

**STATEMENT OF
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**BOARD OF GOVERNORS
U.S. POSTAL SERVICE
BEFORE THE
SUBCOMMITTEE ON FEDERAL WORKFORCE, POSTAL SERVICE
AND THE DISTRICT OF COLUMBIA
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

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Chairman Davis, Ranking Member Marchant, and Members of the Subcommittee: Thank you for inviting me today. This is my first opportunity to testify before you as a member of the Postal Service Board of Governors. I want you to know that I am honored and pleased that my fellow Governors have asked me to represent the Board here today and that I take this responsibility very seriously.

I am fortunate to serve on a strong board with committed members who have a wide range of experience in business and public service. I am also fortunate that we have the leadership skills of Postmaster General Jack Potter and his dedicated team. The record speaks for itself: postal employees are providing record levels of service to the American public.

Our employees and leadership team have risen to the occasion during a particularly challenging time as mail volumes have fluctuated due to changes in the economy, consumer habits, and pricing changes, while severe weather plagued much of the country, and each of our four labor contracts had to be renegotiated.

Against this backdrop, the most significant change in our 35-year-plus history occurred – the implementation of *the Postal Accountability and Enhancement Act of 2006*. Last year, the Postal Service, the Postal Regulatory Commission (PRC) and a myriad of other stakeholders and mailers immediately went to work to implement the new law's provisions. Under the guidance of PRC Chairman Dan Blair and Postmaster General Jack Potter, we tackled this challenge aggressively and as a result have met, and in some cases, exceeded the timetables set in the new law's provisions.

Today, some 14 months later, we collectively can be proud of our progress. We are pleased to report to Congress that to date we have detected no need for changes in the new law and that so far parties have the tools necessary to implement the law as Congress intended.

The process has been new and challenging. However, due to the cooperation and collaboration between all stakeholders, we have established a sound framework to move forward.

I would like to recognize the PRC for its hard work in enabling this to happen. For more than 35 years, the world's largest and most complex postal service operated under one set of rules. The Postal Act of 2006 changed all of that by creating a different pricing model. As you all know, the Governors had the option to file one final rate case under the regulations used since 1971. However, under Dan Blair's leadership, the PRC accelerated finalizing their pricing rules, which allowed the Governors to have the option to move forward under new pricing rules. At our November 2007 meeting, the Governors determined that the right thing to do was to get on with the future. So, we voted to proceed with the new pricing regulations contained in the *Postal Accountability and Enhancement Act*. That was an important vote of confidence in the new

system.

This exemplifies the dedication and teamwork that has been built around ensuring the new law's success. And it is just one of many incidences of the kind of collaboration taking place. Across the spectrum, USPS is working to deliver the future as envisioned by the new law. We are engaged in a broad effort to implement the wide-ranging requirements of the new law, and have spent much of the first year meeting with the PRC, our fellow federal agencies, unions, mailers and other stakeholders.

Another effort involving collaboration with many parties has been the establishment of modern service standards. New standards have been identified for mailing services and submitted to the PRC for review, and work has begun on defining the corresponding performance measurement systems. Again, nothing could be more critical to the Postal Service since the heart and soul of the agency is its commitment to service and its ability to deliver record service.

I'm proud of the record service that the Postal Service has provided over the past several years. And I'd like to think that the Board has played a vigorous role in helping management make a commitment to record service during these most challenging economic times. It's a phenomenal story and one in which the Board played a significant role because of its commitment to funding modern technology while retaining the power of postal employees.

The Board has been very involved in the implementation of Sarbanes-Oxley, with which the Postal Service is mandated to comply in the new law by 2010. There is no roadmap for government agencies in meeting SOX principles – we are the first to go through this process. But we are confident in our ability to deliver a robust compliance on time, if not ahead of schedule.

The Board's audit and finance subcommittee has taken its oversight responsibilities seriously, consulting with experts to revise our processes and requirements.

In addition, the Postal Service identified a Financial Control Group—an entire division within finance to establish the parameters of this vast mandate touching hundreds of accounting and reporting systems within the agency. The team has identified the scope of their work and is now finalizing their communications and training plans.

