

**Commissioner Tony Hammond
Remarks to IDEAlliance**

March 26, 2003

Good Afternoon,

I appreciate the opportunity to be with you here today.

When I was first asked to speak to you, I asked several people about this group so that I could provide some focus to my remarks, and was told that the IDEAlliance are the people who really understand both technical and political postal problems, and who look for practical, doable ways to improve the system.

I doubt that I can offer any solutions to the problems facing the postal industry that you haven't already thought about.

Instead, today I want to talk as someone who only recently began to focus full-time on this industry.

When I was first looking at the Postal Rate Commission, back in the summer of 2001, the Postal Service was getting more publicity than it had gotten in some time.

But, most of it wasn't good—the Postal Service still facing big deficits, even after major rate increases—talk of the internet making our mail system obsolete—grumbling that there was no answer to how to keep the Postal Service viable for the future— etc. etc.

It seemed that a crisis was coming, and all of the stakeholders needed to work on how to effectively deal with the situation.

All of you recognize, far better than I, that the Postal Service still has many long-term challenges.

But, when I look back, what strikes me, is that there is a whole new set of decision-makers in place, just since the summer of 2001, who seem to be really determined to meet those challenges.

Senator Susan Collins, the new chair of the Governmental Affairs Committee, who first introduced the legislation to convene a Presidential Commission, is someone who really cares about, and understands, postal issues.

Congressman Tom Davis, the new Chairman of the House Government Reform Committee, who has spent a lot of time in Congress concerned with making government enterprises more effective.

As you know from your legislative briefings, Congressman Davis and Senator Collins, along with a broad bipartisan group, have worked hard, for instance, to get the legislation on funding of the Postal Service's Retirement System before their colleagues. And let me tell you, as someone who spent ten years on Capitol Hill, that's not the most exhilarating issue for Members of Congress to focus on.

Then, there's President Bush himself, who cared enough to appoint an impressive panel of Commissioners to review Postal Service problems, and recommend potential solutions.

Governor Fineman, recently elected Board Chairman, who spoke to you yesterday, has been a plain-spoken advocate for reform.

And of course Jack Potter, the Postmaster General, who I give credit to for giving the United States Postal Service a new sense of mission.

I think the work he and the people around him, like John Nolan, have done has been responsive.

But, a new Postmaster General can't accomplish too much all by himself.

To turn an organization the size of the Postal Service in a specific direction requires the cooperation of a lot of people: management; labor; suppliers; and customers as well.

What I see is a fairly unified effort by all of these groups to initiate changes to meet the challenges of the future.

And for what it's worth, I think there have already been a number of changes made, and that they have definitely been in the right direction.

Well, you may reasonably ask, is the Postal Rate Commission likely to help or hinder this change of direction?

I have two thoughts on that question.

First, when I have talked about some of the new leaders, I didn't mention the Postal Rate Commission's Chairman, George Omas, but he belongs in that group.

I think most industry spectators would agree that under his leadership the Commission has been innovative and flexible in exercising its responsibilities. I see no reason why that should change. And, I will do all I can to see that it doesn't.

And while we're on the subject, and I've said nice things about Postmaster General Potter and the Postal Service, let me also point out that I totally support the remarks Chairman Omas made before the Presidential Commission, when he said the

Postal Rate Commission should be given powers to review Postal Service efficiency and data collection.

We currently don't have the responsibility to investigate, evaluate and advise the Postal Service on issues that affect postal rates. And the Postal Rate Commission needs this if we are to be efficient and effective.

The second point I'd like to make is that the Postal Rate Commission fulfills a unique role.

Personally, philosophically, I am not a big fan of government regulation. But the Postal Rate Commission is unique in that it does not regulate or constrain private businesses or individuals. Its function is to assure that postal rates are set openly, and are fair.

The Postal Service is a government monopoly. It has the ability to seriously impact many important sectors of the American economy.

I think Congress was wise to impose some restrictions on the Service's ability to impose unreasonable rate burdens on captive customers.

And I think that as long as the Postal Service remains a government monopoly, there will need to be an independent, expert body to exercise those important functions.

I don't view preventing the Postal Service from acting unfairly, as hindering efforts to successfully meet the challenges facing the postal industry in the new century.

And, along those lines, I want to offer some thoughts about Negotiated Service Agreements.

Currently a case concerning a proposed NSA is

pending before the Postal Rate Commission, so my lawyers say I must be very careful about what I say.

Some parties in the pending case have suggested that NSAs are essential to a healthy Postal Service. Others have contended that they are illegal. The Commission will evaluate these arguments.

For purposes of discussion today, let's assume that in some form or another, NSAs are a part of the future of the Postal Service.

Even if they are legal, they still have to be reviewed by an independent, expert body to assure that they are not unfair, and don't result in unreasonable burdens being placed on captive, monopoly users.

Continuing with the assumption that some form of NSA is legal, I believe that the Commission should develop new procedural rules specifically for NSAs.

I can envision separate rules applicable to new proposals, and, then, perhaps other rules for extending existing NSAs.

I have sat through all the Commission hearings on the current proposal and have read the now-twelve volumes of testimonies, interrogatories and follow-up interrogatories, responses and supplemental responses, motions, and oral cross-examinations. Next week, the participants will file their briefs setting forth their legal arguments.

I know that we have given everyone an open opportunity to thoroughly examine every facet of this NSA, because it is the very first time we have had such a case before us.

The Commission even took the unusual step of hiring a well-known regulatory economist to supplement the record with testimony on the impact of NSAs on the marketplace. Various interests have wanted and needed this process since NSAs are new for everyone.

But looking to the future, I believe the Commission can develop rules that enable it to satisfy its statutory responsibility to protect the public, while at the same time, facilitating the process.

I hope the Postal Service will also strive to simplify how it evaluates mailers' proposals. One of its goals should be minimizing the burden on mailers that want to enter into an NSA with the Postal Service. The process shouldn't be so difficult that only large mailers can participate.

Possibly this is premature, because, let me say it one more time, we have not yet approved an NSA.

But, in closing, since this is an IDEA's gathering, let me leave you with one idea to consider.

If the Postal Rate Commission initiates a rulemaking for these purposes, I hope you and your organizations will give careful thought to the long-range ramifications of NSAs, and assist us in finding ways to make the system work for everyone's benefit.

Thank you.

If anyone has questions that don't involve how the Commission may rule on pending cases, I would be happy to try to respond.