.

to express my appreciation to the President of the United States for his confidence in me in nominating me for this position.

Second, thank you for holding this hearing today and allowing me to come, and to inquire of my qualifications.

I would like to make three points briefly, if I might. In addition, Madam Chairman, I did submit a short statement for the record.

Chairman COLLINS. Which will be made part of the record.

Mr. MILLER. First, I have had a great deal of experience in government, most recently as director of OMB, before that as chairman of the Federal Trade Commission, and before that I was the first head of the Office of Information and Regulatory Affairs at OMB. And I was a senior staffer at the Department of Transportation and a senior staff economist at the Council of Economic Advisers, where I worked for Alan Greenspan, and I was an assistant director of the old Council on Wage and Price Stability. So I have had a good deal of experience in government and I think this equips me to be able to understand and assess the role of the Postal Service, the nexus it has with the Federal Government.

Second, I have had a good deal of experience in business, especially since leaving government. As you mentioned, I serve on the boards of directors of a number of companies: The board of Atlantic Coast Airlines and the board of Washington Mutual Investors, Inc., the fourth or fifth largest equity fund in America; also, the Tax-Exempt Funds of Virginia and Maryland, and the J.P. Morgan Value Opportunities Fund. I have been a consultant in the past and now I head this affiliate of Howrey, Simon, Arnold and White, known as the CapAnalysis Group. I have had a good deal of experience in business and I think this equips me to understand and to deal with the Postal Service as a commercial enterprise.

The third thing, as you alluded to, Madam Chairman, is that I have had a good deal of experience in the academic world, in research, in public policy generally. I have published, just since leaving government, three books. I have been a lecturer at a number of local universities, including George Mason University. I served on the board of visitors of George Mason University. I have served on the board of visitors of the Air Force Academy. I have taught full-time at Texas A&M University and Georgia State University. I am, as you pointed out, a senior fellow at the Hoover Institute, and at George Mason Center for the Study of Public Choice. I have been associated with the American Enterprise Institution, the Brookings Institution, and most recently for a number of years with Citizens for a Sound Economy Foundation. So I see this experience equipping me to understand and deal with the Postal Service in its broader context of public policy.

With all of that, those three points, Madam Chairman, those are the reasons I think I am qualified and was selected by the President for this post. And I look forward to working with you, members of the staff, and of course, my colleagues at the Postal Service, and I think also people at the Postal Rate Commission, to improve the Postal Service of the United States. Thank you.

Chairman COLLINS. Thank you. As I explained to the previous nominee, there are three standard questions that we ask of all nominees and I would like to pose them to you now.

Is there anything you are aware of in your background which might present a conflict of interest with the duties of the office to which you have been nominated? Mr. Casey.

Mr. CASEY. No, not at all.

Chairman COLLINS. Mr. Miller.

Mr. MILLER. None.

Chairman COLLINS. Second, do you know of anything personal or otherwise that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you have been nominated? Mr. Casey?

Mr. CASEY. Nothing.

Chairman COLLINS. Mr. Miller.

Mr. MILLER. None.

Chairman COLLINS. Finally, do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed? Mr. Casey?

Mr. CASEY. Indeed.

Chairman COLLINS. Mr. Miller.

Mr. MILLER. Absolutely.

Chairman COLLINS. You passed that round very well. We will now turn to a round of questions limited to 6 minutes each.

Both of you are well aware of the fact that Postal Service is experiencing serious financial challenges. In the year 2000, the Postal Service lost nearly $200 million. In 2001, this loss ballooned to $1.6 billion, and for 2002 the Postal Service posted a net loss of $676 million, which was certainly progress over the previous year but still a very substantial deficit.

The Postal Service is mandated by law to break even. But it has simply, for a variety of reasons including a decrease in volume, not generated sufficient revenues to cover its operating expenses. That has led the Postal Service, for example, to put a freeze on capital commitments that is holding up a much-needed mail processing plant in Scarborough, Maine and elsewhere in the United States. These are all difficult issues.

Mr. Casey, I know that you have already been serving on the Postal Board of Governors and that you are a member, or I believe the chairman of the audit committee; a difficult task indeed, so I would like to start with you. We are all waiting for the report of the commission which is looking at the Postal Service from top to bottom, but based on your experience and perhaps expanding on some of the points you made in your initial statements, what actions do you think the Postal Service needs to take to tackle the imbalance between its expenditures and revenues?

Mr. CASEY. I think it is absolutely impossible for the Post Office to ever break even under the current rules. We go to the Postal Rate Commission with our cost. That is all we are able to go with, and we get the rate adjusted to recover our cost. We never get anything over our cost. How can you possibly do better than break even? A large number of the postal inspectors at the Post Office do government work for which it is not repaid. There is no way for the Post Office under the current legislation to break even. That is the first thing.

I do not believe in privatization of the entire system. There may be pieces and parts and things like that, that possibly could be. I will just give you a specific example as to how we are handicapped.

I have a home on Cape Cod. I hear all of you give these personal experiences. Do you know how many post offices there are on Cape Cod? Senator, I will ask you first.

Senator DAYTON. If there are more than there are in Minnesota, I would be concerned.

Senator LAUTENBERG. I know of two.

Mr. CASEY. Two? There are 57 post offices on Cape Cod and in the winter there are not 57 people on Cape Cod. So I ask you, why can we not have the liberty to work this thing out? It is made to order for bringing down the number. We do not have that liberty. It is those kind of things that we really should pay attention to.

I could carry on with some of my specific little stuff but I will not bother you with it. We need more revenue and we need less expenses, and the Board of Governors should spend all its time on those two items. End of speech.

Chairman COLLINS. Mr. Miller, I know you have done considerable work in this area. I realize you are not yet on the Board of Governors but do you have any initial thoughts?

Mr. MILLER. Madam Chairman, I have not really looked at this issue in detail in a decade. Just like going on the board of a company, you want to have access to the information on which you would make a decision. So I would reserve judgment. I do not know anything about the Cape Cod situation. It is unambiguously true that the best way to solve the deficit problem is get more revenue and have less cost. That is straightforward. But as for particular recommendations, I will not voice any until I have had a chance to study the matter.

Chairman COLLINS. Mr. Miller, many years ago you expressed the view that perhaps the private express statutes of the Postal Service, the monopoly, should be repealed. You also spoke in favor of deregulating some of the Postal Service and allowing private companies to compete in delivery of mail. Is that still your view?

Mr. MILLER. If I have the same information, the same studies, same data, same analysis that I looked at before, that would exactly be my view. I think anytime you take on a new responsibility you owe it to yourself or whomever appointed you to that or are responsible for putting you there, to give it your best shot, to take a new look at things. I will take a new look at things and I will give you my best judgment.

Chairman COLLINS. So would it be fair to say that you recognize that the Postal Service has changed in the years since you made those statements and that you are not wedded to your previous analysis?

Mr. MILLER. I think the Postal Service has changed. All institutions change in a decade or so. I will take a look at what changes have been manifest. I will make a fresh assessment based on what I find. But without question, if I were faced with the same information as I had before, same views and same analysis, I would hold the same view as I did then.

Chairman COLLINS. Senator Carper.

Senator CARPER. Mr. Casey and Mr. Miller, nice to see you both. Thanks for joining us, and for your service to the people of this country in a variety of capacities over your lifetime. Sitting here listening to you talk about your lives and what you have done with them, it is a rich and varied past and I think one that prepares you well for this responsibility.

Senator Collins has talked a bit about privatization. You have been very forthcoming in your position there, Mr. Miller, and I appreciate your candor. I want to go back to Mr. Casey initially, if I could. I think you mentioned that one of the needs for the Board of Governors was people with more business experience. There is a fellow from Delaware on the board, a fellow named Bob Rider who——

Mr. CASEY. He was chairman previously.

Senator CARPER. He is still a member of the board.

Mr. CASEY. Very good man.

Senator CARPER. We think he is as well. I agree with you that there needs to be a mix of people and experiences on the board and my sense is that both of you bring a good and varied background to the board.

Mr. Casey, you have been the Postmaster General, you have held this position on the Board of Governors for a while as a recess appointee. Just talk to us a little bit about the nature of the board, what the Board of Governors does, maybe how that compares to other boards of directors of corporations, and just talk to us a bit about the nature of the board. Maybe how it acts today compared to how it did when you were Postmaster General back in the 1980's.

Mr. CASEY. I will be glad to take a swing at it. Actually, the board really does not act like a commercial board. I have been on 15 boards of directors. I have taught leadership and ethics at SMU for 13 years, part of the role of the board of directors has always been a part of my theme. What you must do is look at what are the factors, as I expressed revenues and expenses, of course, and give more authority down the line. Of course you are going to have rules, checks, and balances, but it should be delegated, I think, a lot more authority could be delegated than there is. I feel that would be the first thing that I would recommend.

When I look at a company and I look at a board of directors I generally look almost entirely at just one factor and that is the people; how good are the people? I do not know all the people down in the loins of the Post Office, but I know four top men very well, the postmaster, the deputy postmaster, the chief of operations, and the financial officer. You could not have better people. I have been with seven corporations. I have been the CEO of five. Let me tell you, this team is good and we are lucky to have them. The first job and role of a board of directors is successorship. There is nothing that comes ahead of successorship.

Fortunately, Jack Potter is about 46-years-old. Fortunately, we are going to have him for at least another business generation. I hope so. I think it is the best thing that could happen to the American public. He is very good. He is experienced, and he is fair. If you look for one strength in a member of the board—I do not mean board. I mean CEO. The one strength that is paramount—it is not education, it is not experience. It is fairness. A sense of fairness. You can work for any boss as long as you feel he is being fair to everybody.

I don't want to see the board spend its time like at "show and tell." I should like them to spend their focus on just revenues, expenses, and capital expenditures.

I should make one tiny addition, and that is, I think it is ridiculous to have the $15 billion cap on capital borrowing. As long as any borrowing, and you have a management that you have faith in, and it shows a proper rate of return, it should be accepted.

Senator CARPER. Thank you. When were you Postmaster General, sir?

Mr. CASEY. Nineteen-eighty-six. I remember it well. I came in because they had fired the Postmaster and they wanted an interim period to make a complete search. August 1, I was going to teach at Southern Methodist. So I came in January and went to August 1, and before I left the vice chairman of the board was put in Federal prison.

Senator CARPER. And you were sent off to SMU.

Mr. CASEY. We had one thing that we really had to do. Do you realize how slow it is to get approvals in the Post Office? A new post office must take at least 18 months to 2 years. It is ridiculous. By the time it is there, the population has changed.

So what I did is I brought in the brightest people in the Post Office and I said, I want to get rid of the second and the fourth level of bureaucracy. I want to have just the first, third, and the fifth; it will speed up things. Put them to work. They came back with a ridiculous study. It was mumbo-jumbo; it did not mean anything. So I wrote a letter and I said, 60 days from now everybody who is in the second or the fourth layer of bureaucracy must either go up, go down or go out. We lost 40,000 people.

I think you can do things in the Post Office, and I think Jack Potter is doing them. He has had a wonderful record.

Senator CARPER. It has been an impressive first 2 years, I agree.

A follow-up question. When you look at the environment in which the Postal Service was competing or operating in your tenure, your brief tenure as Postmaster General and you look at the environment today——

Mr. CASEY. Very different.

Senator CARPER. Talk about the differences and the similarities. And I see my time has expired.

Mr. CASEY. Very different. We have two huge facilities down in Dallas. I will not bore you with all the details. They sort mail and handle mail and so forth. When I visited those facilities in 1986—I had to have an excuse to go home once in a while—let me tell you, the place was swarming. It was like a beehive. It was human beings all around you. I went there last week, you do not see anybody there. It is all mechanized. The whole thing is mechanized. So those people that were sorting mail are now put out on the streets because of the population explosion and we need these fellows. To give you an example, 1.7 million new slots a year or some statistic like that. It is a totally different game. So we need capital investment.

Senator CARPER. My time has expired. I have some folks waiting for me out in the anteroom. I am going to slip out but I will come back and rejoin you. Hopefully there will be an opportunity to ask a question of you, Mr. Miller. Thank you.

Chairman COLLINS. Thank you. Senator Dayton.

Senator DAYTON. Madam Chairman, based on what Mr. Casey just said, I was struck by a couple of Mr. Miller's writings. One is, it is time to free the mails. In the spring and summer of 1988 did that apply to the deputy postmaster general? I do not know whether, Mr. Casey, to ask you about the condition of the Post Office or get some advice on the airline industry in which you have background too. You were there for a very brief period of time, it seems to me the Postal Service could make a profit or could even break even. We might not like what it would need to do in order to accomplish that. We set a parameter of 6 days a week of service, which I think the American public wants, at least my constituents do, and the mail gets delivered to Pelican Rapids as well as Minneapolis and places even farther north than that.

I agree with you that we should take many of the shackles off and let it operate, but I worry about any replacement that the Post Office got to accomplish something in terms of a bottom line when what we really also need to include are some of the parameters within which we want it to operate for the public purpose.

Mr. CASEY. The other day I was exposed to a study by the Postal Rate Commission which was very interesting. Now we have generally $68 billion in revenue. So they said, what is the cost of this universal service, the unprofitable offices? If we get rid of all of them what would we literally save? They came out with a figure— I recommend this study to the Committee. Go to the Postal Rate Commission. About 5 percent of—$3 billion could be saved, could be eliminated is their figure, if we eliminated the universality of service and tried to make some standard of how many things and how much—get rid of the unprofitable rural free deliveries. There is not the saving there that you would believe, if you can believe their study. The way they made the study—Jim, it is up to you to review it. You have got to get some facts.

Senator DAYTON. You make my point, sir. Again, if we give somebody free rein, eliminate the universality, decide when they want to go 6 days, when it is profitable for 6 days, when it is profitable to go less we would save money. But I guarantee if you eliminate universality, you will be talking to a different Senator from Minnesota a couple years later. Now maybe that is a reason to pursue it, but——

Mr. CASEY. Minnesota is a pretty good State compared to Maine. Let me tell you about Maine.

Senator DAYTON. No, I will leave that one for——

Senator LAUTENBERG. How many post offices do they have?

Senator DAYTON. More than Cape Cod.

Mr. Miller, I was going through last night—I am going to go through the archives and get some of your articles here. You are a prolific writer. If the President's nominees for judges would have this kind of record we could confirm them directly. And your titles are intriguing too. One I see, independent agencies. Independent from whom? Based on what you are doing about the Postal Service, is the Postal Service independent of the Board of Governors and everything else? It seems to proceed on its own volition without any connection with anybody that I can tell.

Mr. MILLER. Of course it has a role. Certain things have to be appropriated for it. It has a set of rules from Congress. Its rates and services are, to some extent, regulated by the Postal Rate Commission. And it does have a Board of Governors. I view the Board of Governors very much the same as a board of directors of a company. So I would anticipate that the Board of Governors would give policy guidance to the Postal Service, would not micromanage the Postal Service but give policy guidance to the Postal Service and make the larger decisions about major investments, major proposals to change rates, major changes in services, and so forth.

It is a hybrid. It is not a government agency in the ordinary sense, and it is not a commercial enterprise in the ordinary sense. It is something of a hybrid. That is the reason, frankly, it is useful to have people who, like Mr. Casey, have had the experience in government as well as in business these posts.

Senator DAYTON. I think your background qualifies you superbly well because it also needs to operate in a fiscally efficient manner. The last observation I would make, and if either one of you wants to respond please do. You mention the need to balance revenues with expenses. The ratemaking process I believe is 18 months or so. One of my concerns about government, is that we bury ourselves in process and it takes so long that they are always catching up. So I would just commend you, come back to us as a Board of Governors and the Postmaster General, tell us what we can do to take some of these shackles off and expedite these matters so it can operate, even as it is now, more efficiently than it does.

Mr. MILLER. Can I point out, I think you have hit a very important issue, and Al was raising it earlier as well. It seems to me that there is a substantial set of constraints that slow the process down. I think there are ways, perhaps, of cutting through it, and I think you may have to make some decisions on that as well. But I think there are ways of making sure the Postal Rate Commission gets information in a more timely fashion and that they make decisions faster. Frankly, I do not want to prejudge but I do get the impression that perhaps the postal board and the Postal Service are not as responsive to the Postal Rate Commission as they should be, and the Postal Rate Commissioners maybe drag their feet. There seems to be an adversarial relationship between the two, and maybe there is some way of overcoming that.

Senator DAYTON. Madam Chairman, my time is up and I have to leave to go on a conference call with all the postmasters of Minnesota. [Laughter.]

As I say, I am happy to support both nominees. I think they are outstanding.

I want to thank both of you for taking on this assignment. More power to you.

Mr. CASEY. Thank you very much. I appreciate it.

Chairman COLLINS. Thank you for participation today. Senator Lautenberg.

Senator LAUTENBERG. Thank you very much, Madam Chairman.

I want to ask Mr. Miller about your early observations. We have met before in similarly hallowed halls and you talked about the Postal Service as a commercial enterprise. Does your experience or your commentary as written include an analysis—I have not read it—an analysis of what happens with those services that are rendered because it is a committment of our government. If you want to pick a place, the chairman of the Appropriations Committee, pick Alaska and see how difficult it is to service the mail up there. I would not want to be in the same room when you propose reducing or changing the service. Not to say that the Senator is not of balanced temperament. He is, but he also has considerable muscle and it makes a difference.

I know a lot of people in the postal departments of our State and I find them diligent, and hard-working, and care about their jobs, and worried about their futures, worried about whether or not this government is going to be responsive to any—I say this government. I am not talking about George W. Bush's Administration. I am talking about the government generally, because this is not the only time when they have been challenged as to whether or not they were going to farm out the work that they are doing. If you are willing to pay the $9 or whatever it is for overnight mail, you can get pretty good service from a couple of people.

I do not know whether the same conditions are available to the Post Office to compete like that. What do we do with the decline in traditional message sending as a result of E-mail and faxes and all kinds of other technology improvements that make it easier? We have this loyal group of workers, hard workers out there. When their job is described it is not an exaggeration, and they describe the conditions.

So when I see us in the mood that we seem to be to go ahead and privatize, I worry about it. I wonder whether there is not some other way—Mr. Casey, you had some ideas there that I thought were fairly interesting. You have got revenue and expense, and we learned that in our business——

Mr. CASEY. I would like to submit them, and yes, we are losing to the E-mail. We are losing—first-class mail is dropping. But we are fighting the good fight and I think I would let others who knew more about it handle exactly what the programs are.

Senator LAUTENBERG. What about the Postal Service having new opportunities? Is that part of the responsibility of the Board of Governors to look at——

Mr. CASEY. Sure, absolutely.

