

ANNUAL REPORT OF THE POSTMASTER GENERAL

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL SECURITY,
PROLIFERATION, AND FEDERAL SERVICES

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

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OCTOBER 1, 1998
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ANNUAL REPORT OF THE POSTMASTER GENERAL

THURSDAY, OCTOBER 1, 1998

U.S. SENATE,
SUBCOMMITTEE ON INTERNATIONAL SECURITY,
PROLIFERATION, AND FEDERAL SERVICES,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:02 p.m. in room SD-342, Senate Dirksen Building, Hon. Thad Cochran, Chairman of the Subcommittee, presiding.

Present: Senators Cochran, Stevens, Levin, and Collins.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The Subcommittee will now come to order.

Today our Subcommittee meets to receive the annual report of the Postmaster General. This hearing offers the Postmaster General the opportunity to report publicly on the state of the U.S. Postal Service and to answer our questions about the operation and management of the Service.

Congress passed the Postal Reorganization Act of 1970 for the purpose of converting the Post Office Department from a taxpayer-subsidized, Executive Branch Department to a self-sustaining, independently managed service. This has not been an easy transition, but it has enabled the Postal Service to become a more efficient and reliable provider of mail services.

After having served for several years as the agency's chief operating officer, William J. Henderson was appointed in May to serve as Postmaster General. With approximately 800,000 employees and more than \$60 billion in annual revenues, today's Postal Service far exceeds the size and scope of most U.S. companies. Competition from electronic alternatives and private sector competitors has presented the U.S. Postal Service and its Postmaster General with a big challenge.

New postal rates have been approved and are scheduled to take effect on January 10 of next year. This was the third increase in postal rates approved by the board of governors during this decade. The new increase is expected to generate \$1.3 billion in revenue and result in an average increase of 2.9 percent across all domestic services.

Among other subjects of interest to me, I would be interested to hear what impact on the use of U.S. postal services this rate increase will have, and whether you expect, Mr. Postmaster General,

your competitors will be raising their rates, too. Mr. Henderson, we welcome you, and we look forward to hearing your report on the state of the U.S. Postal Service.

Our distinguished colleague, who is the senior Member of this Subcommittee, to all of us, the distinguished Senator from Alaska, Ted Stevens, is here. And I yield to him for whatever comments he might like to make.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Thank you very much, Mr. Chairman.

I welcome the Postmaster General. We had a delightful trip to Alaska this year when we dedicated the Klondike Gold Rush stamp. I look forward to having him come back to our State. I would urge you to join us on one of those trips, so you can see more of the rural parts of Alaska.

I look forward to seeing your 1999 performance plan and how that ties in to the changes in your 5-year plan.

I would be very pleased to hear the answers to the Chairman's questions, too, Mr. Postmaster. But we've got a bill on the Floor and I must leave. So I have to beg your pardon on that, and tell you that I do look forward to visiting with you.

One of the issues I think we should visit with you on, the Chairman and I and perhaps the Ranking Member, Senator Levin, would be the Y2K issue and how that's going to affect the Post Office and how far along you are on making the changes that will be necessary because of that in your automated programs. I assume you've got a task force working.

Let me just ask one question. Have you been in touch at all with Senator Bennett and his committee, the Y2K Committee, about postal problems?

Mr. HENDERSON. No, I have not. But we do have a huge effort on Y2K going on.

Senator STEVENS. I look forward to talking about that. And again, please excuse me.

Senator COCHRAN. Thank you very much, Senator.

Senator Levin, do you have any comments or remarks before the Postmaster General commences his annual report to us?

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Just to join you and Senator Stevens in welcoming our new Postmaster General. I know this is the first you've appeared on the annual report, at least, before this Subcommittee. You've been before this committee many times before in different capacities, I think. But this is the first as Postmaster General, as far as these annual oversight hearings are concerned.

You are also the first postal employee to be named Postmaster General in the last dozen years or so, and that experience is going to be of great importance to the Postal Service and of great value to the Nation. So we look forward to your comments today.

But again, as I've indicated to you in hearings and privately, we look forward to your service and your tenure as Postmaster General.

Mr. HENDERSON. Thank you.

Senator COCHRAN. Senator Cleland has submitted a prepared statement for the record.

[The prepared statement of Senator Cleland follows:]

PREPARED STATEMENT OF SENATOR CLELAND

Mr. Chairman, it's good to have the opportunity to review the progress of the U.S. Postal Service. I would like to express my appreciation to Mr. Henderson for testifying today, and for the leadership that he has provided to the Postal Service. I have been very impressed with the direction that he has set for the Post Office in the relatively short time that he has been Postmaster General. The initiatives that he has taken to incorporate technology into the Postal System, including the information management platform, exemplify the vision that is needed as the Postal Service enters the next millennium.

I want to take this opportunity to again stress my strong support for the issuance of a commemorative stamp to honor the contributions and achievements of Lieutenant Henry O. Flipper. Lt. Flipper was the first African American to graduate from the U.S. Military Academy, West Point. This year at the NAACP convention in Atlanta, supporters collected 2,546 signatures urging the Citizen's Stamp Advisory Committee to issue a stamp. I have a copy of the petitions with me today if Mr. Henderson would be so kind as to give them to the Subcommittee.

In the next several years, the Post Office faces many challenges brought about by changing technology and the increasingly competitive marketplace for information. The Postal Service must find a way to remain relevant in an electronic age. I feel confident that Mr. Henderson has the ability to deal with these challenges fairly and effectively.

Senator COCHRAN. Mr. Postmaster General, you may proceed.

STATEMENT OF HON. WILLIAM J. HENDERSON, POSTMASTER GENERAL, U.S. POSTAL SERVICE

Mr. HENDERSON. Thank you, Mr. Chairman, Senator Levin.

I will hit the highlights of my prepared statement.

First of all, from an overall perspective, the Postal Service is in good shape. We have enjoyed 15 consecutive quarters of improved postal services and occupy a strong position in the marketplace. Two and 3-day mail service is up a remarkable eight points. That's the biggest leap we've ever made in one category in 1 year.

So things are really on the right track. We're very proud of the fact that we'll probably have in this year between \$500 million and \$600 million net surplus. And at the same time, we postponed a rate increase until January 10, and that 2.9 percent increase will be the smallest in our history. This delayed rate increase has saved the ratepayers of America \$800 million. So we're very pleased.

We still see challenges in the area of labor relations. We're actively involved right now in labor negotiations with our unions. It is our hope to improve labor relations significantly in the coming years. I think there is a commitment from both labor unions and postal management to do that.

So things are very good right now. We do have a major initiative that we announced in our customer forum, a major technology platform that we'll be putting in place that will do essentially three things. It will provide the Postal Service with better operating information so that we can make the correct decision before it's a mistake that we have to correct. It will provide us a better, activity-based accounting system, and it will provide an information platform through which our customers can monitor their mail. We think that will be a great advantage for us in the marketplace.

So we think the Postal Service is on the right track. We appreciate the support of this Subcommittee. I'll be happy to answer any questions you might have.

[The prepared statement of Mr. Henderson follows:]

PREPARED STATEMENT OF MR. HENDERSON

Good morning, Mr. Chairman and Members of the Subcommittee. I welcome this opportunity to talk with you today.

I want to thank you, Chairman Cochran, and all the Members of the Subcommittee, for your support and your oversight of the U.S. Postal Service. I appreciate the time and energy you invest in helping us fulfill our fundamental mission of delivering to everyone, everywhere, every day.

I am pleased to report that the men and women of the Postal Service are doing a fine job of succeeding at this mission. We have just ended Fiscal Year 1998, and the early results show it was one of our best.

Service was up. We now have the results from our final quarter, and I want to announce them today. Nationally, 93 percent of local First-Class Mail was delivered overnight. That is one point better than a year ago, and marks our 15th straight quarter of improvement. Combined 2- and 3-day service also improved to 87 percent. That is an 8-point increase over last year and our highest mark ever.

Our customers asked us to expand our measurement system for First-Class Mail. We have responded. Last month, we began extending our coverage from 62 percent to 80 percent of destinating First-Class volume. The expansion process will be completed and the results publicly reported in the spring of 1999.

Priority Mail service performance has also improved. Both consumers and commercial customers continue to find great value in Priority Mail. We are investing significant resources in this product to make it even stronger. We are also working very closely with our customers to improve service for periodicals and advertising mail.

We have gone to great lengths to get ready for a banner fall and holiday mailing season. We began our preparations early in the year. Working with our customers, we developed our most extensive set of plans ever. These plans were implemented in July. So far, performance has been solid. We will make every effort to keep service high throughout the season and into the new year.