Congress requested two updates from the Board on different aspects of diversity within the Postal Service. The first dealt with the extent that women and minorities are represented in supervisory and management positions; the second centered upon the number and value of contracts and subcontracts the Postal Service has with women, minorities and small businesses.

The Postal Service remains one of the leading employers for women and minorities. Representation in both groups has continued to increase. Consider that last year, minorities represented more than 38 percent of the workforce. In supervisory and managerial positions, the numbers of Hispanic, Asian American Pacific Islander, white and Black females has increased. The number of Black males in supervisory and managerial positions has decreased slightly, but this is directly attributed to the high number of retirements of Black males during the past three years.

The Board is equally proud of the Postal Service's commitment to building strong relationships with small, minority-owned and women-owned businesses.

The Board recognizes that the Postal Service's work is never done in this area. We are a dynamic changing society with changing demographics. There are 100,000 fewer postal employees today than a few short years ago. The Postal Service is competing with both federal agencies and private workplaces for the best and brightest talent. There are limitations to the incentives that we can offer and sometimes bright young prospects might have an antiquated view of the Postal Service. But we have strategies in place to counter this. We have formed a new Talent and Acquisition group and they are out recruiting on college campuses, and at military bases. Our recruiters have personal relationships with groups all over the country, such as

Blacks in Government and the National Hispana Leadership Institute, as they work hard in attracting prospective employees.

Last year, the Postal Service issued a new Supplier Diversity Corporate Plan. The plan focuses on continuous improvement in our business relationships with small, minority-owned and women-owned businesses. We remain committed to a competitive supplier base.

It is only through utilizing a diversity of thought, experience and background that the Postal Service will be able to excel in the coming years. It is our fundamental position that diversity of employees is not only an excellent policy, but that it is also an excellent business practice.

Despite all of these changes, our basic values have remained the same. The Postal Service's mission to provide universal service was reaffirmed by the *Postal Accountability and Enhancement Act*. Our mission is to still provide every American in every community with universal access to affordable, dependable mail service.

To help support that universal service, the Postal Act allowed greater pricing flexibility for shipping service. We recognize the significant challenges posed by some of the most fiercely competitive global companies in this realm but we are forging ahead to provide options to the American public. The Postal Service has set up new Express Mail and ground package divisions to focus efforts on this segment of the market.

The Board recently approved two new exciting products. The new Priority Mail Flat Rate box enables customers to ship 50 percent more than with the current box, which by the way I'm pleased to say will be offered at a discount to overseas military addresses. And in January, the Governors also approved new Sunday and holiday premium prices for Express Mail, which go into effect next month. These two actions represent some of the first initiatives we have taken under the pricing flexibility given to the Postal Service under the new law.

As the Governors set the strategic direction of the Postal Service, we seek continual improvement in providing value to the American public. Meanwhile, the challenge for postal management is to focus on fundamentals—What do we need to do to ensure high levels of consistent service to the American public? What does the USPS have to do to ensure revenue growth? And, finally, are we delivering the kinds of products that the marketplace wants and needs? The leadership team has done a commendable job in adjusting internal systems to meet newly defined standards, and the Postmaster General's discipline, drive and direction has delivered results. Organizing and communicating to 685,000 employees a new way of thinking, a new way of doing business is no small task. Congress inherently understood the challenges brought about by changes in the marketplace and technology, and now postal employees are delivering.

In closing, much of the new law's first year was devoted to setting up future systems and processes. We have begun the next phase—implementation. Many more critical deadlines are fast upon us for this year. But 2007 and 2008 thus far have been good, productive years. We have learned much, forged new partnerships, and had interesting debates and discussions. On behalf of the Board, I'd like to once again thank and acknowledge Postmaster General Jack Potter, PRC Chairman Dan Blair and all of our stakeholders who have worked tirelessly to ensure that the groundwork has been laid to position the Postal Service well for the years to come.

Thank you, Mr. Chairman and Members of the Subcommittee. I would be happy to answer any questions that you might have.

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