Senator LAUTENBERG. Does it happen?

Mr. CASEY. They should force management to come forward with those ideas for them to pass favor on, or not favor them. But that is one of the demands that the governors must put on management of any corporation, but particularly the Post Office where it is atrophying right now. We have to have new products.

Senator LAUTENBERG. The demands are still made there, and we all know that, for exceptional service whether it is a 6-day or what have you. I wonder whether there is a fair chance for those who are on the job now to be in a competitive spot with those others who are—and I have no problem with the Postal Service competing, whether it is FedEx or the others. They are a wonderful service and I think they have lifted the bar on service.

But I think it is important that the Postal Service be given an opportunity to participate if we are going to have a department that in any way resembles the kinds of service that we presently render.

Mr. CASEY. You mentioned FedEx. We combine very strongly with FedEx. You have probably seen the FedEx boxes right outside all the post offices. Also, we do not have an airplane in the Post Office at all any more. All the line mail by airplane, is taken by FedEx except letter mail, which means under 16 ounces—if it is 16 ounces or more you can not fly it on a commercial aircraft. That is a handicap that is really hurting the airlines very badly. We would like a little more relief on that. That is only one pound and we are not allowed to put those in with the letter mail that go onto commercial carriers. They must go FedEx if they are going by air. Of course, going by truck they go contract carrier or——

Senator LAUTENBERG. I will tell you what happens here, and I think everybody knows it, because of the terrorist threat that we experienced here—I was not here at the time, but with anthrax and so forth, it slows the process, it has duplication all over the place. The way a lot of people get around it, I know colleagues in the Senate who have mail sent to their homes so it does not have to go through the Washington process, whatever they do there, before it gets to you. It is an inhibitor for revenues from the Post Office.

Madam Chairman, you have been very gracious in the allocation of time and I would just throw out one question. I will try to make it brief. That is, the overrage that is in the pension fund, it is substantial.

Mr. CASEY. Over $2 billion.

Senator LAUTENBERG. The Committee voted to allow the Postal Service to reduce that excessive reserve. Now there are suggestions made all over the place that these available funds should be used for this or that. But we worry a lot around here about the Social Security funds and I think it would be a good place to put some of these reserves. It would help relieve the concerns that the fund will not be solvent at the time of need, and it is a substantial amount of money. What do you think about the funds being used in that manner?

Mr. MILLER. I have not looked at this issue closely. I understand there are some disagreements about it, and I understand that OMB basically suggested that the Postal Service absorb more than what some believe to be its fair share on an actuarial sound basis. I will look at the information and I will make an assessment of whether it is the appropriate contribution to make on an actuarially sound basis. If it is beyond that then I would be in favor of its——

Senator LAUTENBERG. You have been hanging around the Chairman too long.

Mr. CASEY. I do not want any more studies. I really do not. I want the $2 billion returned to the Post Office. We spent the money. We gave it to you, and you took it away erroneously. It should be returned to the Post Office in the form of reduced contributions over the next couple of years. We are representing today—there will be no postal rate increase for 2 years, providing the legislation passes.

Mr. MILLER. Could I just mention something, Senator? My understanding is that there are some estoppels on some capital expenses and things of this nature. My own personal view, and it is a view I had in government, is that these across-the-board rules, like freezes and things of that nature, I do not think they are appropriate for the Postal Service or for government either. So in terms of meeting, as Al pointing out, the bottom line, you have got to carefully tailor your solution. It does not seem to me that you just automatically exclude capital improvements, or labor contracts. You have to do it intelligently and in a more sophisticated way than that.

Senator LAUTENBERG. Thank you very much, Madam Chairman. I thank my colleague also. You are looking at the only Democrat junior to me. I take advantage of that.

Chairman COLLINS. Senator Pryor.

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. He does take advantage of it, every chance he gets.

Let me ask you if I may, Mr. Casey, about—you mentioned the Cape Cod example. To what extent do you believe that local communities should have a say in it whether a post office is opened there, or closed there, or moved within the area? To what extent do you think the community should be involved in that decisionmaking?

Mr. CASEY. They should be involved from the beginning. But what the Post Office should do is develop rules, standards, and procedures for determining whether a particular post office should be closed and the community itself should participate in the evolvement of those rules and standards. There is no question about it. Our purpose is to serve the public.

Senator PRYOR. Now a few moments ago Mr. Miller mentioned that he, and you may have concurred in this as well, that he sees the postal governing body, is that the Board of Governors?

Mr. CASEY. Yes.

Senator PRYOR. As very similar to and working the same as a board of directors for a corporation. Are there any differences in the two in your mind?

Mr. CASEY. Not in my mind. I agree with him wholeheartedly.

Senator PRYOR. Totally the same, the board of directors?

Mr. CASEY. Absolutely they are the same.

Senator PRYOR. What about you, Mr. Miller, are there any differences in your mind?

Mr. MILLER. There is a different environment in which the Postal Service operates than an ordinary business firm, and board members take that into account. I think Mr. Casey would agree with that. But I think the role it plays is very much the same. You have different constituents in a sense because ordinarily board members of major corporations would not be spending as much time with you, your staff, and would not be spending time with significant other institutions like the Postal Rate Commission as we would expect to do on the Board of Governors of the Postal Service. But the principle that Mr. Casey was articulating is spot on.

Mr. CASEY. Whether you are in the airline business or any other business, you have government regulations, you have authorities, you have local commissions and so forth. None of us are free day. But I agree with Jim, this is a board of directors.

Senator PRYOR. Mr. Miller, in your analogy with the corporate world, if the corporation is the Postal Service and the Board of Governors is the board of directors, who are the shareholders?

Mr. MILLER. The American taxpayer.

Mr. CASEY. That is right.

Senator PRYOR. I think what you were referring to a moment ago, Mr. Miller, is that there is a different environment in which it operates in. I think that one thing that concerns members of the Senate—I have only been here 3 months but in my time here I have heard discussion of one thing that does concern members of the Senate, both Democrats and Republicans, is that if the Postal Service becomes too focused and too concentrated on a profit motive then service will naturally suffer in rural and more remote areas. We mentioned Alaska a few moments ago. You all mentioned some other towns in Minnesota and wherever. Every State, almost every State has some rural and harder-to-serve areas. I think the mission of the Postal Service traditionally has been universal service.

I would like to hear your comments on, is that a valid mission? Should the mission of the Postal Service be a universal service?

Mr. MILLER. Let me say first, to the degree that you disagree with the bottom line should be covering cost, that is your responsibility because that is the law and you would have to change the law. We members of the board of the Postal Service are governed by the laws that affect and apply to the Postal Service. We could disagree, discuss that, but that is in fact a requirement that we must face and dutifully try to achieve, it seems to me.

On the question of universal service, I think there should be universal postal service in the sense perhaps using a little "p." That is to say that people ought not be isolated but have opportunities to communicate and to receive and to submit packages, etc. I think in terms of trying to meet some of these cost concerns, the Postal Service has to consider some alternatives. I do not know much about Cape Cod, but 57 post offices, that Mr. Casey was saying seems to me like probably too many, or that there should be some savings there. It might inconvenience someone.

So the general proposition of universal service is one with which I concur. The devil is in the details of just how you apply it. But to the extent that there has to be some restraints or trade-offs of some sort because of a zero loss goal established by Congress, that is really your responsibility.

Senator PRYOR. Let me ask this. Is one of your trade-offs——

Mr. CASEY. Give me equal time.

Senator PRYOR. Let me follow up with him because I am about to—I will be glad to give you plenty of time to answer.

Is one of the trade-offs in your mind possibly different postal rates for rural and harder-to-serve areas or limited delivery schedules? In other words, in a rural area like we talked about a lot of them already this morning, I can understand how rural Americans would feel punished if they had to pay more and if their service was slower or less frequent. So I would like to hear your thought on that.

Mr. MILLER. Let me first say that an enterprise, a large enterprise such as the Postal Service, would probably be well-advised not to discriminate in that sense. Private enterprises usually do not discriminate in that sense even though they may know internally that there are big cost differences. FedEx and UPS do not discriminate in that same sense.

But picking up on a question Senator Lautenberg had of Governor Casey on new services, I was asked this question in the set submitted to me, Madam Chairman, whether I agreed with the Postal Service's getting into new services. I think the Postal Service's thinking of and perhaps configuring new services within the Postal Service itself makes a lot of sense, within the delivery of mail.

On the other hand, I would be opposed to the Postal Service's going beyond the delivery of mail in terms of services. If it wanted to open a McDonald's, I would be opposed to it. If it wanted to open some record club or such like, I would be opposed to it. Not to say that it would, but I do think that the basic principle is that the Postal Service is a very special organization. I believe its mission really is the delivery of mail. Things that are ancillary to the delivery of mail such as selling mugs and commemorative stamps and things of this sort are fine. But I do not think it ought to go beyond that. Just want to put that on the record.

Mr. CASEY. I would just like to say, the Post Office is doing a great deal of adjustment today. We have many of our customers and so forth that get 2- and 3-day delivery. In Sun Spot, Arizona the Post Office is only open from noon until 3 p.m. We get all kinds of things.

You go into a rural area and you make them put all their postal boxes on one side of the road so the delivery man does not have to go back and forth. You could use cluster boxes. The Post Office is working at this. As I said earlier, the Postal Rate Commission made its study of the universality of service and what expenses they would be relieved of if they were relieved of the universality and it is $3 billion, $3 billion out of $60 billion. I am not sure— I would like to do it, but we can keep up the universality of service.

Senator PRYOR. Thank you.

Chairman COLLINS. Thank you, Senator Pryor. Senator Carper.

Senator CARPER. Just one more quick question before we all head back to the salt mines. I am struck by how cumbersome it is for the Postal Service to adjust its rates, and to be able to provide discounts to certain customers. I would just ask each of you to share with us your thoughts about how we might change that to give the Postal Service the ability to price their products more as a private sector company would.

Mr. MILLER. Senator, we did talk briefly about this when you were out of the room, but I would just say that it seems that it is appropriate for the Postal Rate Commission to be somewhat adversarial to the Postal Service. It is the regulator, after all. But there does seem to me to be an undue amount of adversarial relationship between the two, and that slows things down. I think that some changes are due—it may even take some legislation by you. I do not know. I will have to look at that and I will give you my recommendations. But some freeing up of the system I think is in order; some more flexibility is in order.

I would still say that it is important that the rate structure be nondiscriminatory and it not be gouging in the conventional way of thinking of that term, since the Postal Service still has a monopoly on the delivery of first-class mail. So I think there are some important goals for the Postal Service and for the Postal Rate Commission to pursue in maintaining that kind of rate structure. Governor Casey can, I am sure, regale us with case after case about how difficult it is for this organization, commercial enterprise, to respond quickly as opposed to how a commercial organization can respond to changing demands, costs, and consumer preferences.

Senator CARPER. I will not ask you for a case by case but just a quick thought on this subject, please.

Mr. CASEY. Jim Miller is absolutely right. For today's electronic calculation and gathering of data and so forth, there is no excuse for having 18 months—if you have an 18-month horizon, you have got to have a lot of projections in there. Look at the economy today. Nobody projected that it was going to go the way it has—so there are things that can be done and should be done.

I am not sure they are so terribly adversarial. They are good people at the Postal Rate Commission. Their study on the universality of service I think was excellently done. And they are committed people. I enjoy them. We had lunch with them all yesterday. They are very nice people. I dislike the 18-month delay in approving rates.

Mr. MILLER. I do not think, it is a people problem so much as it is an institutional and procedural problem that needs to be solved.

Senator CARPER. Thank you very much, Madam Chairman.

Chairman COLLINS. Thank you, Senator Carper. Any time you want to act as the Ranking Member I am sure we would welcome that——

Senator CARPER. Thank you.

Chairman COLLINS [continuing]. As much as we miss Senator Lieberman today.

I want to thank Mr. Casey and Mr. Miller for appearing before the Committee today. I also want to very sincerely thank you for your willingness to serve. Both of you have numerous demands on your time and are avidly sought after for your experience and your ability, and I personally appreciate your willingness and your continued commitment to public service.

Mr. CASEY. Thank you very much for your kind words, and to all the Senators and the staff.

Mr. MILLER. Thank you, Senator.

Chairman COLLINS. Without objection, the hearing record will remain open till 5 p.m. today for the submission of any additional questions. If there are any, we will get them to you very quickly, or any statements for the record. We will submit Mr. Miller's statement in the record without objection.

This hearing is now adjourned.

[Whereupon, at 12:13 p.m., the Committee was adjourned.]

APPENDIX

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

   Clay Johnson, III

2. **Position to which nominated:**

   Deputy Director for Management, Office of Management and Budget

3. **Date of nomination:**

   January 28, 2003

4. **Address:** (List current place of residence and office addresses.)

   Office:
   The White House
   Washington, DC 20502

5. **Date and place of birth:**

   March 22, 1946, Ft. Worth, Texas

6. **Marital status:** (Include maiden name of wife or husband's name.)

   Married to Anne Sewell Johnson

7. **Names and ages of children:**

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

   Phillips Academy, Andover, MA, 1961-1964
   B.S., Yale University, 1964-1968
   M.S., MIT Sloan School of Business, 1968-1970

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)

   Please see separate attachment

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.

Texas State History Museum Advisory Committee, Austin, TX, 1996—2001
University of Texas Graduate School of Business, Adjunct Professor, 1999

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution.

Equitable BankShares (currently a part of Compass BankShares), Dallas Board Member, 1985-1996
St. Mark's School of Texas, Dallas, Trustee, 1989-2001, President, 1993-1996

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations.

Young President's Organization, Dallas Member, 1984-1996, Board Member, late-1980's
Goodwill Industries, Dallas, mid-1980's
The 500 Inc., Dallas, Board Member, 1972-1978, President, mid-1970's

13. **Political affiliations and activities:**

(a) List all offices with a political party which you have held or any public office for which you have been a candidate.

None

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

None

(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years.

None

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

None

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

"The 2000-2001 Presidential Transition: Planning, Goals, and Reality," PS: Political Science and Politics, 31, no.1 (March 2002) and in the book by Texas A&M University Press (2003), The White House World: Transitions, Organization, and Office Operations, edited by Martha Joynt Kumar and Terry Sullivan, pp. 311-317

16. **Speeches:** Provide the Committee with four copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated.

None

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President?
I can work very effectively with the departments/agencies to help them improve their effectiveness and efficiency. I am a businessman who has successfully managed human resources, expenses, and capital investments and applied information technologies to achieve higher levels of customer service and/or lower costs. Also, I know and have the respect of the leaders in each department/agency, from my current position as Director of Presidential Personnel; so I am particularly well prepared to immediately begin to work with them, and to ensure their focus, on all management issues. Finally, I am very good at mutual goal setting and then managing and monitoring progress toward the accomplishment of those goals.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

See the answer above.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

Yes

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

No

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

No

4. Has anybody made a commitment to employ your services in any capacity after you leave government service?

No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

None

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity.

   None

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position?
   Yes

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

   No

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details.

   No

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

   No

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

   None

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

Experience

2000 -	**President George W. Bush**, Washington, D.C. Assistant to the President, Director of Presidential Personnel Executive Director, Bush-Cheney Presidential Transition
1995 - 2000	**Governor George W. Bush, State of Texas**, Austin, Texas Executive Assistant (1999 – 2000) Appointments Director (1994 - 1999)
1992 - 1994	**Dallas Museum of Art**, Dallas, Texas Deputy Director/Chief Operating Officer
1981 - 1991	**Horchow Mail Order**, Dallas, Texas (division of Neiman Marcus Group, since 1988) President, CEO (1988 - 1991) President, COO (1983 - 1988) Marketing Director (1981 -1982)
1979 - 1981	**Citicorp Person to Person**, Chicago, Illinois (division of Citicorp) Area Vice President
1978 - 1979	**Wilson Sporting Goods**, Chicago, Illinois (division of Pepsico) Vice President of Marketing, Racket Sports
1970 - 1978	**Frito Lay**, Dallas, Texas (division of Pepsico) Director of Marketing Services (1977 - 1978) Market Research Manager (1976 - 1977) Product Manager, etc. (1970 - 1976)

AFFIDAVIT

Clay Johnson III being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Clay Johnson III

Subscribed and sworn before me this 31st day of January, 2003

Notary Public

Comm. expires 1/31/05

**U.S. Senate Committee on Governmental Affairs
Pre-hearing Questionnaire for the Nomination of
Clay Johnson to be
Deputy Director for Management
Office of Management and Budget**

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as Deputy Director for Management (DDM) of the Office of Management and Budget (OMB)?

   I have extensive experience working on management issues in the government and the private sector, and I am particularly well qualified to work most effectively with senior Administration officials to pursue the opportunities before us.

2. Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

   None.

3. What specific background and experience affirmatively qualifies you to be DDM of OMB?

   I can work very effectively with the departments/agencies to help them improve their effectiveness and efficiency. I am a businessman who has successfully managed human resources, expenses, and capital investments and applied information technologies to achieve higher levels of customer service and/or lower costs. Also, I know and have the respect of the leaders in each department/agency, from my current position as Director of Presidential Personnel; so I am particularly well prepared to immediately begin to work with them, and to ensure their focus, on all management issues. Finally, I am very good at mutual goal setting and then managing and monitoring progress toward the accomplishment of those goals.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as Deputy Director for Management? If so, what are they and to whom have the commitments been made?

   The only commitment I have made is to work for the success of the President's Management Agenda and his other management priorities.

5. If confirmed, are there any issues from which you may have to recuse or disqualify

yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures you will use to carry out such a recusal or disqualification.

I anticipate no issues from which I will have to recuse or disqualify myself because of a conflict of interest or the appearance of a conflict of interest.

II. Role and Responsibilities of the Deputy Director for Management

1. How do you view the role of the Deputy Director for Management (DDM) at OMB? What would you highlight from your experience that will enhance your effectiveness in this role?

The role of the DDM is to work with Executive Branch agencies and the Congress to identify key management priorities, challenges, and opportunities, and to focus attention and resources to addressing them. A key aspect of this role is ensuring that there are ambitious, yet realistic, plans in place and that they are being implemented with clear accountability and deadlines. As the lead on Executive Branch management improvement efforts, the DDM should lead agencies to increase their efficiency and productivity -- products of good management -- and support and assist them in achieving their goals.

I have extensive work experience in management -- albeit involving fewer dollars and employees -- that I believe will make me an effective DDM. Good management is about solving problems, fostering new ideas, adapting to change and building a strong team. I bring all these skills to the DDM position. In addition, as a result of my previous work helping the President build his team, I know and am respected by the key Administration officials who manage the federal government and anticipate strong working relationships with them.