Hurricane Georges has made that task extremely difficult in the Caribbean and the Gulf Coast. It effectively cut off the flow of mail in a number of locations. By Tuesday, postal operations in Puerto Rico, the Virgin Islands, and Florida were mostly back on line. Because of heavy flooding and damage, we were forced to close facilities and suspend deliveries in New Orleans and several locations in Alabama and Mississippi this week. Our employees are going the extra mile to get mail delivered despite the elements and working to restore service as quickly as possible in the affected areas.

Financially, we expect to end 1998 with a surplus of \$500-\$600 million. We have made a great deal of money over the past 4 years, but there are nearly \$4 billion in accumulated losses since 1971 still to be recovered.

Originally, we planned to put our 2.9 percent rate change in place over the summer. This would have helped us restore our equity more quickly. However, the postal governors and management decided that delaying new rates past the holidays was the right thing to do. It shows America that we are committed to being responsible and responsive. We listened to our customers. Stable rates for a fourth straight holiday season will help our customers grow their businesses during this most critical time of year. Overall, this is an \$800 million dividend for the Nation.

It also poses a challenge to the Postal Service. Our revised 1999 budget calls for a \$200 million surplus. I have asked our field and headquarters managers to increase that amount by several hundred million dollars by operating smarter and tapping into our employees' good ideas. We need this additional net income to help restore our equity, continue building our infrastructure, and keep next year's rates in place at least 2 years.

Overall, I am pleased with our progress. Still, we have some work to do to get ready for the dynamic marketplace of the 21st Century.

Over the last 4 years, the Postal Service has become a performance-driven and customer-centered organization. This focus will not waver. We will continue to deliver improvement and innovation. That means more reliable and timely deliveries, better customer service, new product features, and higher overall efficiency and value.

In fact, on Wednesday we provided the President and the Senate and House with copies of our 1999 Annual Performance Plan. This plan was created within the framework of the Government Performance and Results Act and carries forward our updated 5-year Strategic Plan.

Over the next 5 years, technology will be a key to our success. The electronic revolution has and will continue to divert billions of dollars in business from the mail stream. However, technology has also been a God-send. Over the past 2 decades, it has created a postal revolution—automation. Automation has saved the American people billions of dollars. It has helped keep postage rates in line with inflation and given businesses and non-profit organizations the ability to narrowly target their messages and advertisements. The result is that mail has continued to grow. In 1999, mail volume is expected to reach 200 billion pieces for the first time, more than double what it was in 1971.

Now, we are taking the next step to keep mail strong and vibrant in the next century. On August 21, I announced a major technology initiative for the Postal Service. I committed to building an information management platform in 5 years. This platform will add a new level of sophistication and value to hardcopy mail. I named a new Chief Technology Officer to begin leading a coordinated effort to link together new and old information systems into a vast electronic network.

This platform will have three key benefits. First, it will give the Postal Service real-time information—instead of yesterday's reports—on which to base decisions. This will drive billions of dollars in costs out of our system and improve service.

Second, it will revolutionize pricing through a true activity-based accounting system. Knowing our true costs will help us manage them better and price more effectively.

Third, it will give customers access to information about their mail. The mail will “talk” to customers. It will tell them what kind of mail it is, where it is in our system, and when it will be delivered. This will enable customers to better manage staffing, inventories, cash flows, and other critical business factors.

We have just started to build our information platform, but it will be a key force in improving the value of mail for the American people in the years to come.

I believe the Postal Service is on the right track for 1999. Our employees are focused and ready to deliver for the holidays. We are committed to embracing technology and process management and using these tools to drive our performance to the next level. We are proud to serve every American, everywhere, every day, and we look forward to working with this Subcommittee to continue that mission in the 21st Century.

Thank you, Mr. Chairman.

Senator COCHRAN. Mr. Henderson, I first of all want to congratulate you and the employees of the Postal Service for improving the on-time deliveries of the mail. I'm curious to know whether this is something that can be sustained, this performance level, over a long period, or even improved upon in the future.

What is the outlook for continuing to meet these goals?

Mr. HENDERSON. It is our goal to not only sustain it, but to continue to improve it. It pays for itself in the marketplace; our products become more and more competitive because of the quality we provide. Our customers respond by using the Postal Service more. And that's a great testament to postal employees across this country, that they have rallied to the cause of service.

Senator COCHRAN. There's a question that I worked into my opening remarks about the postal rate increase and whether or not you expect your competitors to also raise their rates. What is the outlook, in your view, of that?

Mr. HENDERSON. Our competitors, traditionally, have had annual rate increases. Our 2.9 percent increase is the first increase in 4 years. It's a third of the inflation rate. We think we'll characterize it as a speed bump. We don't see that it will affect our volume. We worked with our customers on this rate increase. We're very proud of the fact that it's the lowest in our history.

Senator COCHRAN. When I was home during the August recess, in my State of Mississippi, there were some who came to meet with me to express concerns about the effect on small town newspapers and other mailers of that kind, of the rate increase that was going to take effect. What impact will it have on your customers of that kind, and what can be done to help ease the burden that they have?

Mr. HENDERSON. Well, it's about the least amount of impact that we could have on periodicals mailers still and have a rate increase. They can work with their local post offices to make sure they're taking advantage of any and all discounts that they might be entitled to. And I would urge them to do that.

But 2.9 percent is a very small increase.

Senator COCHRAN. There was a statement you made recently about a plan to link the major information systems. If I understood that right, could you tell us what you're talking about, and what is the purpose of these changes and the benefits that you expect from the changes?

Mr. HENDERSON. As I said in the opening statement, we intend to put an information platform in place in the Postal Service which first of all provides operating managers with real-time information about what's going on. Rather than see the report hours or in some cases days later, they'll be able to get real-time information.

The platform will also provide more of an activity-based accounting system, so that we can attribute our costs more accurately. And third, it will provide a window for our customers to see what information they would like to know about their mail.

So the system will pay for itself in better operating decisions.

Senator COCHRAN. In connection with the recent decision by the Postal Rate Commission to approve a rate increase, it was observed by the Commission that the Service did not spend as much on program expenses as was expected in 1997. Why were monies not expended as planned, and were the revenue requirements accurate that were presented to the Postal Rate Commission?

Mr. HENDERSON. The aggregate of those slippages was about \$540 million. They occurred because management made decisions that it needed to slow up technology, to fine-tune it. An example was the tray management systems, that's probably the largest example, that we planned on deploying last fiscal year. I slowed it up, personally, because I wasn't satisfied with the performance of the prototypes in several post offices.

So there's a variety of reasons why we slow up the deployment of technology. With an organization our size, you can't expect to hit a home run every time you're at bat. Some of these technologies sound better than they actually work. And when we do find that is the case, we stop them at that point.

Senator COCHRAN. What about the revenue requirements? Were they accurate as presented to the Commission?

Mr. HENDERSON. Well, the revenue requirements were adjusted by about \$700 million, based on the real-time assessment. I think the Rate Commission did the right thing in making that adjustment. At the time we planned the rate case, we planned on that technology, those capital expenditures to work in a fashion that probably wasn't realistic, in hindsight.

So the revenue requirement was adjusted. For example, the Postal Service did better in the field operationally by about \$300 million. That's \$300 million on \$50 billion in revenue. That's a fraction, but the money's there.

Inflation was less than what we had projected, and that was worth about \$500 million there. So when you add it all up, and then the \$800 million that we gave back to the customers because of the rate increase delay, it's going to end up between a \$500 million and \$600 million surplus. But there's not one single reason for all that. It's multiple.

Senator COCHRAN. Thank you. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

A few years back, there were major stresses in terms of the relationship between management and employees. We had a number of tragic incidents in post offices in my home State, Michigan. I know that's something you are very conscious of. And I'm wondering if you could tell us the kinds of efforts that you're making to work with employees to remove, reduce stress levels, and also to have a harmonious relationship between management and employees, so it's not the military-style command that's given, but rather more of a partnership.¹

There obviously needs to be a boss and there needs to be an employee. There needs to be a supervisor and there needs to be someone who will carry out instructions. But there's also a tone which can be created in post offices. And because the demands are so great on these employees, I'm wondering what efforts you're making to see if we can have a harmonious work place.

Mr. HENDERSON. Your point is well taken. People ask you, is there one thing that wakes you up at night and worries you. It is the labor climate in the Postal Service and the atmosphere that may surround a lot of our clients. There are two fundamental ways that we're looking at this. One is a leadership model, in which we're going to measure characteristics of our managers in terms of promotions and model the kind of behavior that we want in a work place, which is certainly more participative.

The other avenue is really a systems approach, a process approach. We're trying to redesign some of our antiquated processes, like the way we manage city delivery, as an example. There's a tension, it's not a violent tension, but there's a tension between the carrier and the manager. We have a memorandum of understanding to go out and redesign with the NALC the way we manage city carriers all across America.