2. What would be your priorities as Deputy Director?

My first priority is to achieve the results envisioned by the President when he established his management agenda. The management agenda focuses on the areas with the most obvious deficiencies; so it seems both logical and appropriate that those areas should receive our primary attention. I will also make shortening the list of high risk areas identified by the General Accounting Office a priority. Since GAO's list matches up with the management agenda to a large extent, the two priorities reinforce each other.

3. What do you see as the main challenges facing OMB? What will you do to address these challenges?

From a management perspective, I think OMB's principal challenge is to lead the transformation to a results-oriented government. This is particularly challenging since it involves changing long-standing, entrenched practices. Results-oriented government is a key premise of the President's Management Agenda and OMB has begun to lead improvements in this area. For example, OMB has begun to change the focus of the budget debate from "how much" to "how well" so that the emphasis is on achieving the results expected by the public. During the development of the FY 2004 President's Budget, OMB and agencies worked to assess the performance of approximately one-fifth of federal programs using the Program Asssessment Rating Tool (PART), a questionnaire covering program purpose and design, strategic planning, management, and results and accountability. The FY 2004 Budget includes numerous examples of how the information from these ratings informed funding, management, and legislative proposals. The next steps are to rate more programs and work to correct the deficiencies identified in the first set of ratings. I will work with the President's Management Council to take action on these two fronts so that performance is always a key consideration when developing the budget and that each year the government produces better results.

Another major challenge OMB faces is in the information technology arena, where it is OMB's responsibility to assess information technology projects proposed by agencies. Among the objectives of this assessment: reducing duplicative investment; pursuing opportunities for consolidation and savings; enhancing government-wide system security; and improving IT project management. I am told that OMB's government-wide method of asssessment represents a significant departure from how the federal government has operated in the past, when IT investments were considered in a highly decentralized fashion that often resulted in a great deal of duplication and excess spending. In the past the PMC has been a successful vehicle for working out issues across the government. As chair of the PMC, I will continue to work with that group.

4. How do you view OMB's role and yours as the DDM in communicating and working with Congress to improve management in the federal government?

Good government is a goal shared by Congress, the Administration, and the American people. OMB's role is to make an honest assessment of the Executive Branch's progress in addressing its management challenges and keeping the Congress informed of that progress. I also think that it is important for OMB to work with the Congress to devise strategies for addressing management challenges, such as identifying when legislation would be necessary. As DDM, I will work to maintain a strong working relationship with the Congress.

III. Policy Questions

Strategic Planning

1. Have you reviewed OMB's strategic plan? What changes, if any, would you make?

   I have not reviewed OMB's strategic plan. If confirmed, I plan to take an active role in ensuring OMB has in place the management practices OMB insists are in place at other agencies. This, of course, includes a results-oriented strategic plan.

2. How do you plan to hold OMB's senior executives accountable for implementing the goals and objectives set forth in the strategic plan and ensuring an integrated implementation of OMB's statutory management, budget, and policy responsibilities?

   Like all other agencies, the performance of OMB's management will be graded on the Executive Branch Management Scorecard. I will constantly work to clarify the Administration's management goals, identify who is responsible for achieving them, and track their progress.

3. How do you see your role in using OMB's strategic planning process to focus on OMB's important statutory management responsibilities and lead agencies' management improvement efforts?

   Because OMB is charged with improving government's overall management, I will ensure that OMB's strategic plan includes a substantial management focus.

4. How do you see your role in helping to enhance the integration of agency strategic and annual planning with OMB's budget reviews?

   I will continue OMB's efforts to make performance goals mean something. Agency performance reporting in the past has had little consequence. By and large, strategic goals have been too general or vague to allow measurement and accountability and annual goals have been too numerous and output-oriented to be useful to policy-makers. OMB has used the PART to try to reverse that trend by reinforcing the importance of having good performance measures and being accountable for achieving results . PART analysis is detailed so that policy decisions can be directed toward addressing specific issues. The PART also allows year-to-year comparison that will allow agencies to get credit for improvements or know when adequate progress is not being made. I plan to expand that use and work to make it lasting so that the federal government is even more accountable to taxpayers.

5. What do you see as your role in addressing OMB's human capital strategic planning? In particular, how would you plan to ensure that OMB staff have sufficient training and expertise to effectively oversee financial management, performance measurement, information resources management, and procurement issues as well as to identify potential systemic problems in the agencies they examine?

As a member of OMB's management team, I would want to ensure that OMB had the most qualified staff to carry out its mission. OMB has been fortunate to attract high quality staff who can meet changing work demands. When appropriate, training can enhance performance. For instance, after the first year of completing the PART, I am told that OMB policy officials noticed that different program examiners sometimes applied different levels of rigor when evaluating performance measures. In response, OMB will be organizing training on performance measures to help examiners with the more challenging performance measurement issues and increase the consistency when applying the PART.

Despite OMB's broad mission, an individual OMB staff member need not have skills in financial management, performance measurement, and other key management areas since OMB staff work in teams for many assignments. For example, staff in the Office of Federal Financial Management have financial management expertise and work with program experts from the Resource Management Offices when evaluating an agency's financial management practices. Because OMB staff often work in teams, it is important to develop and hire staff with complimentary skill sets.

6. Are there operations or activities at OMB that you think should be reengineered to enable OMB to work more efficiently? How would you prepare OMB to meet future challenges of overseeing federal government operations in a global environment and in an integrated, knowledge-based economy?

   I have not worked in OMB; so I don't feel that I have enough knowledge to make that judgment. In general, continuous improvement should always be the goal of a high performing organization like OMB. As mentioned above, OMB is able to adapt to different work demands because of its ability to assemble teams across the organization who bring different skill sets. While at times OMB needs to hire staff with new skills -- for instance, staff with more technical information technology skills -- OMB's strength is being able to look across the government. One recent example of this was OMB's work in analyzing homeland security issues before the creation of the new department. OMB helped assemble a team that effectively analyzed the programmatic as well as technical issues like financial management and information systems issues.

7. The federal government is undertaking several transformation efforts. The largest is the formation of the Department of Homeland Security. What is OMB's role in these efforts?

   The formation of the Department of Homeland Security (DHS) is a complex challenge, and I am certain OMB will continue to play an active and important role in this area. OMB will oversee transfers of personnel, assets, and obligations held in connection with the agencies and functions that are transferring to DHS to ensure that the transfers take place in a timely and efficient manner. More broadly, OMB will continue to work with DHS on many aspects of its integration and transformation, including the key elements of the President's Management Agenda.

8. Strategic planning is an important tool for setting goals and monitoring progress. Several national strategies, including the National Strategy for Homeland Security, require efforts from multiple agencies. What is OMB's role in coordinating these efforts? What will you do, as Deputy Director, to ensure that agency strategic goals are well-designed and, as appropriate, complement those of other agencies?

   OMB coordinates strategic planning across the government. If confirmed as DDM, I will work with the agencies involved to develop well-designed goals that are linked to our national strategy and that measure the Government's progress toward goals that cut across agencies. OMB will continue to use the Performance Assessment Rating Tool (PART) to assess the relative performance of programs with similar strategic goals throughout the government. This is an important effort to ensure that resources are directed toward programs that most effectively support strategic goals, both within and across agencies.

9. What do you see as the top three major management challenges and program risks confronting the federal government?

   A. What do you see as OMB 's role in addressing these challenges and risks?
   B. What specific goals do you have, and how will you measure the success of your efforts in meeting these challenges and mitigating program risks?
   C. Broadly speaking, what do you see as OMB's role in addressing the management challenges and program risks identified by GAO in its performance and accountability series reports?

   There are five government-wide initiatives on the President's Management Agenda. I believe they represent the areas of government management where the opportunity to improve is the greatest. As DDM, I will use the framework of the President's Management Agenda and the Executive Branch Management Scorecard to monitor and measure success in addressing these areas. I will further ensure that one person is charged with each of GAO's High Risk areas and that OMB and GAO have a mutually agreeable plan for addressing each of those areas.

10. OMB is required under the Government Performance and Results Act to annually develop a government wide performance plan. This plan is expected to provide a comprehensive picture of government performance. What is your view on how well this requirement is being met?

A. Given that there is significant mission fragmentation and program overlap across the federal government, how can a government wide performance plan help to focus decisions on broader issues cutting across specific agencies and their programs and reduce program overlap?

B. How can the government wide performance plan help OMB address the major management challenges and program risks identified by GAO?

> I understand that the President's FY 2004 Budget was likely the most performance-oriented budget ever presented to the Congress. Building on the effort begun with the FY 2003 Budget, the FY 2004 Budget includes information on program performance and a report on the President's Management Agenda in every agency chapter. In addition, the Budget also includes a separate volume which includes program ratings and performance information for 234 federal programs government-wide. The President's Management Agenda is a large part of the government-wide performance plan, as it sets out broad goals for the improvement of the government. Reports on the President's Management Agenda go beyond the planning requirement in GPRA in that they provide information on goals as well as actual achievements.
>
> In addition, the Budget includes information on common performance measures for programs in five program areas. As they mature and the data is refined, these common measures will help inform decisions across policy areas involving several programs.

11. What role can OMB play in fostering a results-oriented culture in the management of federal programs and the use of performance information in the allocation of resources?

> As mentioned above, OMB has already been leading government-wide efforts to foster results-oriented government. Implementation of the President's Management Agenda scorecard provides a system of clear goals, specific work plans, and accountability that lead to results. In addition, OMB's leadership on the PART has begun a systematic effort to consider performance when developing budget proposals. The Administration has also proposed a Human Capital Performance Fund, which, if enacted, would provide agencies with resources to reward employees based on performance. If confirmed as DDM, I plan to ensure that these efforts yield concrete results by adding specificity and clarity when they will help achieve the goals.

12. How can OMB help improve the overall quality of agency strategic plans, annual performance plans, and performance reports?

> OMB can foster the improvement of agency strategic plans, annual performance plans, and annual performance reports by making performance matter. In very

few cases have these documents been used to manage agencies or allocate resources. Through the President's Management's Agenda and the PART, OMB and the PMC are working to establish systems of accountability. The PART also helps focus GPRA reporting efforts by emphasizing that performance measures should be few, ambitious, and relate to the program's mission. Once agencies are more selective in choosing the goals for their plans and reports, the information will be more useful to policy-makers.

13. How can OMB help improve the timeliness and quality of program performance information?

The increasing use of performance information in the PART and for development of the budget will heighten the demand for timely and accurate performance information. Agency heads are responsible for the timeliness and accuracy of the data they report. In addition to internal controls they have in place to check the data reported, public scrutiny of information published in the accountability reports and PARTS will provide further assurances that it is accurate.

14. The President's FY2004 Budget describes two approaches to strengthening the link between resources and results, which are to use performance information to make budget decisions and to link performance and cost in an integrated budget presentation.

A. What challenges do agencies face in achieving these objectives?
B. What do you foresee as the near-term and longer-term consequences of not achieving them?

Establishing a clear relationship between performance and funding decisions represents a significant departure from how the government has operated in the past. The challenges include making certain that performance measures are sound so that budget decisions based on them make sense. The quality of the measures is the foremost challenge. Another is the way agency budget justifications are presented. Agencies must begin to justify their budget requests with relevant performance data. In the absence of budgeting for results, we will be unable to assure the American taxpayers or Congress that we are accomplishing what we said we would accomplish.

15. According to OMB, it created the Program Assessment Rating Tool (PART) as a way to make the program rating process more consistent, objective, credible, and transparent than it was in FY2003.

a. Using the tool's four point scale, how would you rate the results for FY2004 and why?
b. In what areas, if any, would you like to see further improvements?

c. What are OMB's plans for holding a post-budget season assessment of PART?

> Because it is early in the PART's implementation, I would have to give the PART a "Results Not Demonstrated." However, the PART is clearly a useful tool for identifying program strengths and weaknesses and promoting the establishment of clear accountability for program performance. It holds the promise, not yet realized, of promoting results-oriented government and serves as a mechanism for measuring improvements in performance. I think it is too early in the effort to rate the results for FY 2004 since agencies have not yet had the opportunity to address the performance issues revealed through the PART evaluation. OMB is currently reviewing the PART and considering where it might be refined or the process of completing it could be improved.

16. According to OMB, "over half of the programs analyzed received a rating of Results Not Demonstrated because of the lack of performance measures and/or performance data."

    A. What steps do you believe OMB should take to remedy this?
    B. What role does OMB have in approving performance measures and monitoring performance data quality?

> I have been told that for programs that received the Results Not Demonstrated rating, OMB and agencies are working to develop better performance measures that will help measure the achievement of program goals and can better inform budget decisions. In many cases, the process of developing meaningful performance measures involves extensive discussions between OMB and agencies. I endorse this cooperative approach. While one would expect that many of these programs will improve their subsequent program ratings, data collection may take longer than a year in many cases.

17. The President's FY 2004 Budget noted that PART has "several shortcomings," including problems with ensuring consistency and objectivity in the raters' answers to the questions, difficulties faced by agencies in designing good performance measures, limited means of giving credit for interim progress toward program goals, and the absence of criteria to assess how well a program complements other programs.
    A. What will OMB do to correct these limitations?
    B. Do you believe any other changes in PART are warranted or necessary? If so, please explain.
    C. Given the shortcomings identified in the PART assessments, how did OMB use these ratings in determining the FY 2004 funding recommendations for these programs?
    D. What will OMB do to provide clearer linkage between the PART ratings and

funding for programs in the FY2005 Budget?

> As mentioned above, OMB is currently reviewing the PART itself and the process for completing it. The President's Budget invited comments on various aspects of the process and OMB is still gathering suggestions as well as considering the ones it has received so far. The preliminary assessment is that changes to the PART itself will be relatively small, mostly refinements that would clarify the intent of specific questions. Many of the PART's shortcomings can be attributed to the fact that it was a new effort. By beginning the PART process earlier this year, OMB anticipates that there will be more time to work out questions or issues relating to individual program ratings and that agencies will have time to address in their budget submissions to OMB the performance deficiencies identified in the PART assessments.
>
> Throughout the FY 2004 Budget there are numerous examples of how the PART assessments informed budget decisions. As OMB noted since the inception of this process, the relationship between a PART rating and program funding level is not formulaic. While anticipated results should be a primary consideration when developing a budget, there are also other issues -- policy priorities, external circumstances, overall funding concentrations, just to name a few-- which must also be considered. For example, high performing programs may not necessarily be able to increase their performance with additional funding. Likewise, a program that does not perform well, but is a high government priority, may require additional funding to address its shortcomings.

Access to Information

18. Congress has considerable interest in, and oversight responsibility for, OMB's management function and implementation of its statutory responsibilities. Accordingly, having complete, accurate, and timely information about OMB's activities are paramount to the Congress in carrying out its responsibilities.

    A. Do you agree that timely and accurate access to federal agency records and other information and to federal officials is necessary for Congress to fulfill its oversight responsibilities?
    B. Do you support congressional and GAO access to OMB records and other information and to key federal officials within OMB?
    C. What, if any, limitations would you attempt to impose on congressional or GAO access to OMB information and key officials?
    D. How would you propose establishing and maintaining constructive working relationships with the Congress and GAO, as well as resolving any potential

disputes regarding access to information and officials?

Congress has a legitimate oversight responsibility over Executive Branch activities. Congress should have timely access to accurate information, consistent with the constitutional and statutory obligations of the Executive Branch. In addition, the Executive Branch has legitimate confidentiality interests; in the case of OMB, these confidentiality interests typically involve predecisional deliberations (such as internal advice and recommendations). Should I have questions about information requests from Congress, I will consult with appropriate officials from OMB's General Counsel, the Office of the White House Counsel, and/or the Department of Justice. Based on recommendations from the appropriate official, I will work to accommodate Congress' interests while at the same time protecting the constitutional, statutory, and confidentiality prerogatives of the Executive Branch.

Acquisition Planning and Contract Management

19. The federal government spends over $200 billion a year acquiring goods and services. What views do you have on any changes that are necessary to make the contracting process easier and more productive? To what degree would you anticipate examining commercial best practices in procurement, acquisition and contract management and adopting them for government use?

    In a world of rapidly changing needs, procurement processes must be as agile and easy as possible. A productive contracting process is one that is results-driven, efficient, and fair. Clarity of need is critical to agency contracting. Also critical to the quality of agency contracting is the caliber of the agency's procurement personnel. Improving federal agency procurement personnel is necessary to improving agency procurement.

    The government's best tool for lowering costs and improving program performance is competition. We have to use competition to the greatest extent possible in our contracting.

    The federal government must continually look for process improvements in its contracting practices. The private sector, as well as other sectors, can provide excellent models for process improvements. However, the federal government must be mindful of the necessary transparency unique to contracting on behalf of the American people.

20. The Administration anticipates realizing cost savings and improvements in the performance of commercial-type functions by competing these functions between public

and private sources.

A. Should public-private competitions be the primary tool agencies use to determine which sector should perform commercial functions?

> Regardless of what source agencies decide to rely on for the performance of commercial activities or what process they use to make that decision, we must have some assurance the American taxpayers are receiving the best value for their investment. Public-private competitions can give us that assurance. But because the process for conducting public-private competitions is currently so cumbersome and time consuming, agencies have difficulty using it to make sourcing decisions. OMB's effort to improve the process for public-private sector competitions is critical to allowing agencies greater use of this important procurement tool.

B. Given the inherent differences between the public and private sectors, what can be done to ensure that these competitions are fair to both sectors?

> There must be a level playing field for both the private and public sectors. The revised A-76 circular seeks to do that by providing greater uniformity in the application of longstanding federal government procurement rules to both private and in-house providers. Under the revised procedures, all bidders must meet the same deadlines for submitting proposals and they must all estimate their costs in a more transparent way. In order to prevent real or perceived conflicts of interest, separate teams are proposed: one to advise the in-house group putting together the proposal for a "Most Efficient Organization" and another to decide who wins the competition. These and other procedures are designed to ensure that no one side has an advantage over the other.

C. In your view, how should the government decide which services should be provided by government employees and which would be appropriate to be provided by contractors?

> It is my understanding that OMB works with agencies individually to review their commercial functions and determine, based on the agency's mission and unique needs, which will be subjected to pubic-private competition. I endorse this cooperative approach.

21. A significant portion of the acquisition workforce is eligible to retire in the next few years. What are the key challenges facing the federal government in maintaining an adequate acquisition workforce and how would you respond to these challenges?

This retirement wave is one of the key challenges facing the federal government in maintaining an adequate acquisition workforce. It is also well known that the current acquisition workforce lacks needed federal procurement skills. Once agencies identify their acquisition workforce needs, which they are doing as part of the Strategic Management of Human Capital Initiative, agencies must ensure that they are paying procurement personnel competitively and that they are training them to do their jobs well. It will be my responsibility to assess the quality of agencies' efforts in this area.

New Contracting Techniques

22. Recent years have seen an increase of government wide and interagency contract vehicles. Some have praised these as simpler and more responsive vehicles for meeting agency needs while others have raised concerns that agencies are using these vehicles to short-cut competition requirements and are wasting taxpayer dollars. What is your view, and how would you ensure that these contracts are used to best leverage the government's buying power and achieve best value for the taxpayers?

    I agree that interagency contracting can be both efficient and effective. But agencies can not use interagency contract vehicles as a way around competition. I will work with the Office of Federal Procurement Policy and its Administrator, Angela Styles, to ensure that agencies are using this contracting tool appropriately.

23. Regarding government wide and interagency contract vehicles, some firms in the vendor community have expressed concern about the proliferation of such vehicles. They are concerned that these vehicles are becoming uneconomical because too little business is spread over too many contracts. Do you believe that OMB should play a role in regulating the establishment of government wide and interagency contract vehicles and, if yes, what should that role be?

    OMB has a role in establishing and overseeing government-wide procurement policy. Interagency contracting is no exception. It is my understanding that the Office of Federal Procurement Policy is reviewing reports about these contracting vehicles and is developing a plan to improve implementation and oversight of their use. I will work with the Office of Federal Procurement Policy to put in place the policies and practices that result from its analysis of this issue.

Buying Services

24. Over the past decade the federal government has significantly increased its acquisition of services. Annually, the government acquires nearly $130 billion of services, more than twice the amount spent on products. However, the GAO and others continue to find instances in which the government is not obtaining fair and reasonable prices, is avoiding competition, and is not otherwise ensuring that the government obtains best value.

A. Do you see these issues as being systemic across the government?
B. In your view, what are the principal causes of these problems?
C. How do you suggest that agencies improve their capacity to acquire services, and what additional policies or legislative authorities do you believe are necessary to assist them?

> If the government's need is expressed clearly and procurement policies are followed expertly, GAO should not find many of the problems cited in the question. It is OMB's responsibility to ensure that agency procurement practices get the best value for the American people. Although I am not certain of the precise causes of these problems, I will work with the Office of Federal Procurement Policy, as well as the General Services Administration, to get agencies the skills they need to ensure these problems do not persist.

25. One initiative that OMB has proposed to help agencies become "smart buyers" of services is the use of performance-based statements of work. OMB first put forward this initiative in 1991. What is your view of the initiative, and what measures, if any, would you take to ensure that agencies properly use the performance-based concept?

> It is my understanding that the Office of Federal Procurement Policy is examining the reasons why agencies have not made greater use of performance-based contracting. This policy – paying contracts based on results achieved – should free agencies and contractors to find the most efficient and effective way to accomplish results for the American people.

Budget process

26. The President's budget proposes a biennial budget with funding decisions made in odd-numbered years and with even-numbered years devoted to authorizing legislation. One of the major benefits attributed to biennial budgeting is that, by providing funding for a longer period of time, it will enhance agencies' abilities to manage their operations. How would this be achieved? How would OMB ensure that agency time and energy would be shifted to improved financial management or better program evaluation?

> With a year off from budget and appropriations matters, both Congress and the Administration could focus their efforts on improved management across agencies. The President's Management Agenda and updates of the Executive Branch Management Scorecard provide the discipline necessary to ensure agencies are concentrating their efforts on management improvement. It is likely that agency improvement in the initiatives of the President's Management Agenda would be accelerated in a year in which the agencies did not have to focus on the budget. In even-numbered years, Congress and the Administration could also work together to enact legislation to improve agency management opportunities.

27. Some have suggested that if biennial budgeting is to be implemented, it might be beneficial to test it first on a limited basis to ascertain its benefits and identify potential problems. Which organizations or programs would you suggest as candidates for such testing?

    I support the Administration's proposal to adopt biennial budgeting for all government agencies and programs.

28. Congress, GAO, and the President's Commission to Study Capital Budgeting have identified the need to improve the planning, budgeting and acquisition of capital assets. OMB has provided additional guidance in this area to the federal agencies and GAO has developed an executive guide on best practices used by leading private, state and local entities in making decisions about capital investments. What do you think are the main impediments to improving the performance of agencies' capital decision-making practices and how do you think these impediments could be alleviated?

    Like with all procurement, agencies must have personnel with needed skills and hold that personnel accountable for achieving results. Although I am unaware of the weaknesses identified in this area, I will work with the Office of Federal Procurement Policy to determine what steps we can take to ensure the government's capital investments are made wisely. This effort will be enhanced by the Administration's initiative to track agency asset management practices as part of the President's Management Agenda.

Financial Management

29. The government faces significant challenges in generating reliable financial and management information on a timely basis for decision making due to pervasive, generally longstanding financial management problems. Describe your views on the importance of financial management improvement, in general, and OMB's role in addressing these challenges.

    Consistently produced, timely and accurate financial and management information is a requirement for sound agency management. If confirmed as DDM, I plan to review with both agency management and OMB the current state of information production and usage so that it supports the Administration's management improvement efforts.

30. The President's Management Agenda identifies Improved Financial Performance as one of five government wide goals and indicates that OMB will work with agencies to improve financial information timeliness, reliability, and usefulness. What are your plans for carrying out this initiative?

    As with all the government-wide initiatives of the President's Management

Agenda, I plan, if confirmed as DDM, to identify with the agencies a set of agreed upon objectives for achievement of the Improved Financial Performance goals. Accompanying these target accomplishments will be definitive plans with measurable milestones for monitoring progress.

31. The President's Management Agenda highlights for particular attention erroneous payments, which are cited by OMB as involving more than $30 billion annually. What do you see as OMB's role in identifying and solving financial management issues such as this?

The government's poor financial performance and high erroneous payment rates have been highlighted by Congress, GAO, and IGs for many years. When problems of this nature are identified, it is OMB's responsibility to work with agencies to set common goals for solving them, as well as the key milestones to be met, and to clarify who is responsible for the effort.

32. The "Improper Payments Act of 2002," which was enacted on November 26, 2002, as Public Law 107-300, requires agencies to estimate and report on programs that may be susceptible to improper payments. For programs with improper payments of $10 million or more, agencies must report on the actions they are taking to reduce these improper payments. By late May 2003, OMB is required to issue guidance to agencies on how to implement these requirements. What will you do, as Deputy Director, to carry out this directive?

It is my understanding that the drafting of guidance required by the Improper Payments Information Act of 2002 is currently in progress and will be issued by the May deadline. As DDM, I will ensure that agencies comply with the reporting requirements of the Act by direct oversight from both the OMB statutory and resource management offices. OMB will support and monitor progress as delineated in the plans required by the Act. Plans and progress in reducing erroneous payments will also continue to be addressed in the quarterly updates of the Executive Branch Management Scorecard.

33. Many agencies use inefficient, time-consuming, and costly procedures to prepare financial statements. Beginning in FY 2004, agencies will be required to submit their audited financial statements by November 15 of each year as part of their performance and accountability reports. What are your views on how OMB can help agencies reduce inefficient efforts and meet the accelerated reporting deadlines?

All CFO Act agencies submitted their 2002 audited financial statements a month earlier than in previous years. Two agencies met the November 15th deadline. OMB has advised CFOs and IGs that a plan for achieving the accelerated reporting date for the balance of the agencies must be developed now to ensure compliance. OFFM will support this effort by scheduling joint CFO-IG meetings to assess these plans. We will provide input on the planning process and monitor progress in execution.

OFFM will continue to support the work of the Acceleration Committee of the CFO Council in identifying and eliminating financial reporting obstacles. The office will also hold forums for agencies to share lessons learned in improving the efficiency of the reporting process. As DDM, I will provide oversight and interact with senior agency leadership to ensure support for the accelerated reporting effort.

34. The majority of federal agencies' financial management systems do not meet statutory requirements such as having the capability to produce information on the full costs of programs and projects and integrating program, budget and financial information for evaluating agency results. These systems cannot provide reliable financial information for managing day-to-day government operations and holding managers accountable. What will you do to help agencies implement effective financial management systems to improve accountability? What are your views on the Federal Financial Management Improvement Act (FFMIA) and OMB's role in helping agencies meet these statutory requirements?

The DDM leads the statutory offices in OMB that are responsible for directing financial management systems practices and standards. In that role, I would review the status of agency financial systems and the planned and ongoing upgrade implementation projects to validate that reliable and timely information is supported. It is critical that federal agencies enhance their ability to produce accurate and timely financial information. Consistent with sound management practices and statutory requirements such as FFMIA, agency management should have ready access to that information for use in decision making, goal setting, and program evaluation.

35. In your view, are the OMB staff resources dedicated to financial management issues sufficient to monitor and evaluate agency efforts to identify and correct systemic problems, improve government wide financial management practices, and implement statutory requirements such as the CFO Act, the Government Management Reform Act, and Federal Financial Management Improvement Act? Please describe your views on the role of the CFO Council and how OMB can work with CFOs to leverage resources devoted to financial management issues.

If confirmed as DDM, I will be evaluating the level and capabilities of OMB staff resources who are responsible for financial management issues. I will be relying in this effort on the OFFM Controller, who is the primary advisor to the DDM in carrying out the financial management responsibilities listed in the CFO Act. As Chairman of the CFO Council, it is my responsibility to ensure that the CFO community and OMB are engaged in a productive partnership in achieving financial management objectives.

Inspectors General

36. In your leadership role of the IGs through the work of the President's Council on Integrity and Efficiency (PCIE), how can the PCIE be made more effective? Are there specific initiatives that you envision to promote the effectiveness and efficiency of the IGs throughout the federal government?

    If confirmed as DDM, I hope to bring to the PCIE an even more proactive analysis of management challenges rather than a reactive one. IGs should work with department and agency leadership to prevent waste, fraud, and abuse.

37. What role, if any, should OMB take with the IGs and their agency heads in order to strengthen constructive working relationships and promote the effectiveness of the IGs?

    OMB can facilitate the sharing of best practices among IGs. The President's Management Agenda also provides an excellent framework around which IGs can focus on the areas where we hope to improve.

38. IGs are responsible for conducting and supervising audits and investigations. Most IGs have backgrounds in law enforcement, but the IG community also needs expertise and leadership to address ongoing and well-known weaknesses in the government's financial management systems. What actions do you believe are necessary to address the human capital needs of IG offices so that they have the skills to carry out their oversight of federal financial management?

    IGs must have sufficient expertise in a number of areas, foremost among them management experience. A good IG will be able to manage whatever duties they must perform and ensure that he or she has personnel with the necessary skills to perform them.

39. Should IGs have a role in overseeing the efforts of their departments and agencies to develop accurate, valid, and reliable performance measures and to prepare performance reports in accordance with the Government Performance and Results Act?

    Yes. As the agency's auditor, an IG can provide an excellent check on the accuracy and reliability of information the agency is reporting.

40. When IGs find themselves in disputes with agency management about their findings and recommendations, they sometimes turn to OMB for mediation. What do you see as your role in these situations?

OMB can bring officials together to discuss disputes of any nature. Disagreements between IGs and agencies are no exception. If confirmed as DDM, I will continue to foster cooperative relationships between IGs and agency heads, so they can work together to prevent waste, fraud, and abuse.

41. The appointment of IGs varies. Some IGs are appointed by the President and confirmed by the Senate and others are appointed by their respective agency heads. The IGs appointed by agency heads have relatively small staffs and operate on a limited budget. What impact do you believe the method of appointment has on the IGs' effectiveness, efficiency, and independence?

Based on my experience, I do not believe the method of appointment has had any negative consequence on the effectiveness, efficiency, and independence of any IG appointed during this Administration.

42. Describe the degree of independence the IGs should have in conducting audits and investigations of federal operations, programs, and activities; and how you will ensure that the IGs have such independence.

IGs should maintain the highest standards of ethics and integrity. This includes remaining independent from any area the IG may be responsible for auditing or investigating, as the IG Act and government-wide policy provides. I will work through the PCIE to ensure those standards are maintained.

OIRA

43. The Office of Information and Regulatory Affairs (OIRA) has a variety of responsibilities under a number of statutes and executive orders, including development of information resource, information security, data quality, and statistical policies; reviewing hundreds of significant regulations each year, and reviewing and approving thousands of information collection requests.

A. What are your views on the organization of OIRA and the allocation of resources among the various activities undertaken by the office?

B. Do you believe OIRA has sufficient resources to accomplish these tasks? Do you believe OIRA has an appropriate level of resources to accomplish these tasks? Do you believe the portfolio of responsibilities assigned to OIRA should be modified and, if so, how would such modification affect your views about the appropriate level of resources?

I am aware of the regulatory oversight responsibilities of the DDM. However, I have not studied either the current makeup and structure of the OIRA, the division of responsibility among its staff, or the resources at its disposal. If confirmed as DDM, I will work with Administrator John

Graham and OMB management to ensure OIRA has the resources it needs to accomplish its important mission.

44. OIRA has recently taken steps to make its regulatory review efforts more transparent (e.g., putting a list of rules under review on its web page), but the details of how that process actually works are still unclear to many observers. Do you support making the OIRA regulatory review process more transparent? If so, what do you believe can be done?

I support OIRA's efforts to open up its activities to greater public scrutiny. I do not yet have an opinion on what specific actions, if any, should be taken to make OIRA's activities even more transparent than they are today.

45. Under the Paperwork Reduction Act of 1995, federal agencies were expected to reduce their paperwork burden on the public by 35 percent by fiscal year 2000. This did not happen. What are your views on the value of these statutory burden reduction goals and the annual Information Collection Budget? To what extent do you believe the Act, and OIRA's implementation of it, appropriately take into account both the agencies' need for information to enable them to serve the public, and the importance of avoiding unnecessary burdens on the public due to the government's collection of information? What, if anything, do you believe OIRA can or should do to encourage agencies to accomplish more burden reduction?

I am not sufficiently aware of specific actions taken by OIRA to meet the paperwork burden reduction goals of the Act to assess their actions. I believe specific goals for progress in this area should be set and that OMB should work with agencies to ensure they strike the proper balance between the need for information and the burden it places on the public.

46. OMB is responsible for providing direction on government wide information resources management and overseeing agency activities in these areas, including analyzing major agency information technology investments.

A. What is your understanding of the role of the OMB Deputy Director with regard to policies and oversight of government wide and agency-specific information resources management?

B. What, in your view, are the major information policy and technology management challenges facing the federal government? How can OMB best help the government meet these challenges?

C. Under the Paperwork Reduction Act of 1995, OMB (OIRA) is required to develop and maintain a government wide strategic Information Resources Management (IRM) plan. Last year, the GAO reported that OMB has not developed an effective and comprehensive strategic plan as required by the Paperwork Reduction Act. See. Information Resources Management: Comprehensive

Strategic Plan Needed to Address Mounting Challenges, February 2002, GAO-02-292. How do you envision this planning process occurring?

Congress has provided the DDM with a great deal of responsibility in the area of information resources management. Statutes enacted over time charge the DDM with overseeing information resource management within OMB and across agencies, as well as setting the strategic direction for the work of the new Office of E-Government. If confirmed as DDM, I will focus my energies on implementing the Expanded Electronic Government initiative of the President's Management Agenda, which focuses agency attention on areas of IT management where the opportunity to improve is the greatest: project management, IT security, and system streamlining and consolidation. Although I am unfamiliar with the specific GAO report cited, it is my understanding that OMB considers its planning responsibilities under the Act to be met by the Chief Financial Officers Council's Strategic Plan; the Annual Report on Federal Information Technology Security; and the FY 2004 Budget Chapter, Program Performance Benefits from Major Information Technology Investments. I will support continued focus on the government's IT management challenges and implementation of the strategy outlined as part of the President's Management Agenda.

47. What are your views on the use of the budget process to improve information technology management? What other incentives does OMB have at its disposal to encourage good management practices? As Deputy Director for Management, how would you intend to improve the adoption of OMB information resource management policies and guidance across government?

The budget process is a powerful tool to use in motivating agencies to improve the management of information technology and other elements of the President's Management Agenda. It is through this process that we can improve the quality of the business cases agencies make for their IT investments, ensure that agencies are collaborating appropriately with other agencies, and that agency IT investments further the goals of the President's Management Agenda. If confirmed as DDM, I will work with agencies through the budget process and other venues to strengthen agency IT management practices.

48. What is the relationship between the Office of Information and Regulatory Affairs and the Office of E-government? What are the responsibilities and the staff composition of each? How will they be coordinated?

It is my understanding that OIRA and the Office of E-Government coordinate their activities closely and I expect that to continue. Issues related to electronic government and information technology management will be the responsibility of

Mark Forman, whom the President has announced he intends to appoint as the Administrator for the Office of E-Government.

49. In the past, the Administration has indicated that it would give the Deputy Director for Management the additional title of Chief Information Officer.
   A. As Deputy Director for Management, will you also hold the title of Chief Information Officer?
   B. If so, how much of your time do you expect to devote to issues related to information resources management, as opposed to other issues in your portfolio?
   C. What specific experience do you have in the areas of information resources management, information technology capital planning, information security, and electronic government?

The Administration's policy is that the DDM hold the title of Chief Information Officer. I will devote the time necessary to meet the statutory information resources management responsibilities of the position, as well as to accomplish the goals the Administration has set for the Expanded Electronic Government initiative. Fortunately, I will not be acting alone. I will have the able help not only of staff and officials within OMB, but also of the expert IT management officials throughout the government. To meet my responsibilities, I will draw on my experience in government and as a businessman successfully managing capital investments and applying information technologies to achieve higher levels of customer service and/or lower costs.

Information Security and Privacy Issues

50. What priority do you place on information security as an element in government operations?

Safeguarding the Federal government's information and information systems is a top priority of the Administration. And OMB has reinforced this prioritization by assessing agency IT security practices as part of the Executive Branch Management Scorecard. If confirmed as DDM, I will continue this practice.

51. How would you intend to use the results of annual agency information security evaluations, now required by law, to improve OMB's oversight of federal information security?

I will work with agencies to ensure they understand their responsibilities in this area. As agencies conduct their annual evaluations and identify IT security weaknesses, they are required by OMB policy to develop and implement corrective action plans for every system with a security weakness. These plans must be tied directly to the budget request for the corresponding system to ensure that IT security performance is linked with the costs to achieve that performance. OMB also uses these evaluations to assess agency progress on the E-Gov Initiative of the President's Management Agenda .

52. How would you plan to link information security and critical infrastructure protection needs to the budget process?

Both IT security and critical infrastructure protection requirements are directly incorporated into the budget process. Agencies must integrate and justify their IT security and critical infrastructure protection requirements into their IT budget requests. Projects that do not adequately address security should not be funded.