We're very committed to taking the tension out of the system. We think that if you take the tension out of the system, you'll get more productivity, because you'll get more discretionary effort out of the employees.

But we have a huge effort that involves outside consultants, it involves our employee assistance program, which I think is world class. It involves engineers redesigning work. It involves new ways of doing labor relations and new ways of settling disputes. We have

¹ Questions by Senator Levin and responses from Mr. Henderson appear in the Appendix on page 19.

a new dispute resolution process that Janet Reno recently recognized in a meeting as being best in class.

So we're really trying to attack it on several different fronts. And it really starts here in this chair. This is where you model a non-militaristic, more participative style of management.

Senator LEVIN. What is the status, by the way, of the negotiations between the Postal Service and the employee unions on new labor contracts?

Mr. HENDERSON. We're in the presentation stage of negotiations. We just recently finished a summit meeting at Federal Mediation. I think the dialogue thus far has been good. There is a strong commitment on both sides, it appears, to reach a settlement. So we're very hopeful, not being naive, but hopeful.

Senator LEVIN. We recently had a hearing of the Subcommittee on the problem of fraudulent or misleading sweepstakes mailings. The House Postal Subcommittee is going to be holding similar hearings, I believe, next year. I think there was a press conference either today or yesterday on that subject, which I believe you and the FTC were involved in.

I'm wondering if you would first discuss your views on the seriousness of the sweepstakes problem and the role of the Postal Service in preventing it. Then second, would you comment on a bill which I've introduced that now has the co-sponsorship of a number of Members of the Subcommittee, including Senators Collins and Durbin, I believe, which would eliminate deceptive practices by prohibiting misleading statements and would impose a much stiffer penalty for each deceptive mailing, as well as giving the Postal Inspection Service subpoena authority.

So on both of those issues, in general, what is your position on this, how big a problem is it, what are you doing about it, and do you support S. 2460, which I introduced and just described?

Mr. HENDERSON. First, it is a problem. And it's a problem for the Postal Service in a number of ways. It's a problem for our consumers, but it's also a problem for our good name. We don't want to be associated with fraudulent mailings.

I know everyone in the mailing industry I've had conversations with are really concerned about it, too. It's not condoned by any of the mailing associations, and they're trying to police it.

The difficulty that we have with it, from a postal point of view, is that we don't want to kill advertising mail. Obviously, that's very important to the health and well-being of the Postal Service on the one hand. On the other hand, we absolutely do not want fraudulent mailings in the mail. So we're trying to balance those two, and I think you've had some very constructive, as I understand, discussions with the mailing industry about ways to police sweepstakes mail, as an example, without killing off the legitimate sweepstakes mailings.

My approach is to have a balance between the mailing industry and the consumer in this regard, so that the interest of the Postal Service in keeping mail in the mail stream is pursued. I'm not as familiar as I should be with your bill. But, as I understand it, your bill is a compromise and the mailing industry does support it.

Senator LEVIN. I'm not sure they support all of it. [Laughter.]

I think parts of it they may support.

Mr. HENDERSON. We're very concerned about killing off the legitimate sweepstakes, or making it so difficult that that type of mailing will go away. We're equally concerned, and the Postal Inspection Service, as you know, is very diligent on that, policing fraud that exists in sweepstakes mailings.

Senator LEVIN. I want to again thank Senator Cochran for holding hearings in this area. It's a very significant problem where I come from. And we want to give the Postal Service the tools to go after the violations, the people who are using deceptive practices instead of legitimate practices. There are just too many of them.

The tools that you have in current law are not adequate. The penalties are just the price of doing business, too often. And we cannot rely on the industry to police itself. Although it's helpful, we have to have some very good tools in your hands and willingness on your part to use them.

So I would appreciate, if you would, a formal response to that bill indicating your comments on it.

Mr. HENDERSON. I will do that.

Senator LEVIN. Several weeks ago, the Senate voted to adopt an amendment to the fiscal year 1999 Treasury Postal Appropriations Bill that would establish guidelines that must be followed by the Postal Service before you could close or open or relocate a post office. You opposed the amendment. I'm curious as to why and what alternative proposals you could offer to ensure that the opinions of the public will be taken into account when a post office is going to either be closed or opened or relocated.

Mr. HENDERSON. I opposed that, Senator, because it would put our facilities program in gridlock. If every dispute in the United States over where a facility was located had to be settled in Washington, DC, it would just put a huge burden, it seems to me, on the process.

Now, we did redesign the process we use so that there is a public hearing and communities involved have a voice. And it is our policy to try to go along with communities wherever possible. But to have a formal procedure, so that if I want to build a post office in location A and one person objects, and it therefore comes to Washington, DC to be resolved, it seems to me to be an unnecessary regulation of the building process.

And I have gone around and tried to explain this, what happens if we don't hold those capital monies for a delayed project resolution; there's an expense associated with holding capital funds. So we go on to the next project. And if there are no complaints about that project, we'll build that post office in that community.

That will deny some places that need legitimate help with that legitimate help. And I just think it's an unnecessary regulation of our organization. When you put a post office in a community where they don't want it, they never forgive you. They bring that up time and time again. It's not worth it.

And if the community wants the Postal Service, which most do, there is a way to resolve these kinds of issues, and that's what we intend to do. We want to be a good citizen.

Senator LEVIN. My last question has to do with the recent issuance of a stamp that focuses on breast cancer awareness, a stamp where there's a surcharge in order to raise funds for re-

search in breast cancer. I'm wondering if you have any early returns, whether it's just too early to know whether or not that is producing the hoped-for income. There was some question as to whether in fact it would be productive enough to do and the precedent that it would set. I was troubled by both those aspects of it, as a matter of fact. Are there any early returns that you have that you can tell us?

Mr. HENDERSON. We have some early returns, I don't remember what they are. But I'll be glad to provide those to you.

In general, though, it has created a great deal of awareness of breast cancer issues, and has been remarkably well received all across this country. The genuine identification with this issue, the real tenacity to whip this issue, it's been almost overpowering.

Senator LEVIN. There's a tremendous public interest, obviously. The question is whether or not that's going to translate into purchases and sales of stamps so it really produces the money. That's the issue. So if you could give us for the record any of the returns.

Mr. HENDERSON. I will.

Senator LEVIN. And as it goes along, perhaps give us a 6-month report on it, that would be helpful. Because we're looking at that in terms of future issues of the same kind, whether we ought to start down that road. We already have started down it, whether we ought to continue down that road in using postage stamps to produce revenue for very good causes. I don't know of a better one than breast cancer awareness and research.

So it is important in terms of whether we want to, whether we raise enough money in that process to use this mechanism of raising funding for other important issues as well.

Senator COCHRAN. The distinguished Senator from Maine, Senator Collins, has been a leader in the effort to do something about these misleading mailings, deceptive practices, fraudulent, overreaching of postal customers. And she was an active participant in the hearing we held, and then she chaired hearings in the investigation subcommittee.

We're glad you joined us for the hearing today. You may proceed.

Senator LEVIN. Can I ask the Senator from Maine to yield so I can correct my oversight, thanking her also for holding those hearings. They were terrific, indeed.

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Thank you very much. Thank you, Mr. Chairman, and thank you, Senator Levin, for your kind comments as well.

The Chairman held hearings that all three of us participated in, and Senator Levin has alluded to, on the issue of deceptive mailings. This is an issue that is of great concern to all of us. I'm particularly concerned about what I call government look-alike mail. It always comes in the kind of envelopes that government checks come in, they're always that kind, they frequently say, buy savings bonds, often they have an eagle on it.

They have various notices to the Postmaster General, all of which are intended to deceive people into thinking that these are mailings from official government agencies, and of course they're not. They're inevitably solicitations. I got one myself this week at

home. Little do they know I'm now saving every one I get. [Laughter.]

Similarly, I had a constituent in Washington County, Maine, that received this mailing saying, official business, special notification of cash, currently being held by the U.S. Government, is ready for you as long, of course, as you send \$9.97 by return mail. We see cases where, and I'm even more concerned about those than I am the sweepstakes mailings, although we've seen a lot of deception and fraud in sweepstakes mailings as well.

We also see mailers using look-alike postal cards to try to deceive consumers. Your return receipt card is almost identical, except in color, to this "blue return receipt card," I put that in quotes, that was used for this mailing. This one is a sweepstakes mailing. And it seems to me that you're mainly dependent on cease and desist orders, of ordering people to cease this kind of activity. And that doesn't seem to be very effective to me. Oftentimes, if you put someone out of business, they crop up elsewhere, for example.