53. What are your views on the sufficiency of the Privacy Act? How would you intend to address Internet privacy concerns and what are your plans in this regard?

It is my understanding that OMB is reviewing the need to update or clarify the guidance relating to the Privacy Act. In conjunction with that review, the need for changes to the Privacy Act will be assessed. The need to protect the public against the potential for abuse and infringement of privacy is paramount, and OMB's review should keep that interest in mind. If confirmed as DDM, I will see that OMB leads by example in the privacy arena and take whatever precautions are necessary to protect the public's privacy interest.

54. Recent national events have reinforced the importance of information, information technology, and critical infrastructure to the security and economy of the nation. How would you see OMB working on government wide issues such as homeland security, criminal justice information sharing, and cyber security to ensure that the critical information and technology resources are reliable, secured, and made available to all legitimate parties?

For the Federal government's homeland security, information sharing, and IT security goals to be realized in an effective, efficient, and secure manner, agencies must coordinate and leverage their resources where appropriate. OMB both promotes, and in many cases, requires this type of interagency collaboration through the submission of joint IT business cases. Additionally, in the case of IT security, OMB will continue to work with the Congress, the National Institute of Standards and Technology, agencies, IGs, and GAO to advance the Federal government's efforts to improve IT security and maximize resources to address common government-wide IT security weaknesses.

55. What will be your role in ensuring the implementation of the provisions of the E-Government Act?

Although I am unfamiliar with every requirement of this ambitious legislation, I plan to use the resources at my disposal, particularly in the Office of E-Government, but also at agencies and in the CIO Council, to accomplish what the Act requires.

56. In the President's Management Agenda for fiscal year 2002, the Administration emphasized the need to expand electronic government initiatives, which was buttressed by OMB's Quicksilver initiative that created multi-agency teams to develop and deploy 24 major e-government initiatives, as well as the enactment of the E-Gov Act of 2002.

A. As the Deputy Director for Management, how would you assess government wide progress and success in the Quicksilver projects and other e-government initiatives? For example, would the Congress be presented data to demonstrate greater efficiency, cost reductions, better citizen service, and higher productivity resulting from these projects?

B. How would OMB coordinate the activities of the Resource Management Offices, the Office of Information and Regulatory Affairs, and the Office of E-government group in reviewing and assessing the merits and deployment of cross-agency electronic government initiatives?

The E-Government Initiatives, ambitious plans to improve the efficiency and effectiveness of government by expanding electronic government, are in various stages of implementation. I will work diligently to ensure the Administration is able to report its progress on these initiatives with clarity and precision. We will report specific measures of efficiency, cost reductions, service delivery, higher productivity or other equally relevant indicators of success or failure. As with all the initiatives on the President's Management Agenda, I hope to marshal the resources across OMB to manage and assess the progress of the e-gov initiatives.

57. The Government Paperwork Elimination Act (GPEA) requires agencies to develop capabilities by October 2003 to permit, where practicable, electronic maintenance, submissions, or disclosure of information, including the use of electronic signatures.

a. OMB has indicated that only 52% of paper transactions with the government would be available electronically by the October deadline. What, if anything, can OMB and the agencies do to improve that compliance rate?

b. Will electronic processes significantly reduce information collection burdens? In your view, does more need to be done to reduce the information collection burden?

We should continue to work with agencies to expand their collection of information electronically. It is my understanding that OMB reviews agency information collection procedures regularly and assesses agency compliance with GPEA through the Executive Branch Management

Scorecard. If confirmed, I will encourage OMB to continue and strengthen these efforts to meet the requirements of the act. However, it is important to remember that information collection is not less of a burden just because it is automated. Agencies must rethink and reengineer the methods they use to collect information, the processes they use to collect it, and whether they can rely on other sources of the same information.

58. What is your opinion on the importance of enterprise architectures? What is the state of enterprise architecture use in the federal government today? Do you have any plans for increasing federal agencies' use of these architectures?

Enterprise architectures establish agency-wide roadmaps for using information technology to enhance the accomplishment of the agency's mission. A well designed enterprise architecture allows agencies to identify redundant organizations, processes, and projects. This should result in the unification and simplification of agency business lines and identify opportunities for cross-agency applications. If confirmed as DDM, I will support the continued adoption of enterprise architectures, both at the agency and government-wide level, to enhance the government's use of information technology.

Human Capital Management

59. The recent agency scores as part of the President's Management Agenda, along with GAO's high-risk designation, demonstrate that much needs to be done to address the federal government's human capital crisis. What specific steps do you think agencies need to take to get to green on human capital?

The President's Management Agenda, on top of enhanced attention from Congress and GAO, has provided the impetus for greater focus on agency human capital management practices. It is my understanding that for the most part, agencies have sound human capital management plans in place. Now, agencies must implement those plans, ensuring that they can attract, motivate, train, and hold accountable the employees they need to accomplish their mission. If confirmed, I will continue to hold agencies accountable for improving their human capital management.

60. What is your view on the respective roles and responsibilities of OPM and OMB regarding federal human capital management?

In addition to its statutory role as the President's chief advisor on issues relating to the federal civil service, OPM has the lead in assuring progress in the Strategic Management of Human Capital Initiative. OMB ensures that the Human Capital initiative is implemented in concert with, and in support of, the other management initiatives. OMB is also responsible for assessing the budgetary implications of the government's personnel policies.

61. The President has proposed moving to a greater focus on pay-for-performance. What is your view on proposals to link compensation to performance, rather than length of service? What is your view of the concern that, without adequate safeguards, expanded authority to base pay on performance can enable greater favoritism, discrimination, and politicization in personnel decisions? What steps, if any, do you think should be undertaken in the area of pay-for-performance?

> If confirmed as DDM, I will work with agencies and employees to implement policies that reward performance rather than just longevity. I will also work to get enacted the President's proposal for a Human Capital Performance Fund to allow managers to increase pay beyond annual raises for top employees and address other critical personnel needs. But nothing in these proposals or in the Administration's efforts would, in my opinion, increase the risk of "greater favoritism, discrimination, and politicization in personnel decisions." Safeguards in place in the current personnel system are a sufficient protection against that.

62. What role should federal employees and their unions play in the design and implementation of federal human capital policies and practices? What steps would you take in this regard?

> We should work with federal employees and the unions that represent them to design policies and practices that will enhance their performance on behalf of the American people.

63. A number of federal agencies are undergoing dramatic transformations in what they do and how they do it. What role should OMB play in assisting, leading, and overseeing agencies that are undergoing such change?

> OMB can bring agency officials from across government together to share best practices and lessons learned from past experiences. OMB can also ensure that policies implemented are not inconsistent with those in place or the President's priorities.

IV. Relations with Congress

1. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

> Yes.

2. Do you agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

Yes.

V. Assistance

1. Are these answers your own? Have you consulted with OMB or any interested parties? If so, please indicate which entities.

I have consulted with officials and staff from OMB in preparing these answers. These answers are, however, my own.

AFFIDAVIT

I, Clay Johnson III, being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Subscribed and sworn before me this 14th day of March, 2003.

Notary Public

Comm. expires 1/31/08

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.) Albert V. Casey (Al Casey)

2. **Position to which nominated:** Board of Governors, U. S. Postal Service

3. **Date of nomination:** March 1, 2002

4. **Address:** (List current place of residence and office addresses.) SMU, Cox School of Business, P. O. Box 750333, Dallas, TX 75275-0333

5. **Date and place of birth:** February 28, 1920; Boston, MA

6. **Marital status:** (Include maiden name of wife or husband's name.) Widowed. Eleanor Welch Casey deceased November 1989.

7. **Names and ages of children:** Peter Andrew Casey, 51; Judith Anne Casey, 49.

8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted. Arlington High School, Arlington, MA 09/1936 to 06/1938, Diploma; Harvard University, Cambridge, MA, 09/1939 to 09/1942, SB Economics 02/1943; Harvard School of Business, Cambridge, MA, 09/1946 to 03/1948, MBA 03/1948.

9. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.) Attachment

10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above. U. S. Army 09/1942 to 09/1946.

11. **Business relationships:** List all positions currently or formerly held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution. Attachment

12. **Memberships:** List all memberships and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable and other organizations. Attachment

13. **Political affiliations and activities:**

    (a) List all offices with a political party which you have held or any public office for which you have been a candidate. None

    (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. None

    (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years. None

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements. Doctor of Humane Letters from Mount Saint Mary's College, Emmitsburg, MD, May, 1985; Doctor of Laws from Saint Michael's College, Winooski, VT, May, 1987. Numerous civic and business awards.

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written. "Casey's Law," Arcade Publishing, 1997. Several op-ed articles relating to airline deregulation in 1977 and 1978.

16. **Speeches:** Provide the Committee with four copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. None

17. **Selection:**

    (a) Do you know why you were chosen for this nomination by the President? My record of business and government service.

    (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment? My previous experience as Postmaster General.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate? No.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain. Yes. I plan to continue my current positions as a member of the Board of Directors of Ion Track Instruments (manufacturers of security equipment) and as an Advisor to M & A Technology (internet company).

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization? No

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? No

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Yes

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. None

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity. None

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? Yes

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details. No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details.
In the Spring of 1993 an anonymous call initiated an investigation by the Department of Justice while I was President of the Resolution Trust Corporation. The caller implied I had participated in an illegal land sale which was not true. The investigation was dropped and I was cleared and not charged.

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details. No.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. Since completion of the FBI investigation of me, I have joined the Board of Directors of Ion Track Instruments (manufacturers of security equipment).

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

Albert V. Casey being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Albert V. Casey

Subscribed and sworn before me this 13th day of March, 2002

Alice L. Katz
Notary Public

ALICE L. KATZ
Notary Public State of Texas
My Commission Expires
July 02, 2005

ALBERT V. CASEY

ATTACHMENT TO NOMINEE QUESTIONNAIRE
QUESTION NUMBERS 9-10-11-12

RECORD OF EMPLOYMENT

07/1993 to present—Distinguished Executive in Residence, Edwin L. Cox School of Business, Southern Methodist University, Dallas, TX. (Uncompensated.)

10/1991 to 03/1993—President and CEO, The Resolution Trust Corporation, Washington, DC.

04/1988 to 01/1989—Chairman and CEO, First RepublicBank Corporation, Dallas, TX.

08/1986 to 05/1988—Ann Cox Distinguished Professor of Business Policy, Edwin L. Cox School of Business, Southern Methodist University, Dallas, TX.

01/1986 to 08/1986—Postmaster General, United States Postal Service, Washington, DC.

1974 to Feb. 1985—AMR Corp./American Airlines, Inc., New York, NY and Fort Worth, TX.
1974 to 1980, Chairman, President and CEO; 1980 to 02/1985, Chairman and CEO.

1963 to 1974—The Times Mirror Company, Los Angeles, CA. 1963 to 1966, Executive Vice President.
1966 to 1974, President.

1961 to 1963—Vice President and Treasurer, REA Express, New York, NY.

1948 to 1961—Various Positions in the Finance Department of Southern Pacific Company in New York, NY and San Francisco, CA.

RECORD OF CORPORATE DIRECTORSHIPS

10/2000 to present—Advisor, M&A Technology, Inc., Carrollton, TX

01/2002 to present—Board of Directors, Ion Track Instruments, Inc, Wilmington, MA

05/1999 to 10/2001—Board of Directors, Worldwide Flight Services, Inc., Euless, TX

06/1997 to 11/2000—Board of Directors, Arkansas General Industries, Bald Knob, TN

04/1997 to 08/1998—Board of Directors, FINA, Dallas, TX

1994 to 1999—Board of Directors, MAG Aerospace Industries/Monogram Sanitation, California.

02/1974 to 10/1991—Board of Directors, AMR Corp./American Airlines, New York and Fort Worth

11/1978 to 10/1991—Board of Directors, Colgate-Palmolive Company, New York, NY

08/1981 to 10/1991—Board of Directors, Sears, Roebuck & Co., Chicago, IL

05/1988 to 10/1991—Board of Directors, Memorex Telex, NV, Amsterdam, The Netherlands

09/1963 to 03/1988—Board of Directors, The Times Mirror Company, Los Angeles, CA

1988-1989—Board of Directors, Media Corporation of America (wholly-owned subsidiary of Mason Best Company), Dallas, TX.
1982-1986—Director, International Advisory Council of Morgan Grenfell & Co., London, England

1982-1986—Board of Directors, The LTV Corporation, Dallas, TX.

1980-1982—Board of Directors, Republic of Texas Corporation, Dallas, TX.

1985 to 1986—Board of Directors, AMI International, Chicago, IL

1974 to 1981—Board of Directors, CIT Financial Corporation, New York, NY

1967 to 1974—Board of Directors, Bank of California, San Francisco, CA

Prior to 1970—Board of Directors, Pacific American Income Shares, Inc. in California

Piror to 1970—Board of Directors, Pacific Insurance Company in California.

RECORD OF MEMBERSHIPS

Pro Bono Organizations (Current)
Center for Stregic & International Studies, Washington, DC
Woodrow Wilson Council, Washington, DC
World Affairs Council of Greater Dallas (formerly Dallas Council on World Affairs)
Zale Lipshy University Hospital

Pro Bono Organizations (Previous)

University of Dallas, Director, 1987-10/90

The Urban Institute, Trustee, 8/84-10/91

Zale Lipshy Hospital, University Medical Center, Director, 5/89-10/91

Dallas Medical Resource, Director, 2/90-10/91

Southern Methodist University, Cox School of Business, Board of Visitors, 5/89-10/91

Dallas Citizens Council, Director, 1983-1990

The President's Drug Advisory Council, Member, 4/91 to 11/91

Dallas Opera Advisory Board, Director, approximately 1984 to 1986

United Way of Metropolitan Dallas, Director, approximately 1984 to 1986

State Fair of Texas, Director, approximately 1984 to 1986

Fort Worth Chamber of Commerce, Director, approximately 1983 to 1985

Executive Committee of The President's Council for International Youth Exchange, 1982 to approximately 1983-84

Pro Bono Organizations (Previous (Continued)

Better Business Bureau of Metropolitan Dallas, Director, approximately 1981 to 1983

Dallas Country Chapter of American Red Cross, Directors, approximately 1981 to 1983

Harvard College, Member of the Board of Overseers and Chairman of the Financial Policy Committee 1978-1984

Harvard Business School, Chairman of the Visiting Committee

Alliance to Save Energy, Director, approximately 1980 to 1983

Air Transportation Association, Director, 1974 to approximately 1985

Airlines Industrial Relations Conference, Director, 1974 to approximately 1978

Boys Clubs of America, Director, 1964-1974

Stanford Research Institute, Member of the Advisory Committee, approximately 1972

North Texas Commission, Member of the Advisory Board, approximately 1980 to 1982

The Public Agenda Foundation, Member of the Executive Committee, approximately

Conquistadores del Cielo, Member, approximately 1974 to 1990

Knights of Malta, Member, approximately 1975-1992

Memberships Held Prior to 1982:

UCLA Graduate School of Management, Board of Visitors

School of Business Administration at the University of Southern California, Board of Councilors

Performing Arts Council, Music Center of Los Angeles, Board of Governors

The Rand Corporation, Advisory Committee to the Communications Policy Program, Member

Volunteer Urban Consulting Group, Director

The Corporate Fund for the Performing Arts of the Kennedy Center, Board of Governors

Museum of Modern Art, New York, Business Committee Member

The Economic Club of New York, Director

Pro Bono Organizations (Previous (Continued)

Memberships Prior to 1982 Continued

Emergency Financial Control Board of New York City, Member

Los Angeles Chamber of Commerce, Director

The One Hundred Club of Los Angeles, Member

Tejon Ranch Company, Director

Town Hall of Los Angeles, Director

Southern California Symphony-Hollywood Bowl Association, Director

Merchants and Manufacturers Association, Director

Catholic Welfare Bureau, Director

Current Club Memberships
Dallas Country Club, Dallas, TX
Marrakesh Country Club, Palm Desert, CA
Bohemian Club, San Francisco, CA
Harvard Club of New York City
The Metropolitan Club, Washington, DC
Harvard Business School Club of Dallas
Harvard Club of Dallas

Former Club Memberships
Eldorado Country Club, Indian Wells, CA
The Crescent Club, Dallas, TX
Dallas Petroleum Club, Dallas, TX
Preston Trail Country Club, Dallas, TX
The Sky Club, New York, NY
The Wings Club, New York, NY
Sleepy Hollow Country Club, New York
Annandale Country Club, Pasadena, California
The Twilight Club, Los Angeles, CA
Los Altos Country Club, California

Pre-Hearing Questionnaire for the Nomination of Albert V. Casey to be a Governor, United States Postal Service

I. Nomination Process and Conflicts of Interest

1. Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

   None.

2. Have you made any commitments with respect to the policies and principles you will attempt to implement as a Governor of the United States Postal Service (USPS)? If so, what are they and to whom have the commitments been made?

   None.

3. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures you will use to carry out such a recusal or disqualification.

   The only possible conflicts I can think of are covered in Question 4.

4. In your responses to the Committee's Biographical and Financial Questionnaire, you indicated that you plan to continue your current positions with Ion Track Instruments and M&A Technology. These companies are engaged in areas of business that could be the subject of Postal Service procurement: Ion Track sells equipment that can detect narcotics or explosives in luggage or other kinds of closed containers and M&A sells and services computer and communications equipment. Both companies have federal agencies as customers. What will you do, if you are confirmed as a Governor, to ensure that you avoid any conflict of interest between your positions with these companies and your responsibilities with the United States Postal Service?

   I shall recuse myself from any discussion or vote if either Ion Track Instruments or M&A Technology is brought before the Board of Governors.

II. Role and Responsibilities of a Governor of the USPS

1. How do you view the role of a Governor of the Postal Service? What would you highlight from your experience that will enhance your effectiveness in this role?

   I view the Governors role as similar to that of being a member of the Board of Directors of a commercial corporation. Based on my experience as Postmaster

General, and as a Board member of several corporations, I believe excellent attendance at the meetings, my availability to the management, and service on whatever Governor's committees to which I am appointed as being the prime requisites. Based on my prior service, I believe that becoming familiar with top management (but avoiding micro-management is helpful).

2. What would be your priorities as a Governor?

As set forth above, good attendance and spending sufficient time to understand the issues considered.

3. The law creating the Postal Board of Governors states that Governors are chosen to represent the public interest generally. How do you intend to fulfill this mandate?

By making extensive efforts to understand the issues considered, and working extra hard to be currently informed.

4. What do you see as the main challenges facing the Postal Service? How should the Board of Governors work with postal management to address these challenges?

The economics of the USPS, its current and foreseeable competition and its need to develop opportunities to better serve the public and its employees. The Board should work with management through its board Committees and as asked to help in certain situations that may arise.

III. Policy Questions

1. Recently, much attention has been focused on the Postal Service's deteriorating financial situation and its outlook for the future. What do you think the Postal Service needs to do to address its financial situation and ensure its future viability?

I am really not sufficiently informed on this subject to propose a course of action. However, in the corporate world I have been faced with most dire financial situations and in each case the cures and solutions were different. At American Airlines it was necessary to dispose of its chain of 22 hotels; at Times Mirror it was a matter of stricter financial controls; and at Railway Express Agency we had to initiate national over-the-road service to replace the disappearing rail service. Obviously labor is a major contributor to the dilemma, and I shall have to bring myself up to date on that score.

2. What are your views on the extent to which fundamental reform is needed in the laws and regulations that govern the Postal Service? In what areas of postal operations do you think such reform may be needed?

The Unions' current right for arbitration appears to require a close review. Apparently the USPS could be helped by more flexible pricing. Also, the maximum borrowing limit should probably be raised.

3. Do you view the Postal Service as fundamentally operating more like a private sector business or more like a federal agency? Are changes needed to redirect the Service? If so, what are they?

I am not sure that I know all about the pros and cons of a "federal agency." Today it is almost impossible for the Postal Service to enjoy the blessings and incur the curses of a private sector economy—particularly with compulsory arbitration and its pricing restrictions. Also, it would be presumptuous of me to delineate possible changes to redirect the service without coming up to date on that subject.

4. You served as Postmaster General in 1986 for eight months. What do you believe were your top accomplishments during your tenure? Why did you leave this position?

By eliminating two levels of bureaucracy, I did a good job of speeding up the approval process for building new post offices and approving capital expenditures. Also, selling the USPS corporate jet and helping the USPS police remove the Vice Chairman who was micro-managing and cheating on his expense reports.

It was necessary for me to resign after eight months as I had already committed to teach, starting in September 1986, in the MBA program at Southern Methodist University—all of which had been disclosed to the USPS Board of Governors before they appointed me.

5. Recent data shows that the Postal Service is facing declining mail volumes and revenues in some of its key revenue-producing areas, such as First-Class Mail and Standard Mail. What approach should the Postal Service take to maintain its viability and competitiveness in light of these changes? What opportunities, if any, do you believe might be appropriate for the Postal Service to pursue to increase revenue?

First, an examination of the pertinent data should be made (and I'm sure it has been) to determine why the volume is declining. Obviously, First-Class Mail is the swing item and reasons must be determined for its decline and conclusions must be made as to whether it can be corrected, or else adjustments must be made in the operation in order to live with the facts of life.

6. Many suggestions have been made on ways that the Service could reduce costs and improve productivity. How should the Board be involved in identifying areas for cutting costs and improving efficiency in postal operations?

The Board should insist that management constantly bring forward suggested changes in the collecting, sorting and delivering of mail for consideration by the Board. If you don't bring forth changes you will be forced to react to changes brought about by others.

7. The Postal Service was heavily impacted by the effects of the letters containing anthrax sent through the mail last fall. The Service has incurred significant costs in responding to these attacks and is considering a potentially expensive array of detection and prevention actions to safeguard its system in the future. Recent events, including the discovery of additional evidence of anthrax in the Wallingford, CT mail processing facility, where decontamination efforts were undertaken when anthrax was found on some machinery last fall, and of pipe bombs placed in rural mailboxes in Iowa, Illinois and Nebraska, demonstrate that the Postal Service's experiences with terrorism and its aftermath are not yet over. What actions should the Postal Service take to enhance the security and safety of the mail and postal employees? What are the potential impacts of these actions on postal operations and service delivery? How should the additional costs for enhancing mail security be funded?

First, the Postal Service must be certain that it is receiving <u>all</u> current information from <u>all</u> parties working on the subject of terrorism. Also, it must work constantly at informing its employees of all that is going on regarding this subject. I would think that the Postal Inspectors Department would carry this ball.

The additional costs incurred are the same as any other operating costs. Possibly the U. S. Government could allocate resources the way it did to the airlines last fall.

8. Some concerns have been raised about whether it is appropriate for the Postal Service to offer certain new products and services. What are your views regarding whether it is appropriate for the Postal Servicc to offer products and services that compete with private sector companies?

Of course the Postal Service should offer related products and services just as they offer envelopes, boxes, etc., in the post offices now.

9. The Postal Service is required to annually report to Congress on its plans and performance related to its major goals. This information is vital to Congressional oversight. However, some concerns have been raised regarding the integrity of some data used to measure performance. What can the Board of Governors do to help ensure the integrity of performance data?

The integrity of data is paramount in all cases and it must be assured. Businesses use samplers, auditors, consultants, etc. I believe the Board of Governors should do the same.

10. The Postmaster General and several Board members have expressed concern that the current ratemaking process is too restrictive and limits the Postal Service's ability to quickly adjust postage rates in a highly competitive and changing marketplace. Others believe that the current system moves relatively quickly when compared to other agency proceedings and argue that the rate process should continue to allow for full discussion of the basis for the Postal Service's request and a complete airing of the opposing concerns. Do you believe changes are needed in this area, and, if so, what types of changes?

    I would side with the Postmaster General, and would lobby to either speed up the review process or better yet review the current procedure and replace it.

11. Many postal customers are concerned about the prospect of more frequent and larger rate increases as the Postal Service faces an increasingly difficult financial situation. What are your views with respect to the need and timing of rate increases?

    The USPS is the greatest bargain the American public has, and that story should be told to the public; i.e., foreign postal rates, convenience of post offices, seven-day delivery, etc. We should do more to acquaint the public about the relationship between the increase in the price of stamps and price increases in others services; i.e., car repairs, haircuts, etc.

12. One longstanding postal issue has been the need to improve labor-management relations within the Postal Service. What can the Board of Governors do to encourage and facilitate greater cooperation between postal management and labor unions?

    This is the toughest of all, and this subject must be worked on every hour of every day. Working conditions, pensions, job descriptions, etc., must be under constant review. Review procedures for grievances are of special importance to employee morale.

13. The Postal Service has projected that within the next 5 years, about 60 percent of the executives and 45 percent of its managers and supervisors will be eligible to retire. How can the Board work with postal management to address these challenging succession, continuity, and associated cost issues?

    This is a common business problem and must be worked at constantly. Executives must adopt a plan for succession—and this should be done in every department and updated at least quarterly. The Board, in turn, should receive periodic reports on the progress.

14. A major issue frequently raised by the public relates to the Postal Service's decisions on

locating, relocating, or closing post offices. Some are concerned that the Postal Service does not adequately involve affected communities in the decisionmaking process. What are your views on this issue?

> This subject should be uniformly treated. Procedures and conclusions can be established and adhered to. You can't satisfy everybody, but you can be reasonable.

15. The Postal Service recently announced in its Transformation Plan that it is removing its moratorium on post office closings and is reviewing what postal facilities may be closed. The Service's decisions in this area will be closely scrutinized. How can the Postal Service ensure that its decisions related to closing postal facilities are perceived as fair and objective?

> This is the same as Question 14.

16. Negotiated Service Agreements (NSAs) are customized mail service and postage rate agreements with particular mailers or groups of mailers that are tailored to the mailers' use of the postal system. In a February 2002 report to Congress, the Postal Rate Commission (PRC) stated that current law allows the Postal Service to enter into NSAs with mailers as long as the changes are filed as a request before the PRC and any NSA the Postal Service does enter into does not "make any undue or unreasonable discrimination among users of the mails" or "grant any undue or unreasonable preferences to any such user." What are your views on whether the Postal Service should enter into NSAs? What role do you think the PRC should play in considering any NSAs for approval?

> I believe it appropriate and necessary for the Postal Service to enter into NSAs. The PRC review procedure must not delay the operations under the NSAs. I don't know whether the current procedure works a hardship or not, but it surely must not.

17. According to an April 1989 article in *Fund Raising Management* (attached), you were named as a defendant in a $47 million lawsuit filed by James V. Jellison, a former United States Postal Service Assistant Postmaster General/Operations. The article states that the lawsuit, which also named Recognition Equipment Inc.(REI), a Texas-based scanning equipment manufacturer, and several REI officers as defendants, charged that Jellison was dismissed from his job because he "was an obstacle to [the defendants'] plan to obtain a non-competitive [multiline optical character reader] equipment production contract award to ... REI." Is the article's contention that you were named in this lawsuit correct? If so, please explain the nature of your involvement in this lawsuit and the outcome. What findings, if any, were made by the court regarding your alleged activity? Please provide any relevant documentation of the court's findings.

I have attached certain pages from the record of the law suit referred to, and they show that I was not a defendant and that REI was found not guilty of breaking any law. I received these copies from the office of William G. Moore, Jr. I did act as a witness in the case.

IV. Relations with Congress

1. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

   Yes.

2. Do you agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

   Yes.

V. Assistance

1. Are these answers your own? Have you consulted with the U.S. Postal Service or any interested parties? If so, please indicate which entities.

   These are my own answers, and I have received a copy of the USPS Transformation Plan—April 2002. My only consultation was with Mr. William Moore's Office.

AFFIDAVIT

I, ________ being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

____

Subscribed and sworn before me this 12th day of May, 2002.

____
Notary Public

MICHAEL W HOGAN
NOTARY PUBLIC
State of Texas
Comm. Exp. 03-03-2003

U.S. Senate Governmental Affairs Pre-Hearing Questionnaire

STATEMENT OF JAMES C. MILLER III

before the

COMMITTEE ON GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

on

APRIL 2, 2003

Mdme. Chairman and Members of the Committee: thank you for inviting me here today to consider my qualifications to be a Member of the Board of Governors of the U.S. Postal Service. I am anxious to answer your questions, and I'm equally anxious to get to work in addressing the Postal Service's many challenges and opportunities to serve the American people.

As many of you know, I served in the federal government in several positions during the Reagan Administration, most recently as Director of the Office of Management and Budget (1985-1988). As budget director I was a member of the President's Cabinet and also a member of the National Security Council, the Economic Policy Council, and the Domestic Policy Council. Prior to that post, I served as Chairman of the Federal Trade Commission (1981-1985), where I was also a member of the Council of the Administrative Conference (later, its vice chairman). For the first eight months of the Reagan Administration, I was Administrator of Information and Regulatory Affairs at OMB. During earlier administrations, I served as a Senior Economist at the U.S. Department of Transportation (1969-1972), a Senior Staff Economist at the Council of Economic Advisers (1974-1975), and as an Assistant Director of the Council on Wage and Price Stability (1975-1977). I believe this experience enables me to understand the Postal Service's nexus with the federal government.

Since leaving government in 1988 I have had extensive experience in business. Today, I am chairman of an economic, financial, and regulatory consulting organization, The CapAnalysis Group, which is an affiliate of the law firm, Howrey Simon Arnold & White. I've also served on the boards of several U.S. corporations. For example, at present I serve on the boards of Atlantic Coast Airlines ("United" and "Delta Connection"), The Tax-Exempt Fund of

Maryland, The Tax-Exempt Fund of Virginia, the JPMorgan Value Opportunities Fund, and Washington Mutual Investors, Inc. I am chairman of the Audit Committee of both Atlantic Coast Airlines and Washington Mutual Investors, Inc., and I serve on the audit committees of the two tax-exempt funds. Previously, I served on the boards of Goulds Pumps and the Union Corporation (both since acquired). I believe my experience in business equips me to understand the Postal Service as a business enterprise.

In other times during my career, I have been involved in academic work and in public policy generally. For example, I have been a full-time university professor (Georgia State University [1968-1969] and Texas A&M University [1972-1974]), and later co-chair of the regulatory program at the American Enterprise Institute (1977-1981). I have served on the Board of Visitors of the U.S. Air Force Academy (1989-1992) and George Mason University (1998-2002). Since leaving government in 1988, I have published three books: The Economist as Reformer: Revamping the FTC, 1981-1985 (American Enterprise Institute, 1989); Fix the Budget!: Urgings of an 'Abominable No-Man' (Hoover Institution, 1994); and Monopoly Politics (Hoover Institution, 1999). I am a Distinguished Fellow at both the Center for Study of Public Choice and the Mercatus Center at George Mason University and am a Fellow of the Hoover Institution (by courtesy) at Stanford University. And, for most of the time since leaving government, I have been a Distinguished Fellow at Citizens for a Sound Economy Foundation and a member of the board of Citizens for a Sound Economy. At present I am an emeritus member of the boards of Citizens for a Sound Economy, The Progress & Freedom Foundation, and The Tax Foundation. I believe these experiences equip me to understand the broader policy implications of the Postal Service's work and decisions affecting that work.

In summary, Mdme. Chairman, I believe my training in economic and financial matters, and my experience in both the private and public sectors, qualifies me to be a Member of the Board of Governors of the Postal Service. I look forward to addressing your questions.

Thank you.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** Answer: James Clifford Miller III.

2. **Position to which nominated:** Answer: Board of Governors, U.S. Postal Service.

3. **Date of nomination:** Answer: July 26, 2002.

4. **Address:** Answer: [illegible] .. Office – 1299 Pennsylvania Avenue, N.W.; Suite 300; Washington, DC 20004.

5. **Date and place of birth:** Answer: June 25, 1942; Atlanta, Georgia.

6. **Marital status:** Answer: Married to Demaris Humphries (maiden name) Miller – for 40 years.

7. **Names and ages of children:** Answer: Katrina Demaris Miller (32), John Felix Miller (31), and Sabrina Louise Pagkalinawan (30).

8. **Education:** Answer: Rockdale County High School (Conyers, Georgia), 1955–1960, H.S. Diploma, 1960; University of Georgia, 1960-1965, B.B.A. (Economics), 1964; University of Virginia, 1965-1968, Ph.D. (Economics), 1969.

9. **Employment record:** Answer: See attached curriculum vitae.

10. **Government experience:** Answer: See attached curriculum vitae.

11. **Business relationships:** Answer: See attached curriculum vitae.

12. **Memberships:** Answer: See attached curriculum vitae.

13. **Political affiliations and activities:**

    (a) List all offices with a political party which you have held or any public office for which you have been a candidate. Answer: I ran unsuccessfully for the Republican nomination for the U.S. Senate from Virginia in 1994 and again (unsuccessfully) in 1996.

    (b) List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years. Answer: I served as Treasurer of my spouse's campaign for the U.S. House of Representatives to serve the 8th Congressional District of Virginia in 1998 (where she won the Republican nomination and lost the general election) and assisted in her bid for the same office in 2000 (again, winning the Republican nomination, but losing the general election).

    (c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past 5 years. Answer: This is difficult to answer, as I have not kept careful records of this matter. Except for a substantial contribution in the form of volunteer work and certain sharing of the shortfall in my spouse's 1998 campaign (the 200 campaign ended in the black), I have made only marginal (no more than $100) contributions – and made none during the 2002 presidential race.

14. **Honors and awards:** Answer: See attached curriculum vitae.

15. **Published writings:** Answer: See attached curriculum vitae for a list of academic writings. See attached pages for list of op-eds and reports that could be identified.

16. **Speeches:** Answer: See attached pages for a list of those I have been able to identify. I will deliver copies of those for which I have copies to the committee's office.

17. **Selection:**

(a) Do you know why you were chosen for this nomination by the President? Answer: Yes, because I have a background in addressing fiscal problems in government and business, and because I have an interest in the U.S. Postal Service.

(b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment? Answer: My experience in addressing fiscal problems in government and business, and my interest in the U.S. Postal Service.

B. FUTURE EMPLOYMENT RELATIONSHIPS

1. Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate? Answer: No, this is a part-time position.

2. Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain. Answer: I will continue my employment as Chairman of the CapAnalysis Group, L.L.C., and affiliate of Howrey Simon Arnold and White. Also, I will continue to serve on the boards of Washington Mutual Investors, Inc., the Tax-Exempt Fund of Maryland, the Tax-Exempt Fund of Virginia, the JPMorgan Value Opportunities Fund, Recipco Corporation, and Atlantic Coast Airlines. In addition, I will continue to be a consultant to Freddie Mac.

3. Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization? Answer: No, but see above.

4. Has anybody made a commitment to employ your services in any capacity after you leave government service? Answer: No.

5. If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable? Answer: Yes.

C. POTENTIAL CONFLICTS OF INTEREST

1. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated. Answer: I do not believe I have been a participant to any such relationship, dealing, or transaction.

2. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy other than while in a federal government capacity. Answer: In my position as Counsel to Citizens for a Sound Economy (501[c][4]), I advocated the passage of tax cuts and spending restraint, and opposed passage of certain other legislation, especially in area of health care. I also

observed the development of postal reform legislation and shared with some members of Congress the need for fundamental reform.

3. Do you agree to have written opinions provided to the Committee by the designated agency ethics officer of the agency to which you are nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position? Answer: Yes.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details. Answer: No.

2. To your knowledge, have you ever been investigated, arrested, charged or convicted (including pleas of guilty or nolo contendere) by any federal, State, or other law enforcement authority for violation of any federal, State, county or municipal law, other than a minor traffic offense? If so, provide details. Answer: In my official capacity as Administrator of Information and Regulatory Affairs at OMB (1981), as Chairman of the Federal Trade Commission (1981-1985), and as Director of OMB (1985-1988), I was named as defendant in several lawsuits. During my 1996 campaign for the U.S. Senate, my opponent's campaign manager filed charges with the Federal Elections Commission, alleging I had violated Federal Election law – a charge the Commission declined to pursue..

3. Have you or any business of which you are or were an officer, director or owner ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details. Answer: Atlantic Coast Airlines (on whose board I serve) has had several interactions with the Federal Aviation Administration over what might be termed technical violations of rules and regulations. I am not aware of any other matters of relevance.

4. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. Answer: I believe my curriculum vitae and writings speak for themselves.