So I want to follow up on the work the Chairman's done and Senator Levin, in inviting you to tell us more about your enforcement efforts in this area, but also to ask you to work with us in the next Congress to develop legislation to really crack down on these deceptive mailings. I know you have a balance, because you don't want to curtail legitimate mail. And yet, we just see a huge increase in these kinds of fraudulent and misleading mailings that are really of great concern to us.

Mr. HENDERSON. As we said a couple of days ago, we are stepping up our enforcement efforts. But we are very happy to work with you and others to try to work out a solution to this problem. Obviously, as I said earlier, these kinds of deceptive mailings not only hurt the individual, they also hurt our organization, devalue the quality of the mail service. So we're very concerned.

Senator COLLINS. Do you believe that legislative changes are needed to give you additional authority, whether it's subpoena authority or the ability to impose civil penalties, for example, after due process, after hearings, perhaps?

Mr. HENDERSON. Our Postal Inspection Service is of the belief that they need more authority in dealing with these sorts of things. The specifics of that I really can't get into. It's more of a law enforcement issue. But they do feel that they need more authority and broader powers.

But we've got to be careful we don't cross the line of censorship. We're very concerned about that. Our job is to deliver the mail. Where we draw the line in the sand that says, this is mail that we ought to do something about, that we ought to somehow censor, is concerning to us not only as an organization, but to myself as a citizen in a free country. So we must strike a balance here. But we certainly don't condone those deceptive practices, and we are out trying to chase them down.

Senator COLLINS. I would ask that you provide the Subcommittee with some specific recommendations for statutory changes over the next few months, in the hopes that we continue to work with the Chairman on legislative remedies. We want to make sure that anything we come up with doesn't cross that line, and yet really takes care of what I'm convinced is a growing problem.

Mr. HENDERSON. We'd be more than willing to do that.

Senator COLLINS. The second issue I want to raise with you is one that's near and dear to my heart, coming from a large rural State. And that is the issue of small, rural post offices. I understand that the Postal Service has imposed a moratorium on the closing of small post offices. And in my State, many of these post offices, which are in small towns, remote areas, such as Frenchboro, or Cliff's Island, are really the source of community pride. They are central to the identify of rural communities in Maine.

One constituent told me, "It's what puts us on the map." Another recounted how during the terrific ice storm that we had in January, everyone gathered at the community post office to find out what was going on, and to exchange information.

So they're really not only important from a mail service point of view, and in keeping with our commitment to universal service, but there's a very important role that they play in small communities.

I'd like to know your plans for keeping the moratorium, and what you see coming as far as the role of small, rural post offices.

Mr. HENDERSON. I agree with you 100 percent. I was a big driver for putting the moratorium on. They are in some ways the soul and fabric of America. Communities only mourn as a community two events, in my association with the Postal Service. The first is if their newspaper closes, they think they've lost their identity. And second, they have lost their identity if their post office closes.

So you're not going to see me lifting or modifying the moratorium, period. I think that, while small post offices cost money, they provide intangible benefits. Communities are loyal to this organization at a grass roots level, because a postmaster does the right thing every day to customers in their small community.

And we're glad that people gather at their post offices to talk and to even play checkers, which where I grew up, that's what they did in the small post office, they played checkers. And we're very proud that our post offices are part of the fabric of the communities. So you're not going to see any reduction of that moratorium while I'm around.

Senator COLLINS. I'm very glad to hear that. And I really appreciate the commitment that you have. I do think it's so important.

A related problem that we've seen in a lot of small towns in Maine is when a postmaster or postmistress retires, and sometimes there is difficulty in finding someone to take the place, or find new real estate to have a post office. In some little villages in Maine, the post office is part of the postmaster's house.

How do you deal with situations like that, because that's a concern that I hear from a lot of my constituents? I realize that's not a case where you've initiated a closure, but the impact can be just the same.

Mr. HENDERSON. We generally hold those post offices in suspension and try to find a location. We go around and talk to grocery stores, if there is one, and every other place, to try to find a location for the post office. And we keep trying to find a location and somebody who will run the post office.

In some instances, we're not successful, over long periods of time. But generally if we make it known to the community that they

don't have a post office unless we've got a roof, somebody will supply a roof.

Senator COLLINS. I'm pleased to hear that you are going to pursue that as well. Because the results can be the same, the loss of that very important community tie and service.

The final issue I want to raise with you is the renovation of post offices. When I was running for the Senate in 1996, I went to Castine, Maine. And I swear that every citizen in Castine came up and talked to me about the post office's plans to move the post office out of the historic building in which it was located, which had been the oldest continuously operating post office, I believe, in the United States. And there was much to do about taking it out of the downtown, taking it out of this historic building.

This particular saga had a happy ending, and the Postal Service agreed to do some necessary renovations, to keep the post office located in town. But it created a lot of anxiety among the citizens that it was going to be moved out of the downtown, that it would no longer be in this historic building, and then what would become of this historic building.

How does the post office consult with communities when it's deciding the location of a post office, or when it believes that there is a need for significant renovations?

Mr. HENDERSON. We just recently issued new guidelines that require not only consultation with the community, but a public hearing on our plans. As I said earlier, it is the goal of the Postal Service to be a great citizen. When you put a post office in a place where the community doesn't want you, they never forgive you. They never forgive the Postal Service.

So it really is our goal to have a Postal Service that the community rallies around. So it's not our intention to try to buck the community. We often find there are disputes between landholders, who want that piece of property. But most of the time, if everybody involved is well-intentioned, that is, they want the Postal Service and they're willing to move, we are more than willing to cooperate with the community. And our guidelines are pretty strict about being aboveboard in public hearings and very open. So we're trying to be a good citizen here.

Senator COLLINS. Thank you very much, Mr. Chairman.

And again, I wish you good luck in your new position, Mr. Henderson, and I look forward to working with you.

Mr. HENDERSON. Thank you.

Senator COCHRAN. Thank you, Senator Collins, very much, for your participation and for your leadership.

Mr. Henderson, in the 1997 annual report, revenues were shown from international mail to have declined from 1996. What do you attribute this decline to, and what do you expect the benefits and rate of return will be from the new international service centers?

Mr. HENDERSON. The decline primarily is due to just pure electronic erosion. People have different ways of communicating now, and the mom and pop international letters that were the bulk of international mail are simply being replaced.

Our commercial product, Global Package Link, which was a subject of a hearing some time back, has also suffered some declines

because of the economics of the Asian market. We're seeing about a 25 percent drop in Global Package Link.

So overall, internationally, the world is not in the booming economy that the United States is. And the impact of that is hard to tell at this point in time. We're still, as everyone is, hopeful that there will be a huge rebound, and that once again, the Asian economy will be bouncing and rolling. But we don't see any signs of that right now.

Senator COCHRAN. What about the benefits from the international service centers? Anything to tell us about?

Mr. HENDERSON. That's a pure service issue. It's not a financial issue, it's a service issue. We have a goal of being the leader in the world in international service scores, and we're not there yet. It's our belief that we have to isolate that mail in these international hubs, but we're not nearly far along enough to see an impact of that today.

Senator COCHRAN. Competitors of the Postal Service have raised concerns about whether the Postal Service is competing fairly. We hear that from time to time in private meetings and in public hearings as well. And this is specifically with respect to differences in application of certain laws, such as Customs treatment or anti-trust immunity.

How do you respond to these concerns, and how can they be addressed as competition continues to increase?

Mr. HENDERSON. Well, just to comment on international service, we're treated like a postal service, not like a commercial shipper. So we have different rules, not necessarily better rules. But different rules. And they do not give us a real competitive edge in the marketplace. They actually slow the process.

I will tell you that the Postal Service does nothing today that it hasn't done for the last 25 years except, and this is one very big exception, the quality of the service of the Postal Service is very competitive in the marketplace. We don't operate fundamentally any different today than we did in 1975, except that our package business, our priority business, our mail business, is of a much higher quality.

And that quality service is the reason our competitors are worried. They see us as a real competitor, because our products are of a much higher quality today. Citizens don't use the Postal Service as a deliverer of last resort. They see us as an alternative to the private sector competitors. And what that's saying is that we represent good government. That's what we are all about, is improving the levels of service that we provide the American people.

And we've done it in such a dramatic fashion that those private sector competitors, who are in the same marketplace as we are, are seeing a loss of volume, simply because of the quality of service we provide. That's it in a nutshell. It's the quality of service the U.S. Postal Service provides the American public today.

And we would argue with our competitors who say that we ought to not provide that quality of service, which is really nonsensical. We ought to get better. So we see it as an example of pure good government.

Senator COCHRAN. Tell us what the role of the universal postal union is, and what benefits does our country get from participating in the universal postal union?