E. FINANCIAL DATA

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

James C. Miller III, being duly sworn, hereby states that he/she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

Subscribed and sworn before me this 3rd day of September, 2002

Rose M. Briggs
Notary Public

ROSE M. BRIGGS
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires February 28, 2007

CURRICULUM VITAE
for
James C. Miller III

(September, 2002)

Home --
903 Turkey Run Rd.
McLean, VA 22101
703-356-0272 (ph)
703-734-8363 (fax)
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Washington, DC 20004
202-383-6633 (ph)
202-383-7237 (fax)
millerjim@capanalysis.com

Education and Professional Activities

Degrees:	Ph.D. (Economics), University of Virginia, 1969
	B.B.A. (Economics), University of Georgia, 1964
Current positions:	Chairman, CapAnalysis Group (an affiliate of Howrey Simon Arnold & White), since April 2002
	Distinguished Fellow, Center for Study of Public Choice, George Mason University, since October 1988
	Senior Fellow (by courtesy), Hoover Institution (Stanford University), since December 1988
	Member, Board of Directors, Washington Mutual Investors Fund, since October 1992 (Member of Advisory Board, November 1989 - October 1992)
	Member, Board of Directors, Atlantic Coast Airlines ("United Express" and "Delta Connection"), since March 1995

Member, Board Directors, The Tax Exempt Fund of Maryland, since April 2000

Member, Board of Directors, The Tax Exempt Fund of Virginia, since April 2000

Member, Board of Directors, The J.P. Morgan Value Opportunities Fund, since December 2001

Member, Board of Directors, Recipco Corporation, since September 2000

Member, Board of Directors-Emeritus (previously Member of Board), Citizens for a Sound Economy, since January 1989

Member, Board of Directors-Emeritus (previously Cochairman or Counselor), Tax Foundation, since October 1989

Member, Board of Directors-Emeritus (previously Member of Board), Progress & Freedom Foundation, since April 1994

Member, Board of Advisors, Consumer Alert, since February 1991

Previous Positions:

Member, Board of Visitors, George Mason University, June 1998 - June 2002

Member, Board of Visitors, U.S. Air Force Academy, November 1988 – November 1990.

Director, U.S. Office of Management and Budget, and Member of President's Cabinet, October 1985 - October 1988

Vice Chairman, Administrative Conference of the United States December 1987 to October 1988 (Member of Council, November 1981 - December 1987)

Chairman, U.S. Federal Trade Commission, September 1981 October 1985

Administrator, Office of Information and Regulatory Affairs, U S Office of Management and Budget; and Executive Director, Presidential Task Force on Regulatory Relief, January 1981 - September 1981

Resident Scholar, Center for the Study of Government Regulation, The American Enterprise Institute for Public Policy Research, January 1977 - January 1988; Co-Director of the Center, March 1977 - January 1981; Member, Board of Editors, Regulation, July 1977 - January 1981; and Member, Board of Editorial Advisors, The AEI Economist, September 1977 - January 1981

Consultant, National Science Foundation, July 1977 - January 1981

Lecturer (in Economics), George Washington University, September 1971 - May 1972, September 1975 - May 1976, and September 1978 - December 1980

Assistant Director (for Government Operations and Research), U.S. Council on Wage and Price Stability, October 1975 - January 1977

Adjunct Scholar, The American Enterprise Institute for Public Policy Research, May 1975 - January 1977

Senior Staff Economist, U.S. Council of Economic Advisers, July 1974 - October 1975

Associate Professor of Economics, Texas A&M University, August 1972 - May 1974

Consultant, U.S. Department of Transportation, March 1972 - July 1974

Consultant, National Bureau of Standards, January 1974 - June 1974

Research Associate, The American Enterprise Institute for Public Policy Research, May 1972 - July 1972

Associate Staff, The Brookings Institution, August 1972 - May 1974

Senior Staff Economist, U.S. Department of Transportation, December 1969 - February 1972

Assistant Professor of Economics, Georgia State University, September 1968 - December 1969

Affiliations:

American Economic Association

Public Choice Society

Southern Economic Association (Member of Executive Committee, 1980-1982; Vice President, 1990-1991)

Selected Publications and Presentations

Books:

Monopoly Politics (Stanford: Hoover Institution Press, 1999)

Fix the U.S. Budget!: Urgings of an "Abominable No-Man" (Stanford: Hoover Institution Press, 1994)

The Economist as Reformer: Revamping the FTC, 1981-1985 (Washington: American Enterprise Institute, 1989)

The Federal Trade Commission: The Political Economy of Regulation (co-editor and contributor, with Robert J. Mackay and Bruce Yandle; Stanford: Hoover Institution Press, 1987)

Reforming Regulation (co-editor and contributor, with Timothy B. Clark and Marvin H. Kosters; Washington: American Enterprise Institute, 1980)

Benefit-Cost Analyses of Social Regulation: Case Studies from the Council on Wage and Price Stability (co-editor with Bruce Yandle; Washington: American Enterprise Institute, 1979)

Perspectives on Federal Transportation Policy (editor and contributor; Washington: American Enterprise Institute, 1975)

Economic Regulation of Domestic Air Transport: Theory and Policy (with George W. Douglas; Washington: Brookings Institution, 1974)

Why the Draft?: The Case for a Volunteer Army (editor and contributor; Baltimore: Penguin Books, 1968)

Monographs:

The Economics of the Military Draft (with Ryan C. Amacher et al.; Morristown: General Learning Press, 1973)

Transportation Legislation (published anonymously; Washington: American Enterprise Institute, 1972).

Articles:

"The Tyranny of Budget Forecasts" (with J.D. Foster), Journal of Economic Perspectives (Summer 2000)

"Incumbents' Advantage," George Mason University, Working Papers in Economics (December, 1997)

"Suggestions for a Leaner, Meaner Budget," Jobs & Capital (Spring 1995)

"Budget Process and Spending Growth" (with Mark Crain), William and Mary Law Review (Spring 1990)

"Independent Agencies -- Independent from Whom?," Administrative Law Review (Fall 1989)

"A Reflection on the Independence of Independent Agencies," Duke Law Journal (1988)

"It's Time to Free the Mails," Cato Journal (Spring/Summer 1988)

"Spending and Deficits" (with an introduction by Robert D. Tollison), G. Warren Nutter Lecture in Political Economy, The American Enterprise Institute for Public Policy Research, 1987; reprinted in Thomas Jefferson Center Foundation, Ideas, Their Origins, and Their Consequences (Washington: American Enterprise Institute, 1988)

"Predation: The Changing View in Economics and the Law" (with Paul Pautler), Journal of Law and Economics (May 1985)

"Comments on Baumol and Ordover," Journal of Law and Economics (May 1985)

"Industrial Policy: Reindustrialization through Competition or Coordinated Action?" (with Thomas F. Walton, William E. Kavacic, and Jeremy A. Rabkin), Yale Journal on Regulation (1984)

"The Case Against Industrial Policy," Cato Journal (Fall 1984)

"Report from Official Washington," Antitrust Law Journal (1984)

"Reindustrialization Policy: Atari Mercantilism?," in Richard B. McKenzie (ed.), Plant Closings: Public or Private Choice? (revised edition; Washington: CATO Institute, 1984)

"Resale Price Maintenance: An Analytical Framework," Regulation (January/February 1984)

"Is Organized Labor Rational in Supporting OSHA?," Southern Economic Journal (January 1984)

"A Note on Centralized Regulatory Review" (with William F. Shughart II and Robert D. Tollison), Public Choice (January 1984)

"Comparative Data on Life-Threatening Risks," Toxic Substances Journal (Summer 1983)

"Report from Official Washington," Antitrust Law Journal (1983)

"Occupational Exposure to Acrylonitrile: A Benefit/Cost Analysis," Toxic Substances Journal (Winter, 1982/1983)

"Report from Official Washington," Antitrust Law Journal (1982)

"Regulatory Relief under President Reagan," Jurimetric Journal (Summer 1982)

"The (Nader-) Green-Waitzman Report," Toxic Substances Journal (Winter 1980/1981)

"Has the 1970 Act Been Fair to Mailers?" (with Roger Sherman), in Roger Sherman (ed.), Perspectives on Postal Service Issues (Washington: American Enterprise Institute, 1980)

"Collective Ratemaking Reconsidered: A Rebuttal," Transportation Law Journal (1980)

"Regulation and the Prospect of Reform," in Charles F. Phillips, Jr. (ed.), Regulation, Competition and Deregulation -- an Economic Grab Bag (Lexington: Washington and Lee University, 1979)

"Airline Market Shares vs. Capacity Shares and the Possibility of Short-Run Loss Equilibria," Research in Law and Economics (1979)

"An Economic Analysis of Airline Fare Deregulation: The Civil Aeronautics Board's Proposal," Transportation Law Journal (1978)

"Regulators and Experts: A Modest Proposal," Regulation (November/December 1977)

"Regulatory Reform: Some Problems and Approaches," American Enterprise Institute Reprint No. 72 (August 1977)

"Lessons of the Economic Impact Statement Program," Regulation (July/August 1977)

"The New 'Social Regulation'" (with William Lilley III), Public Interest (Spring 1977); reprinted extensively

"Effects of the Administration's Proposed Aviation Act of 1975 on Air Carrier Finances," Transportation Journal (Spring 1976); reprinted in Paul W. MacAvoy and John W. Snow (eds.), Regulation of Passenger Fares and Competition Among the Airlines (Washington: American Enterprise Institute, 1977)

"Environmental Protection: The Need to Consider Costs and Benefits" (with Robert L. Greene), Highway Users Quarterly (1976)

"A Perspective on Airline Regulatory Reform," Journal of Air Law and Commerce (Autumn 1975)

"Rates of Publication Per Faculty Member in Forty-five 'Rated' Economics Departments" (with Robert D. Tollison), Economic Inquiry (March 1975)

"Government Regulation" (principal author), Chapter 5 in Economic Report of the President, 1975

"Quality Competition, Industry Equilibrium, and Efficiency in the Price-Constrained Airline Market" (with George W. Douglas), American Economic Review (September 1974)

"The CAB's Domestic Passenger Fare Investigation" (with George W. Douglas), Bell Journal of Economics and Management Science (Spring, 1974); reprinted by the Brookings Institution (Technical Series Reprint T-008

"The Optimal Pricing of Freight in Combination Aircraft," Journal of Transport Economics and Policy (September 1973)

"A Time of Day Model for Aircraft Scheduling," Transportation Science (August 1972)

"Marginal Revenue and Pigouvian Second Degree Price Discrimination" (with Richard A. Bilas and Fred A. Massey), Metroeconomica (August 1971)

"The Implicit Tax on Reluctant Military Recruits" (with Robert D. Tollison), Social Science Quarterly (March 1971)

"A Note on Profits, Entry, and Scale of Plant in the Purely Competitive Model," Revista Internazionale de Scienze Economiche e Commerciali (February 1971)

"Pigou's Three Degrees of Price Discrimination" (with Richard A. Bilas), Revista Internazionale de Scienze Economiche e Commerciali (February 1971)

"A Program for Direct and Proxy Voting in the Legislative Process," Public Choice (Fall 1969); reprinted in Ryan C. Amacher, Robert D. Tollison, and Thomas D. Willett (eds.), The Economic Approach to Public Policy: Selected Readings (Ithaca: Cornell University Press, 1976)

"Short-run Solutions to Airport Congestion," Atlanta Economic Review (October 1969); reprinted in Cambell R. McConnell (ed.), Economic Issues: A Book of Readings (4th ed.; McGraw-Hill Book Company, 1972)

"A Paradox on Profits and Factor Prices: Comment," American Economic Review (September 1968)

"Marginal Criteria and Draft Deferment Policy" (with Robert D. Tollison and Thomas D. Willett), Quarterly Review of Economics and Business (Summer 1968)

"An Army of Volunteers," Forensic Quarterly (May 1968)

"An Aircraft Routing Model for the Airline Firm," American Economist (Spring 1968)

"A Critique of Joan Robinson's Economic Philosophy," Western Politica (Autumn 1967)

Presentations before Regulatory Agencies:	Co-authorship of and responsibility for approximately 60 Council on Wage and Price Stability filings and/or testimony before U.S. Government agencies, including the U.S. Departments of Agriculture, Commerce, Health, Education and Welfare, Housing and Urban Development, Interior, and Transportation; the Civil Aeronautics Board, the Coast Guard, the Consumer Product Safety Commission, the Environmental Protection Agency, the Federal Aviation Administration, the Federal Deposit Insurance Corporation, the Federal Energy Administration, the Federal Power Commission, the Federal Reserve Board, the Federal Trade Commission, the Food and Drug Administration, the International Trade Commission, the Interstate Commerce Commission, the National Highway Traffic Safety Commission, the Occupational Safety and Health Administration, the Postal Rate Commission, and the Securities and Exchange Commission (October 1975 January 1977) Other testimony before the Department of Energy, the Civil Aeronautics Board, the Interstate Commerce Commission, the Postal Rate Commission, the National Commission for the Review of Antitrust Laws and Procedures, and the California and Pennsylvania public utilities commissions (1970-1979)
Presentations before Committees of the U.S. House of Representatives:	U.S. House of Representatives Committee on Appropriations; U.S. House of Representatives Committee on the Budget; U.S. House of Representatives Committee on the Judiciary; U.S. House of Representatives Committee on Public Works and Transportation; U.S. House of Representatives Republican Study Committee; U.S. House of Representatives Rules Committee; U.S. House of Representatives Subcommittee on Administrative Law & Governmental Relations, Committee on the Judiciary; U.S. House

of Representatives Subcommittee on Aviation, Committee on Public Works and Transportation; U.S. House of Representatives Subcommittee on Commerce, Consumer and Monetary Affairs, Committee on Government Operations; U.S. House of Representatives Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies, Committee on Appropriations; U.S. House of Representatives Subcommittee on Commerce, Transportation and Tourism, Committee on Energy & Commerce; U.S. House of Representatives Subcommittee on Consumer Protection and Finance, Committee on Oversight and Investigations; U.S. House of Representatives Subcommittee on Economic Stabilization, Committee on Banking, Finance and Urban Affairs; U.S. House of Representatives Subcommittee on Legislation and National Security, Committee on Government Operations; U.S. House of Representatives Subcommittee on Monopolies & Commercial Law, Committee on Judiciary; U.S. House of Representatives Subcommittee on Oversight and Investigations, Committee on Energy and Commerce; U.S. House of Representatives Subcommittee on Science, Research and Technology, Committee on Science and Technology; U.S. House of Representatives Subcommittee on Small Business Problems, Committee on Small Business; U.S. House of Representatives Subcommittee on Transportation and Commerce, Committee on Interstate and Foreign Commerce; and U.S. House of Representatives Subcommittee on Treasury, Postal Service and General Government Appropriations

Presentations before Committees of the U.S. Senate:

U.S. Senate Committee on Appropriations; U.S. Senate Committee on the Budget; U.S. Senate Committee on Commerce, Science, and Transportation; U.S. Senate Subcommittee on the Constitution, Committee on the Judiciary; U.S. Senate Committee on Governmental Affairs; U.S. Senate Committee on the Judiciary; U.S. Senate Committee on Small Business; U.S. Senate Subcommittee on Administrative Practice and Procedure, Committee on the Judiciary; U.S. Senate Subcommittee on Antitrust and Monopoly, Committee on the Judiciary; U.S. Senate Subcommittee on Alcoholism and Drug Abuse, Committee on Labor and Human Resources; U.S. Senate Subcommittee on Aviation, Committee on Commerce, Science and Transportation; U.S. Senate Subcommittee on Commerce, Justice, State and Judiciary, Committee on Appropriations; U.S. Senate Subcommittee on Consumer, Committee on Commerce, Science and Transportation; U.S. Senate Subcommittee on Federal Expenditures, Research and Rules, Committee on Government Affairs; U.S. Senate Subcommittee on Intergovernmental

Relations, Committee on Governmental Affairs; U.S. Senate Subcommittee on Productivity and Competition, Committee on Small Business; U.S. Senate Subcommittee on Regulatory Reform, Committee on the Judiciary; U.S. Senate Subcommittee on Treasury, Postal Service, and General Government Appropriations; and U.S. Senate Special Committee on Aging

Presentations before Joint Congressional Committees:	U.S. Joint Economic Comm. Subcommittee on Economic Goals and Intergovernmental Policy, U.S. Joint Economic Committee; Subcommittee on Trade, Productivity and Economic Growth, U.S. Joint Economic Committee; Congressional Grace Caucus; and Motor Carrier Ratemaking Study Commission

U.S. Senate Committee on Governmental Affairs
Pre-hearing Questionnaire for the
Nomination of James C. Miller III to be
Governor, United States Postal Service

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as Governor of the United States Postal Service (USPS)?

   Answer: Because the Postal Service is in fiscal difficulty, because of my training as an economist, because of my experience in the fiscal affairs of government (Director of the U.S. Office of Management and Budget [1985-1988]), because of my more recent service on boards of directors of several companies (see curriculum vitae previously submitted), because of interest I had previously expressed in the U.S. Postal Service, and because of my commitment to public service.

2. Were any conditions, expressed or implied, attached to your nomination? If so, please explain.

   Answer: None.

3. What specific background and experience affirmatively qualifies you to be Governor of the USPS?

   Answer: As implied by my answer to #1 above, affirmative qualifications include my training, my experience in government, my experience in the private sector, my interest in the Postal Service, and my commitment to public service.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as Governor? If so, what are they and to whom have the commitments been made?

   Answer: I've made commitments to no one -- except to those who have inquired (including some Members of the Committee) I have promised to use my best judgment, based on the law, the evidence, and what I believe to be in the public's interest.

5. If confirmed, are there any issues from which you may have to recuse or disqualify yourself because of a conflict of interest or the appearance of a conflict of interest? If so, please explain what procedures you will use to carry out such a recusal or disqualification.

   Answer: Since I serve on the board of directors of Atlantic Coast Airlines ("United

Express," primarily out of Dulles and O'Hare; and "Delta Connection," primarily out of JFK and Logan), there could arise an issue involving air mail contracts. This is unlikely, since in the seven years I have served on the board the matter has never been raised. Should it be raised, however, I would immediately recuse myself from deliberations and voting, and leave the room. Also, it is possible that some entity which has an issue with the Postal Service might ask to be represented by Howrey Simon Arnold & White and/or ask that work be performed by its affiliate, The CapAnalysis Group, of which I am chairman. In such an event, I would recuse myself immediately – and separate myself from any and all communications and decision making concerning the matter. In any such instance of conflict, I would seek the advice and follow the guidance of the Postal Service's ethics officer.

II. Role and Responsibilities of Governor of the United States Postal Service

6. How do you view the role of a Governor of the Postal Service? What would you highlight from your experience that will enhance your effectiveness in this role?

   Answer: I view the role of a Governor of the Postal Service very much as I view the role of a director of a modern corporation: to give management policy direction and to create and preserve value for the enterprise's owners – here, U.S. taxpayers. (Also see answer to #1 above and answers to subsequent questions.)

7. What do you see as the main challenges facing the Postal Service? How should the Board of Governors work with postal management to address these challenges?