Mr. HENDERSON. The primary role, from my perspective, of the UPU, is to determine the exchange of monies for international mail. In other words, when Great Britain mails a letter to the United States, there are certain monies that change hands, tariffs, if you will, that are imposed between countries, and the UPU is the vehicle to determine those exchanges. That's the primary role from our perspective.

Senator COCHRAN. Recently, a foreign postal administration announced that it planned to acquire a local mail-forwarding company. I believe this was the United Kingdom, I may be wrong. What impact will this have on the U.S. Postal Service's revenue and volume? And does the Postal Service plan to respond in any specific way to this development?

Mr. HENDERSON. There are a number of countries that are in the United States trying to ship mail as freight to their country and then convert it to postage and deliver it to wherever around the world. The Dutch are very active here, and Royal Mail is in New York and Chicago.

Senator COCHRAN. Royal Mail, is that the United Kingdom?

Mr. HENDERSON. Yes. And the Swedish are here. They're investing in American companies that are related to mail.

The Royal Mail has a goal of getting about \$80 million of revenue out of the United States. I think the Dutch are probably in that same neighborhood today.

Our response has been to do a better job, through the international service centers, to do a better job with U.S. mail. Our customers, U.S. businesses, are really looking at service as an issue. That's why we're very focused on increasing and improving our international service.

We are active, also, in foreign markets, looking at the opportunities. But quite frankly, it's more of a nationalistic issue than it is a real dollar and cents issue. Because in effect, \$80 million on a \$62 billion budget is not much of an impact. It's more in your face than it is real impact.

Senator COCHRAN. What is the status of the Postal Service's efforts to develop electronic communications services? What role should the Postal Service play in this area, given the fact that private companies are also providing these services?

Mr. HENDERSON. We're in the early stages of looking at some secure electronic services now, including a desktop post office, which provides mailing labels. It can also provide some very limited addressing. It's designated for the small office, home office market. We have an electronic stamp that's pending that we just received a patent on.

But these efforts are in their infancy. They're not very sophisticated and they're not driving any revenue. There is an issue about what our role ought to be in the electronic services. We are getting inquiries from the private sector about being a trusted third party. There is some concern that if remittance mail, for example, gets into the hands of a private sector company who has an electronic

platform, there's no effective way to regulate the tariffs that will be charged on that platform.

And private sector interests have asked the Postal Service if we would be willing to provide that sort of platform because the PRC provides some public oversight and regulation. And we're discussing those issues, but we haven't taken any initiatives.

But it is an interesting role that the Postal Service might play in the future, because we are a public entity.

Senator COCHRAN. Last year, the Postal Service filed a request with the Postal Rate Commission to offer "pack and send" as a new postal service. In April of this year, the PRC approved a 2-year test of this service, but it encouraged the board of governors to consider the financial consequences of entering into competition with existing owner-operated small business that provide similar services.

Has the board looked into this issue, to your knowledge, and what is the current status of pack and send?

Mr. HENDERSON. It's currently on hold. We're having a series of discussions with Jim Amos who is the head of Mailboxes, Etc., a partnership experiment with them. Pack and send is all a part of that discussion. There again we're trying to get a partner here, and not a foe. We think there's an opportunity for the Postal Service to generate some revenue and for Mailboxes, Etc. to generate some revenue, to work in tandem at the local level with the Postal Service. So we're in discussions right now, we have 270 test sites that we'll be kicking off beginning in November.

Senator COCHRAN. Last year, also the Postal Service reported plans to build 150 wireless communication towers on postal property. We understand because of some public criticism the Postal Service has been reviewing the program. What's the status of that program and how many antennas, if any, have been constructed, and how many do you anticipate building?

Mr. HENDERSON. There's 25 that have been constructed, and we're in some discussions with the organization, UniSite, as to future plans.

Senator COCHRAN. The Postal Service has attempted over the last several years to introduce a variety of new products, some things are sold in the post offices now, people complain that they're not really postal-related.

What is your policy on this issue? How do you determine what new products are appropriate to market and which ones aren't? What steps do you take to ensure that the Postal Service doesn't undertake creating an unfair relationship with other businesses in the process?

Mr. HENDERSON. We have a retail group that approves and specifies what can be sold in post offices. I think we have sold some merchandise, such as ties and tee shirts, that I would call inappropriate for a post office. We shouldn't be marketing stamps on ties and tee shirts at a post office, we should be marketing them through a catalog. So we've taken those products and separated them, and I think you'll see a lot more discipline now in our retail units than you have in the past.

Senator COCHRAN. Senator Levin asked you a question about the labor relationships. You have four unions, I think, that you've begun negotiations with. What's the status of these negotiations?

Do you think you can reach contracts with them and avoid the use of arbitration or other devices to settle disputes?

Mr. HENDERSON. We're currently negotiating with the American Postal Workers Union, the National Association of Letter Carriers, and the Mail Handlers Union. It is our hope that we can reach a settlement, but it takes two parties. Right now, I think both sides, from my perspective, appear to be committed to reaching a settlement. It depends on, in the final hours, what the terms are.

Senator COCHRAN. The General Accounting Office reported last year the number of employee grievances continues to increase. It has been doing that over the last several years.

Is that something we should be worried about? What's being done to deal with this problem?

Mr. HENDERSON. It is one of the hot subjects of negotiations. It is our belief in management that the grievance process is broken, it's too long and too cumbersome, and has too many layers. And we're actively engaged with the unions in trying to streamline it, to offer a quick route to justice, if you will, to the people who are complaining. We're very hopeful we'll come out of these negotiations with a much better system.

Senator COCHRAN. There's an awful lot of new emphasis in the work place on training and making people sensitive to harassment issues and diversity issues and the like. What do you think the record of the Postal Service is on these things? Are you doing what you need to be doing to ensure that these issues are dealt with in a fair way and an appropriate way across the country?

Mr. HENDERSON. Yes. We have a huge, ongoing effort. Everything from training programs like Looking Glass, in which you learn to appreciate diversity, to seminars and training on sexual harassment and those sorts of things.

It is something that's not fixed. It's forever ongoing. You have to continuously train people, and make them very sensitive to those kinds of issues.

Senator COCHRAN. What's the status of your efforts to implement the new process known as redress to expedite resolution of EEO complaints?

Mr. HENDERSON. We're rolling that out nationwide. Mary Eleano, our general counsel, was recognized by Janet Reno as a dispute resolution expert in government. This is really Mary's child. She's done a heck of a job with the Redress Program, and we think that's really going to unclog a process that's been horribly clogged for a long time in the Postal Service.

Senator COCHRAN. One of the Postal Service's initiatives that's recently raised some concerns is the contract for processing priority mail. What's the status of the implementation of the priority mail processing centers?

Mr. HENDERSON. We have five centers on the east coast. They've shown dramatic improvement in the quality of priority mail. That's an active subject of labor negotiations, as you might expect. And we're going to see what comes out of labor negotiations before we draw any judgments or make any decisions about the future.

Senator COCHRAN. Can you tell us if there will be many postal employees affected in an adverse way by this new program? Does it have high cost associated with it?

Mr. HENDERSON. There's virtually no impact on postal employees. What it represents is, as your service gets better, you get new business, new packages come in, packages that were carried by others are now carried by the Postal Service. It's a net positive; it's growth for the Postal Service. We don't see it as having an impact on postal employees.

In terms of how much it costs and that sort of thing, it will depend primarily on whether we out-source it, or we build the facilities ourselves.

Senator COCHRAN. Do you have any plans to bring a certain number of these priority mail processing centers on-line? Do you have specific plans for how many you want?

Mr. HENDERSON. Yes. We have a plan that says in order to service the entire Nation, we need about 20 more facilities. We haven't decided on locations. But it takes about 20 more facilities to service beyond the test area that we have now.

We have not gone to the governors of the Postal Service to ask for approval. We implemented the test to establish two things: One, the threshold question, could we dramatically improve service. And the answer to that question is, yes, we have. And the second is once we've dramatically improved service, can we in fact grow our revenue with this improved service, attract more people in the marketplace. And the answer to that is yes, too.

So we are in the process, and as I say, it's being discussed in negotiations. We are preparing to go back to the governors to talk about the success we've had in phase one.

Senator COCHRAN. You've been on the job now 5 months? Has the time gone pretty quickly, or does it seem like you've been there 10 years now?

Mr. HENDERSON. No, it's actually passed rather rapidly. I tell everybody it's more fun than being the chief operating officer, because you have somebody to yell at. [Laughter.]

Senator COCHRAN. Who is your chief operating officer?

Mr. HENDERSON. Clarence Lewis.

Senator COCHRAN. Do you yell at him like Mr. Runyon used to yell at you?

Mr. HENDERSON. No. It's just a stress releaser. It's not real. [Laughter.]

Senator COCHRAN. I know I may have omitted some questions that I should have asked you, and if some occur to us that we should submit, I hope you'll be helpful to us and respond in writing for the record.

I know also Senator Stevens had asked you a question about the Y2K effects on postal operations. And I'm not sure we got an answer. If you could, provide us for the record what you are doing, what the status of that effort is and what you think the outlook is for dealing with it in the Postal Service.

Mr. HENDERSON. I'd be happy to do that. Thank you.

Senator COCHRAN. Mr. Henderson, you've done an excellent job. We thank you very much.

Mr. HENDERSON. Thank you.

Senator COCHRAN. The hearing is adjourned.

[Whereupon, at 2:55 p.m., the Subcommittee was adjourned, to reconvene at the call of the Chair.]

A P P E N D I X

1. The primary concern that I hear from constituents, especially since I am a member of the Small Business Committee, is the perception that the Postal Service is competing unfairly with private industry. You have previously stated that the Postal Service cannot expect to maintain a monopoly on letter mail. This seems to represent a departure from statements made by the previous Postmaster General that the Postal Service should maintain its monopoly and work to dominate the market. Am I correct that your view of the monopoly is different from your predecessor? Are you advocating privatizing the Postal Service.

What organizational model would you like to see the Postal Service operating under in 5 years?

ANSWER: I am not advocating privatizing the Postal Service, and my views on the monopoly on letter mail are not unlike those of my predecessor. Both of us realize that the monopoly is becoming less relevant because of intense competition and the rapid advancements in information technology. Customers have choices, and we are being "privatized" an e-mail, a package, an electronic funds transfer at a time. It's also certain that we cannot accept the status quo.

As to the model for the Postal Service five years from now - although that may be too aggressive a timeframe - we need to create an "American model" of postal reform, not follow someone else's model. We need to be a competitive supplier of choice that meets our customers' needs. We will continue to be a universal provider of services to all Americans. We need the freedom to offer cost effective, competitive services to meet changing customer needs and market responsive prices and services that my predecessor talked about. We are working with the Congress to make all of that happen.

At some point, perhaps 10 years from now, I believe the postal reform model will include some shift in ownership and governance, which could well include employee ownership. We also are likely to be doing business in a deregulated environment, which is really a misnomer. Deregulation traditionally has meant establishing a regulator overseeing the whole industry.

2. Another topic of continuous interest by my constituents is labor relations. As you know, there have been problems in the past. How well do you think the Postal Service is dealing with labor relations now? Do postal employees have the same rights and protections that are afforded their counterparts in the private sector?

ANSWER: The Postal Service has made significant strides towards improvement of labor-management relationships over the past year. Through Summit activities with the unions, there have been a number of initiatives which are continuing to improve labor management relationships. In May 1997, the Postal Service and the American Postal Workers Union (APWU) signed an agreement outlining three initiatives to eliminate the grievance/arbitration backlog and to prevent future recurrences through improvement of the labor-management relationship and by addressing root causes that generate grievances.

One initiative is accelerated arbitration, which was applied in the 21 performance clusters nationwide that constituted the largest docket of cases. In this process, management and the union work together to review and complete arbitration hearings of all cases pending arbitration in those locations. Between June 1997 and September 1998, over 20,604 cases were adjudicated through this process. However, the total number of APWU grievances pending arbitration increased during this period, indicating that additional efforts to identify root causes of grievance activity. Accordingly, beginning in March 1998, meetings were convened with area and local union and management representatives at six of the accelerated arbitration sites in order to further probe the underlying causes of grievance activity. The results of these meetings have been positive. The parties at the national level recently agreed that the area management and regional union parties would conduct similar interventions in seven additional offices.

A second initiative was the implementation of a co-mediation process in 13 offices. The co-mediation process is still evolving at present, and additional experience with the process is necessary to determine whether this process can directly and positively affect labor-management relationships. On August 15, 1998, the parties agreed at the national level to consider requests from any office where local management and union representatives are mutually interested in participating in co-mediation.

The third initiative with the APWU provided for mediation by the Federal Mediation and Conciliation Service (FMCS) on two sites. One site reports a high degree of success in improving communications and relationships to date. The second site is still in the process of finalizing the parameters for co-mediation.

A fourth initiative was undertaken in May 1998 with the APWU, involving a pilot to test a modification to Step 3 of the grievance procedure. The objectives of the pilot were to streamline the grievance procedure, to resolve employee issues in a more timely fashion and to allow more local control and accountability for existing grievances.

In October 1997, the Postal Service and the National Association of Letter Carriers (NALC) signed a comprehensive agreement to address the union-management relationship, grievance backlogs, the causes of grievances and the procedure for resolving grievances. Pursuant to that agreement, the parties have reviewed and resolved many pending grievances; developed and distributed throughout the country a joint contract administrative manual which provides guidance to the field on various contract issues; conducted joint training; and implemented a test of a revised dispute resolution process in 19 Postal Service districts. The efforts have been well received and the results from the initial months of the dispute resolution process test are very promising.

Bargaining agreements with the APWU, NALC and National Postal Mail Handlers Union (NPMHU) expired on November 20, 1998. The Postal Service negotiating teams worked diligently to achieve negotiated agreements. We have reached an agreement with the APWU and the NPMHU and negotiations with the NALC are ongoing. While it is premature to forecast the outcome of our efforts with the NALC, our negotiating teams are striving to carry out our commitment to achieve a fair and equitable contract settlement which will benefit both parties.

3. In your testimony, you stated that you expect to end 1998 with a \$500 million surplus. You added that there are still nearly \$4 billion in accumulated losses to be recovered. The Postal Service has raised the price of a first class stamp by one cent effective in January 1999. When do you anticipate that the accumulated losses will be recovered? When will the Postal Service set its rates so that it will break even and not have a surplus?

ANSWER: At the end of fiscal year 1998, the net deficit totaled slightly more than \$3.8 billion. The new postage rates that became effective on January 10, 1999 include a \$377 million provision for recovery of prior years' losses, which was approximately one-ninth of the estimated cumulative loss balance of that rate case proceeding. Consistent with a resolution passed by the Postal Service Board of Governors in 1995, the Postal Service would earn net incomes that equal or exceed the amount of the prior loss recovery included in the postage rates of the most recent omnibus rate case. Under this guideline, as long as the postage rates of the recent omnibus rate case are effective, we should earn on average \$377 million per year over a rate cycle to equal the provision for recovery of prior years' losses included in the new postage rates. At this rate, it would take approximately 10 years to recover all accumulated losses. Of course, we hope to do better than this target established by the Board of Governors and thereby shorten the recovery period. The legislation that created the Postal Service also established our break-even mandate. As soon as we have recovered all accumulated deficits, and can legally omit the recovery of prior years' losses from our rate filings, we will set postage rates that do not plan for a net income.

However, net incomes may occasionally be needed to fund capital investments and other long-term improvements for the Postal Service.

4. According to information contained in the most recent rate case before the PRC, the Postal Service estimates that it will spend nearly \$300 million dollars on advertising. The vast majority of that amount is attributed to institutional overhead. Why is it necessary for the Postal Service to advertise products for which it has a monopoly? Most advertising appears to be for competitive services like Priority Mail. Why isn't the advertising cost allocated to products being advertised?

ANSWER: The majority of the Postal Service's advertising budget is focused on products that have direct competition in the market place, such as Priority Mail and Express Mail. It is important to note, however, that the laws that give the Postal Service the exclusive right to deliver letters do not make us immune to competition. In fact, First-Class Mail has experienced low growth due to significant competition from fax, e-mail and electronic debit interchange.

Postal Service policy is for advertising costs associated with a specific product or service to be allocated to the product or service being advertised. Advertising costs that are not specific to a single product or service are included in institutional costs.

5. It appears that a tentative compromise has been reached in the House-Senate Conference Committee that would direct the State Department to represent US industry at the UPU as it relates to trade policy decisions. Until now, the Postal Service has represented all US industry at the UPU. Do you support this compromise?

ANSWER: Such a provision was included in section 633 of the Treasury and General Government Appropriations Act for 1999. The Postal Service looks forward to working constructively with the Secretary of State on postal matters.

6. During the Subcommittee hearing in June, the disparities between GPL pricing and the international rates of private sector shippers were raised. Does the GPL discriminate against the small businesses that may not be able to meet the volume requirements?

ANSWER: No. GPL is a bulk mail service in which mailers agree to ship 10,000 packages or more to qualify for this service. As such, it depends on economies of scale to produce low unit costs. As with all bulk mail services, mailers earn lower postage rates by performing tasks that save costs for the Postal Service. The lower prices are a return of the portion of the cost savings to the mailer who earned them. Mailers having fewer than 10,000 packages per year can access GPL by using a private company third party -- a GPL wholesaler. In fact, we are spawning a new private sector business for such third-party providers.