   Answer: Although I have not studied the matter fully, I am stuck by the fiscal challenges facing the Postal Service – not only the prospects for immediate shortfalls, but the longer-run outlook. Other issues include just how to address this fiscal challenge (price increases? productivity increases? service reconfiguration? et cetera?) and how best to assure safety for Postal employees and customers in this era of terror.

8. What do you think should be the Board of Governors' top priorities? What will be your priorities as Governor?

   Answer: See answer above.

9. The Governors are chosen to represent the public interest generally. How do you plan to interact with various stakeholders interested in postal issues and how do you think as a Governor you can effectively represent the interests of each of these groups?

   Answer: I believe the objective should be to serve Postal customers well, while treating employees and other providers fairly and meeting the expectations of taxpayers. In that, I believe the role of a Member of the Board should parallel that of a director of a large corporation. I do not believe board members should try to "micromanage" the enterprise, nor should they view the work of the Postal Service as something of value to be doled out among various interests.

10. A July 20, 1985 article in the *Chicago Tribune* stated that during your tenure as Chairman of the Federal Trade Commission, critics accused you of "dismantling the agency's consumer-protection provisions" and went on to say that you were viewed as "too cozy with industry." Do you agree with this description? How will you, as Governor, work to protect the interests of postal consumers?

Answer: I do not agree with that assertion or that description. As Chairman, I worked to strengthen the Commission's consumer protection work, which meant shifting resources into higher-value activities, while scaling back on activities that produced little or no benefits to consumers. I will protect the interests of postal consumers by doing what I can to assure that the Postal Service treats them fairly and gives them good service at reasonable prices.

III. Policy Questions

Postal Financial and Transformation Issues

11. Recently, the Presidential Commission on the Postal Service held its first meeting to address issues related to the future of the U.S. Postal Service in the 21st century. The Commission is expected to issue its report with recommendations by July 31, 2003. What issues do you believe that the Commission should address? How can the Board of Governors provide leadership in working with the Presidential Commission, Congress, and postal stakeholders to implement changes needed to ensure the American people continue to receive affordable postal services?

Answer: First, I have made no recent study of Postal Service issues, so any list of suggested topics I might now provide would be somewhat short of what I might provide at a later date. But among the issues I hope the Commission will consider are (a) the fiscal crisis, (b) safety matters (for both employees and customers), and (c) how best to address these. As far as working with the Commission, Congress, and postal their stakeholders, I presume Members of the Board will feel free to voice their views independently; I also anticipate that the Board Members will make a joint response.

12. Recent data shows that the Postal Service is facing declining mail volumes and revenues in some of its key revenue-producing areas, such as First-Class Mail and Standard Mail, due to competition and electronic diversion. What approach should the Postal Service take to maintain its viability and competitiveness?

Answer: I would not venture a specific opinion on such matters pending review of the current evidence and prospects.

13. Recently, the growth in the Service's operating expenses has outpaced its revenue growth, and the Service has had a freeze on capital expenditures for new facilities for 2 years. Many suggestions have been made on ways that the Service could reduce costs and improve productivity. How should the Board be involved in identifying areas for cutting costs and improving efficiency in postal operations?

    Answer: The Board should provide leadership in coming up with ways of addressing these concerns. It should not just rely on the management of the Postal Service or outside groups for suggestions – but should be affirmatively seeking solutions for itself.

14. A recent OPM analysis may lead to a reduction in the Service's $32 billion pension liability for its employees covered by the Civil Service Retirement System and its annual pension-related payments. Suggestions have been made that any available funds from these reductions should be used to reduce the Service's $11 billion outstanding debt, or fund the Service's $40 billion to $50 billion obligation for retiree health benefits, or put to other purposes such as improving the efficiency of its infrastructure. How do you think the Service should respond if its pension liability is reduced?

    Answer: I understand that the OPM analysis is disputed by GAO and perhaps others. As for whether it would be appropriate to "reduce" the Postal Service's liability in this area, I cannot say pending further analysis. As for how the Postal Service might respond to such reduced liability, I would not proffer a response at this time, pending further analysis.

15. Some concerns have been raised about whether it is appropriate for the Postal Service to offer certain new products and services. What are your views regarding whether it is appropriate for the Postal Service to offer products and services that compete with private sector companies?

    Answer: I believe the Postal Service should not expand its offerings beyond those ancillary to its mission of delivering the mail.

16. The Service's Transformation Plan stated that the Service needs additional pricing flexibility to provide its customers with moderate and predictable rate adjustments. If additional pricing flexibility was allowed, how should the role of the Board of Governors be changed to ensure that postal rates remain affordable and what would be appropriate accountability mechanisms?

    Answer: Pending further study, it seems to me that the Postal Service would operate more efficiently if given more flexibility to adjust rates to changing market demands and costs. However, the Board, and presumably the Postal Rate Commission, would play an important role in making sure such rates were neither instances of "gouging" nor instances of predation.

17. What is your view of the Transformation Plan prepared by the Postal Service? Are there any recommendations with which you disagree? Will you urge the Postal Service to implement the Plan or will you advocate that the Service take another approach, and if so, what approach will you suggest?

    Answer: I have not read the Transformation Plan and therefore offer no comment on its recommendations.

Transparency and Accountability

18. The Postal Service is required to annually report to Congress on its plans and performance related to its major goals. This information is vital to congressional oversight. However, some concerns have been raised about the integrity of some data used to measure performance. What can the Board of Governors do to help ensure the integrity of postal performance data?

    Answer: I believe that the Administration, Congress, and the American people have a right to timely and accurate information about the Postal Service's operations, and I will work to that end as a Member of the Board.

19. Some mailers have suggested that the Postal Service should establish a set of service standards for specific classes of mail and that the standards, performance goals, and performance be measured and reported regularly, with timely updates included on the Postal Service's web site. Do you agree with the suggestion and should the Board encourage the Service to provide more transparency to the public on its performance information?

    Answer: I favor such an initiative. For one thing, in the words of Dr. Alan Merten, President of George Mason University, "what gets measured gets better." Also, I believe the Postal Service should be held accountable for "truth in advertising" in the same way as other enterprises. Real-time information on performance by class of service would be a very positive step.

Mail Safety and Security

20. What actions should USPS take to enhance the safety and security of the mail and of postal employees? What are the potential impacts on postal operations and service delivery? How should the additional costs for enhancing mail security be funded--i.e., taxpayers or ratepayers?

    Answer: Without studying the matter in more detail, I am hesitant to proffer a list of new initiatives to enhance the safety and security of the mail and of postal employees – or to speculate on the impact on postal operations and/or delivery. However, I believe the Postal Service has a duty to provide its employees with a safe and secure workplace. Also, as a policy guide for cost-sharing: to the extent cost increases are in direct response to the "war on terror," and certainly to the extent they represent changes likely to continue over time, I think they should be borne by taxpayers, not by the Postal Service (and, in turn, by Postal consumers).

Postal Rates

21. The Postmaster General and several Board members have expressed concern that the current ratemaking process is too restrictive and limits the Service's ability to quickly adjust postage rates in a highly competitive and changing marketplace. Others believe that the current system moves relatively quickly when compared to other agency proceedings and argue that the rate process should continue to allow for full discussion of the basis for the Postal Service's request and a complete airing of the opposing concerns. Do you believe changes are needed in this area, and if so, what types of changes?

    Answer: As indicated above, I am inclined to give the Postal Service more freedom to adjust rates and to respond to competition. But it seems to me that such competition may be a two-way street: to the extent the Postal Service secures more freedom to "compete", competitors must be granted more freedom to compete with the Postal Service.

22. Many postal customers are concerned about the prospect of more frequent and larger rate increases as the Service faces an increasingly difficult financial situation. Can the Service continue to operate by regularly increasing rates and remain competitive? What are your views with respect to the need and timing of rate increases?

    Answer: Again, I cannot say without further study of the present circumstances.

Personnel-Related Issues

23. One longstanding postal issue has been the need to improve labor-management relations within the Postal Service. What can the Board of Governors do to encourage and facilitate greater cooperation between postal management and labor unions?

    Answer: I believe the Board should encourage good relations with unions representing Postal workers. Also, it should give guidance to management in its negotiations with labor, but should not inject itself directly into those negotiations.

24. The Service has projected that within the next 5 years, about 60 percent of its executives and 45 percent of its managers and supervisors will be eligible to retire. How can the Board work with postal management to address these challenging succession, continuity,

and associated costs issues?

Answer: It should work hard to identify potential managers from within the ranks of current postal employees. It should recruit from competing and related enterprises. It should seek the best and brightest from the nation's colleges and universities. It should also explore improvements in its salary schedule.

25. Concerns have been raised regarding diversity within the Postal Service, particularly in the composition of top executives and in contracting practices. What role do you see for the Board of Governors in addressing these concerns?

Answer: I believe the Postal Service should hire the best qualified people, without regard to race, creed, color, or gender. It should, however, practice what, in the past, I have termed "affirmative recruitment," as I have often found the best prospects are those who may have been overlooked or ignored by others.

26. The Postal Service has recently become subject to Occupational Safety and Health Act (OSHA) work place safety laws in the same manner as other employers. How can the Board of Governors ensure compliance with this law and encourage efforts to improve the safety of the workplace?

Answer: It can, and should, explore and emulate "best practices" in the private sector.

Post Office Closings

27. A major issue frequently raised by the public relates to the Postal Service's decisions on locating, relocating, or closing post offices. Some are concerned that the Postal Service does not adequately involve affected communities in the decision-making process. What are your views on this issue?

Answer: It makes sense to involve communities in the information-gathering process. But the decision to close or relocate an operation must be made on a realistic assessment of benefits and costs, especially in this time of fiscal crisis.

28. The Postal Service recently announced that it is removing its moratorium on post office closings and is reviewing what postal facilities may be closed. The Service's decisions in this area will be closely scrutinized. How can the Service ensure that its decisions related to closing postal facilities are perceived as fair and objective?

Answer: First, announce the criteria that will drive the ultimate decision. Second, involve the affected communities in the information-gathering process. Third, base the decision on the criteria previously announced. And fourth, explain well how the decision is driven by the criteria in light of the evidence.

29. The Postal Service has long described its mission as providing universal service at uniform and affordable rates. Do you support this mission? If not, what should be the Postal Service's mission?

Answer: As a general proposition I subscribe to that characterization of the Postal Service's mission. I believe the Postal Service owes more to taxpayers than it may imply, however.

30. In a statement you delivered to the Brookings Institution's Third Annual Postal Forum on November 3, 1997, you advocated a completely overhauled Postal Service, one that competes in the open market independent of the federal government. Do you continue to believe that the Postal Service should be privatized? What impact do you believe privatization would have on the Postal Service's current mission of providing universal service at uniform and affordable rates?

Answer: The year was 1987, not 1997 (see question #32, below). And while I did advocate privatizing the Postal Service, I also made clear that federal subsidies might still be appropriate. Based on my knowledge and information at the time I think the statement justified. As any professional would in such a situation, however, I withhold judgment on this specific matter, pending a thorough review of current data, the pending report from the Commission, and other materials before venturing an opinion on this issue.

31. Opponents of privatization have raised concerns that a private mail service would only deliver to profitable routes and would abandon rural and more expensive routes. Do you believe that mail service should continue to be provided to all communities as it is today? If so, how would universal service be maintained by a privatized Postal Service? If the Postal Service were to compete with other carriers for the profitable routes but was still required to maintain universal service, what would it need to maintain its operations without federal subsidies?

Answer: The predicate for these questions presumes that I have made the study I mentioned above. Having not made such a study, I demur on proffering specific responses. That said, let me say that if "essential routes" could not be maintained otherwise, I would favor explicit federal subsidy rather than implicit subsidy from mail users.

32. In your November 1987 statement to the Brookings Institution Annual Postal Forum, you stated that the Postal Service is a "monstrosity" and is overstaffed, overpriced, and inefficient. You indicated that the Postal Service's legal monopoly was the major factor leading to these results. Do you still hold these views? If so, how will your opinion affect your actions as a Governor when making decisions with regard to the Postal Service's current mission?

Answer: I didn't characterize the Postal Service as a monstrosity. I noted that people tend to have strong emotions about the Postal Service: to its supporters the organization is a "masterpiece," but that "to its critics, the Postal Service is more a monstrosity than a masterpiece." I held the views contained in the statement in 1987, based on information and analysis available to me at that time. I will review current data and more recent analysis to formulate my views on these issues. If presented with the same information and analysis today, however, I would draw the same conclusions I did in 1987.

33. In a March 5, 1990 statement you delivered as Chairman of the Cato Institute, entitled "The Future of the Postal Service: Continued Rate Increases or Competition?", you criticized the Board of Governors by saying "The Board of Governors could do a lot to improve the performance of this industry. Unfortunately, in the recent past the Board has exhibited little leadership, behaving more like a captive than the master it was meant to be." Do you have the same opinion of the current composition of the Board? What do you think the Board can and should do "to improve the performance of the industry?" Do you intend to urge the Board to take such actions if you are confirmed as Governor?

Answer: In 1990, I was chairman of Citizens for a Sound Economy, not the Cato Institute (see curriculum vitae, previously submitted). I believe the statement justified at the time I made it. As for now, I would not venture an opinion until I review matters more thoroughly. If confirmed, I will take my responsibilities very seriously and will, of course, urge whatever action I believe justified. I will also urge the Board to do all it can to improve Postal Service operations.

34. In testimony before the Postal Rate Commission on October 17, 1989, you urged the Commission to conclude "the postal monopoly is not justified" and to recommend to the Postal Service that it allow competition in the delivery of Third Class and First Class mail. Do you continue to believe that the Postal Service's monopoly should be relaxed or repealed? If so, will you work to reduce or repeal this monopoly as a Governor?

Answer: I believe that statement was well-grounded on the basis of information I had at the time. As indicated earlier, I have not reviewed this matter in some years. Upon review of more recent data and analysis, I will form an opinion. I would expect to voice such an opinion, but am quite aware that I would be only one voice/vote on the Board.

35. In the Summer 1992 edition of *Policy Review*, you co-authored an article with Phillip Mink entitled "The Ink of the Octopus: An Agenda for Deregulation," in which you argue that "overregulation" by the federal government wastes "many billions of dollars each year" and has a dampening effect on the economy. Among the areas that you single out for particular criticism is environmental regulation, including regulations implementing the Resource Conservation and Recovery Act (RCRA), the Clean Water Act, and the Clean Air Act.

AA. What specific regulations under each of these statutes do you oppose? What is your basis for concluding that they have a dampening effect on the economy? Do you believe the regulations have any benefits?

Answer: There is abundant evidence from sources ranging from the academy to OMB that many environmental rules impose greater costs than the benefits they generate – and many that do generate benefits greater than costs could do so in a much more cost-effective manner. In all such instances, the regulations impose a drag on the economy (i.e., reduce economic output and slow the rate of growth in output – and thus lower the overall standard of living).

BB. Do you believe the Postal Service should be exempt from these laws or regulations? As a Governor, would you advocate seeking exemptions from these laws? If so, which ones?

Answer: I believe the laws and regulations that apply to other enterprises should also apply to the U.S. Postal Service – and thus I would seek no exemptions.

CC. The Postal Service has long pursued environmentally-friendly policies, including significant efforts to recycle materials and minimize hazardous wastes (as required by RCRA) and to exceed the standards of the Energy Policy Act by acquiring more alternative-fuel vehicles since FY1996 than that Act requires. If you are confirmed as Governor, will you seek to discourage environmentally-friendly procurements and other efforts by the Postal Service? Do you believe that such practices are an inappropriate use of Postal Service resources? Alternatively, do you believe the Postal Service should work to be a leader in these areas?

Answer: I would favor the adoption of environmentally-friendly policies where required by law and/or regulation -- and, in addition, where justified on the grounds of benefits and costs.

36. In the same *Policy Review* article, you advocate a so-called "wealth is health" approach to evaluating the effectiveness of regulation, meaning that with less regulation, employers would have more money to pay employees, in turn making the employees more healthy. Is this still your view? If so, how, if at all, will this affect your work as a Governor with respect to workplace safety issues?

Answer: My view is this: there is a well-developed literature showing a strong, robust, relationship between average income (or wealth) and personal health; thus, everything else equal, policies that improve the standard of living also improve overall personal health. A corollary is that in evaluating the benefits and costs of proposed regulations, this effect should be considered. I do not follow the connection here with workplace safety (as opposed to health) issues in the U.S. Postal Service. I am not award of evidence correlating worker safety with income or wealth.

37. In a *Journal of Commerce* op-ed published on February 3, 1989, you stated that "inflexibility based on adherence to principle is altogether too rare a trait among Washington policy-makers." Is this still your belief? If so, would you apply that philosophy to working with other Governors, the Postal Service's management, union representatives and other involved in Postal Service matters?

    Answer: I believe adherence to principle is to be lauded, not condemned. At times, of course, one must compromise with those who hold different views in order to effectuate changes consistent with one's principles.

38. In November 2002, a postal employee at the Hartford CT Processing and Distribution facility discovered a suspicious letter with the following message: "To anyone who wants anthrax have a nice day." The Postal Service has acknowledged that appropriate procedures for handling this letter were not followed. Of particular concern, the letter was transported by hand through the facility, which could have exposed postal employees to contamination. Despite the Postal Service's assurance that proper protocols would be followed in the future, and its statement that the supervisor involved in the November incident was disciplined, on at least two more occasions improper handling of suspicious mail has reportedly occurred in this facility.

    AA. Do you believe it is important for postal employees to follow established procedures to protect the safety of workers and the public when suspicious mail is discovered?

    Answer: This is a very serious matter. Yes, I believe the Postal Service should have well-designed protocols to deal with this type of situation and that Postal employees must follow them.

    BB. If so, what do you think the Postal Service should do to ensure that its employees adhere to these procedures? What will you do as Governor to ensure that postal workers and the public are protected from potentially hazardous substances in the mail?

    Answer: I will review the present protocols and employee adherence to them. I may suggest revisions – particularly with respect to training and the frequency of reminders.

IV. Relations with Congress

39. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

Answer: Yes.

40. Do you agree without reservation to reply to any reasonable request for information from any duly constituted committee of the Congress if you are confirmed?

Aswer: Yes.

V. Assistance

41. Are these answers your own? Have you consulted with Board of Governors or any interested parties? If so, please indicate which entities.

Answer: These answers are my own. I have not consulted with the Board of Governors or any interested parties in the preparation of my responses.

AFFIDAVIT

I, James C. Miller III, being duly sworn, hereby state that I have read and signed the foregoing Statement on Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Subscribed and sworn before me this 24th day of March, 2003.

Donnie C Anderson
Notary Public

DONNIE C. ANDERSON
NOTARY PUBLIC DISTRICT OF COLUMBIA
My Commission Expires April 30, 2004