The Postal Service is working with private companies, particularly in the direct marketing industry, to open as many global markets as possible to American businesses. We are helping these companies, from the smallest to the largest, overcome the barriers that they experience in trying to do business in other countries. This creates more jobs and expands the global opportunities for all Americans.

7. In the last hearing before this committee, you testified that the Postal Service provides universal service to every residence in the United States. In many rural areas, the Postal Service leaves letter mail and packages at post offices and drop sites that may be miles from an individual's home. Could private carriers also be allowed to deliver to mailboxes or post office boxes?

ANSWER: Private carriers may currently deliver mail to post offices for box delivery, and to individual mailboxes, if the mail bears the proper amount of postage. Establishing a separate rate or surcharge for such private carrier delivery would raise the question of discrimination against individual postal customers who might, for example, wish to drop local letters at the post office. It

is also reasonable to assume that, if such a rate or surcharge were established, it would encourage "cream skimming" in denser urban areas, rather than expansion of private delivery in hard-to-serve rural areas.

8. The GAO recently completed a study that outlines various "short cuts" that the Postal Service is allowed to take when moving packages internationally. This appears to conflict with Postal Service statements that it is subject to the same procedures as private companies. Could you clarify this?

ANSWER: Yes. All Postal Service statements and the GAO study are consistent. The Postal Service has not negotiated any special arrangements with foreign customs agencies. The Postal Service is subject to the laws and regulations of foreign customs, just as the private carriers are. Foreign customs agencies assess duties and taxes on the relatively low-value shipments (below formal entry procedures) handled by the Postal Service international parcel delivery services, including GPL, and by the private carriers in the same manner. The major difference between the Postal Service and private carriers in Japan is that our competitors' packages clear customs in a few hours, while the Postal Service's GPL packages clear customs on average in two days. For other GPL countries, clearance times and procedures for GPL and private carriers' packages are about the same. In Canada, the Postal Service's GPL packages are cleared using a broker, just like the private carriers' packages.

9. Mr. Henderson agreed to provide a formal response to Senator Carl Levin's (D-MI) sweepstakes mailings bill, S. 2460.

ANSWER: The Postal Service appreciates Senator Levin's concern about those who choose to use the mail to obtain money through misrepresentations or fraudulent promotions. We share this concern and have dedicated resources in the Inspection Service and the General Counsel's office to combat such promotions. We have reviewed S. 2460, Deceptive Games of Chance Mailings Elimination Act of 1998, and I offer the following comments.

The bill addresses three separate concepts. First is an amendment of Title 39, United States Code, Section 3001, to require mailings involving certain games of chance or skill to meet regulations issued by the Postal Service in order to be mailable. The amendment would provide the Postal Service with the flexibility necessary to develop regulations that target deceptive solicitations while not affecting legitimate solicitations.

The second item is administrative subpoena authority for use by the Postal Inspection Service in mailability investigations under Chapter 30 of Title 39, United States Code. We are pleased the bill includes this provision, which we have been seeking for several years. The provisions are narrowly crafted to limit the use of the subpoenas to violations of Chapter 30 and to apply only to the furnishing of records. While intentionally narrow in scope, this authority should help us develop information more expeditiously, which will allow us to bring cases forward for action more quickly. The result should be fewer members of the public being victimized by deceptive mailings.

The final provision is administrative civil penalties for nonmailable matter violations. Such an authority would supplement the current authorities the Postal Service has to combat deceptive mailings. We believe the existence of monetary penalties will function as a deterrent to some individuals who use the mail for unscrupulous purposes because it targets the purpose of their scheme – monetary profit.

We believe that provisions such as those in S. 2460 will help both the Postal Inspection Service and the General Counsel's office in carrying out their responsibilities to protect the American public from the small group of individuals who use the mail to defraud consumers.

10. Mr. Henderson agreed to provide "some specific recommendations for statutory changes "that address the growing problem of "fraudulent and misleading mailings."

ANSWER: Following are several proposed amendments for chapter 30 of title 39 which we feel would enhance the ability of the Postal Service to protect the public from those individuals who use the mail in furtherance of their schemes.

Section 3001: To declare solicitations that appear to be renewal notices for services or products for which there was never a previous order, such as magazine subscriptions, yellow pages advertisements, etc. to be nonmailable.

Section 3005: To allow the Postal Service to pursue administrative action against promoters of false renewal notices; to require the disclosure of the actual identity and physical address of the promoter; and to declare advertising for advance fees for loans or credit to be false representations, with exceptions for properly licensed financial business organizations.

Section 3007: Currently the Postal Service, with the assistance of the Department of Justice, must pursue a separate Temporary Restraining Order (TRO) in each judicial district in which a promoter receives mail associated with a deceptive promotion. The proposed amendment would allow one action in one district to apply to all locations in which mail is received.

Section 3012: To expand provisions for civil penalties for the evasion of an order under Section 3005 to include the use telephone, electronic communication, or any medium used for promotion or advertising; to provide civil penalties for violations of Sections 3001, 3014 and 3015; and to provide for the deposit of penalties directly in the Postal Service Fund.

Section 30XX (new statute): To provide limited administrative subpoena authority for violations of Chapter 30 of Title 39. This would allow the Postal Service to obtain records needed to take cases forward in a more expeditious manner.

Attached are the relevant sections from title 39 as they would appear with these legislative changes.

Attachment

**TITLE 39--POSTAL SERVICE
PART IV--MAIL MATTER
CHAPTER 30--NONMAILABLE MATTER**

Sec. 3001. Nonmailable matter

(a) Matter the deposit of which in the mails is punishable under section 1302, 1341, 1342, 1461, 1463, ~~4744~~, 1715, 1716, 1717, ~~4748~~, or 1738 of title 18, or section 26 of the Animal Welfare Act is nonmailable.

(b) Except as provided in subsection (c) of this section, nonmailable matter which reaches the office of delivery, or which may be seized or detained for violation of law, shall be disposed of as the Postal Service shall direct.

(c)(1) Matter which--

(A) exceeds the size and weight limits prescribed for the particular class of mail; or

(B) is of a character perishable within the period required for transportation and delivery;

is nonmailable.

(2) Matter made nonmailable by this subsection which reaches the office of destination may be delivered in accordance with its address, if the party addressed furnishes the name and address of the sender.

(d) Matter otherwise legally acceptable in the mails which--

(1) is in the form of, and reasonably could be interpreted or construed as, a bill, invoice, or statement of account due; but

(2) constitutes, in fact, a solicitation for the order by the addressee of goods or services, or both;

is nonmailable matter, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless such matter bears on its face, in conspicuous and legible type in contrast by typography, layout, or color with other printing on its face, in accordance with regulations which the Postal Service shall prescribe--

(A) the following notice: "This is a solicitation for the order of goods or services, or both, and not a bill, invoice, or statement of account due. You are under no obligation to make any payments on account of this offer unless you accept this offer."; or

(B) in lieu thereof, a notice to the same effect in words which the Postal Service may prescribe.

(e)(1) Any matter which is unsolicited by the addressee and which is designed, adapted, or intended for preventing conception (except unsolicited samples thereof mailed to a manufacturer thereof, a dealer therein, a licensed physician or surgeon, or a nurse, pharmacist, druggist, hospital, or clinic) is nonmailable matter, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs.

(2) Any unsolicited advertisement of matter which is designed, adapted, or intended for preventing conception is nonmailable matter, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs unless the advertisement--

(A) is mailed to a manufacturer of such matter, a dealer therein, a licensed physician or surgeon, or a nurse, pharmacist, druggist, hospital, or clinic; or

(B) accompanies in the same parcel any unsolicited sample excepted by paragraph (1) of this subsection.

An advertisement shall not be deemed to be unsolicited for the purposes of this paragraph if it is contained in a publication for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated, he desires to receive.

(f) Any matter which is unsolicited by the addressee, which contains a "household substance" (as defined by section 2 of the Poison Prevention Packaging Act of 1970), and which does not comply with the requirements for special child-resistant packaging established for that substance by the Consumer Product Safety Commission, is nonmailable matter, shall not be carried or delivered by mail, and

(g)(1) Matter otherwise legally acceptable in the mails which contains or includes a fragrance advertising sample is nonmailable matter, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless the sample is sealed, wrapped, treated, or otherwise prepared in a manner reasonably designed to prevent individuals from being unknowingly or involuntarily exposed to the sample.

(2) The Postal Service shall by regulation establish the standards or requirements which a fragrance advertising sample must satisfy in order for the mail matter involved not to be considered nonmailable under this subsection.

(h) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for the purchase of or payment for a product or service; and contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless--

(1) such nongovernmental entity has such expressed connection, approval or endorsement;

(2)(A) such matter bears on its face, in conspicuous and legible type in contrast by typography, layout, or color with other printing on its face, in accordance with regulations which the Postal Service shall prescribe, the following notice: "THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT.", or a notice to the same effect in words which the Postal Service may prescribe; and

(B) the envelope or outside cover or wrapper in which such matter is mailed bears on its face in capital letters and in conspicuous and legible type, in accordance with regulations which the Postal Service shall prescribe, the following notice: "THIS IS NOT A GOVERNMENT DOCUMENT.", or a notice to the same effect in words which the Postal Service may prescribe; or

(3) such matter is contained in a publication for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated he desires to receive, except that this paragraph shall not apply if the solicitation is on behalf of the publisher of the publication.

(i) Matter otherwise legally acceptable in the mails which constitutes a solicitation by a nongovernmental entity for information or the contribution of funds or membership fees and contains a seal, insignia, trade or brand name, or any other term or symbol that reasonably could be interpreted or construed as implying any Federal Government connection, approval or endorsement is nonmailable matter and shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless--

(1) such nongovernmental entity has such expressed connection, approval or endorsement;

(2)(A) such matter bears on its face, in conspicuous and legible type in contrast by typography, layout, or color with other printing on its face, in accordance with regulations which the Postal Service shall prescribe, the following notice: "THIS ORGANIZATION HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT.", or a notice to the same effect in words which the Postal Service may prescribe; and

(B) the envelope or outside cover or wrapper in which such matter is mailed bears on its face in capital letters and in conspicuous and legible type, in accordance with regulations which the Postal Service shall prescribe, the following notice: "THIS IS NOT A GOVERNMENT DOCUMENT.", or a notice to the same effect in words which the Postal Service may prescribe; or

(3) such matter is contained in a publication for which the addressee has paid or promised to pay a consideration or which he has otherwise indicated he desires to receive, except that this paragraph shall not apply if the solicitation is on behalf of the publisher of the publication.

(j) Matter otherwise legally acceptable in the mails which--

(1) is in the form of and reasonably could be interpreted, or construed as, a request for an addressee to renew, confirm, or verify the addressee's existing or previous business arrangement with the sender or the sender's agent, but

(2) constitutes, in fact, a solicitation for the addressee, whether by rendering payment or by any other means, to enter into a business arrangement with an entity with which the addressee has not previously had any consensual business arrangement is nonmailable matter, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs.

~~(k)~~(k) Except as otherwise provided by law, proceedings concerning the mailability of matter under this chapter and chapters 71 and 83 of title 18 shall be conducted in accordance with chapters 5 and 7 of title 5.

~~(l)~~(l) The district courts, together with the District Court of the Virgin Islands and the District Court of Guam, shall have jurisdiction, upon cause shown, to enjoin violations of section 1716 of title 18.

**TITLE 39--POSTAL SERVICE
PART IV--MAIL MATTER
CHAPTER 30--NONMAILABLE MATTER**

Sec. 3005. False representations; lotteries

(a) Upon evidence satisfactory to the Postal Service that any person is engaged in conducting a scheme or device for obtaining money or property through the mail by means of false representations, including the mailing of matter which is nonmailable under section 3001(d), (h), or (i), or (j) of this title, or is engaged in conducting a lottery, gift enterprise, or scheme for the distribution of money or of real or personal property, by lottery, chance, or drawing of any kind, the Postal Service may issue an order which--

(1) directs the postmaster of the post office at which mail arrives, addressed to such a person or to his representative, to return such mail to the sender appropriately marked as in violation of this section, if the person, or his representative, is first notified and given reasonable opportunity to be present at the receiving post office to survey the mail before the postmaster returns the mail to the sender;

(2) forbids the payment by a postmaster to the person or his representative of any money order or postal note drawn to the order of either and provides for the return to the remitter of the sum named in the money order or postal note; and

(3) requires the person or his representative to cease and desist from engaging in any such scheme, device, lottery, or gift enterprise.

For purposes of the preceding sentence, the mailing of matter which is nonmailable under such section 3001(d), (h), or (i), or (j) by any person shall constitute prima facie evidence that such person is engaged in conducting a scheme or device for obtaining money or property through the mail by false representations.

(b) The public advertisement by a person engaged in activities covered by subsection (a) of this section, that remittances may be made by mail to a person named in the advertisement, is prima facie evidence that the latter is the agent or representative of the advertiser for the receipt of remittances on behalf of the advertiser. The Postal Service may ascertain the existence of the agency in any other legal way satisfactory to it.

(c) As used in this section and section 3006 of this title, the term "representative" includes an agent or representative acting as an individual or as a firm, bank, corporation, or association of any kind.

(d) Nothing in this section shall prohibit the mailing of

(1) publications containing advertisements, lists of prizes, or information concerning a lottery, which are exempt, pursuant to section 1307 of title 18 of the United States Code, from the provisions of sections 1301, 1302, 1303, and 1304 of title 18 of the United States Code,

(2) tickets or other materials concerning such a lottery within that State to addresses within that State, or

(3) an advertisement promoting the sale of a book or other publication, or a solicitation to purchase, or a purchase order for any such publication, if

(A) such advertisement, solicitation, or purchase order is not materially false or misleading in its description of the publication;

(B) such advertisement, solicitation, or purchase order contains no material misrepresentation of fact: Provided, however, That no statement quoted or derived from the publication shall constitute a misrepresentation of fact as long as such statement complies with the requirements of subparagraphs (A) and (C); and

(C) the advertisement, solicitation, or purchase order accurately discloses the source of any statements quoted or derived from the publication. Paragraph (3) shall not be applicable to any publication, advertisement, solicitation, or purchase order which is used to sell some other product in which the publisher or author has a financial interest as part of a commercial scheme. For the purposes of this subsection, "State" means a State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

(e)(1) In conducting an investigation to determine if a person is engaged in any of the activities covered by subsection (a) of this section, the Postmaster General (or any duly authorized agent of the Postmaster General) may tender, at any reasonable time and by any reasonable means, the price advertised or otherwise requested for any article or service that such person has offered to provide through the mails.

(2) A failure to provide the article or service offered after the Postmaster General or his agent has tendered the price advertised or otherwise requested in the manner described in paragraph (1) of this subsection, and any reasons for such failure, may be considered in a proceeding held under section 3007 of this title to determine if there is probable cause to believe that a violation of this section has occurred.

(3) The Postmaster General shall prescribe regulations under which any individual seeking to make a purchase on behalf of the Postal Service under this subsection from any person shall--

(A) identify himself as an employee or authorized agent of the Postal Service, as the case may be;

(B) state the nature of the conduct under investigation; and

(C) inform such person that the failure to complete the transaction may be considered in a proceeding under section 3007 of this title to determine probable cause, in accordance with paragraph (2) of this subsection.

(f) Disclosure of identity of advertiser.

(1) Any solicitation for funds or for the sale of goods or services which is mailed shall disclose clearly and conspicuously, as required by regulations of the Postal Service, the name of the person making the solicitation and the complete address disclosing the physical location of such person's principal place of business.

(2) For the purposes of paragraph (1), "name" does not include a trade name, even if it is registered with a government agency.

(g) Advertising for advance loan fees.

(1) Any use of the mail to attempt to obtain any consideration for arranging, attempting to arrange, or providing assistance in securing, a loan of money, a credit card, or a line of credit, shall constitute prima facie evidence that the person conducting such activity is engaged in conducting a scheme or device through the mail by false representations.

(2) This subsection shall not apply to a bank, savings and loan association, trust company, building and loan association, credit union, consumer finance company, retail installment sales company, securities broker-dealer, real estate broker or salesperson, attorney, Federal Housing Administration or Veterans' Administration approved lender, credit card company, installment loan licensee, mortgage broker or lender, or insurance company, provided that any such person, company or association is licensed by and subject to regulation or supervision of any agency of the United States or of any State and is acting within the scope of such license.

**TITLE 39--POSTAL SERVICE
PART IV--MAIL MATTER
CHAPTER 30--NONMAILABLE MATTER**

Sec. 3007. Detention of mail for temporary periods

(a) In preparation for or during the pendency of proceedings under sections 3005 and 3006 of this title, the United States district court in the district in which the defendant receives his mail shall, upon application therefor by the Postal Service and upon a showing of probable cause to believe either section is being violated, enter a temporary restraining order and preliminary injunction pursuant to rule 65 of the Federal Rules of Civil Procedure directing the detention of the defendant's incoming mail by the postmaster pending the conclusion of the statutory proceedings and any appeal therefrom. The district court may provide in the order that the detained mail be open to examination by the defendant and such mail be delivered as is clearly not connected with the alleged unlawful activity. **the Postal Service may, pursuant to section 409(d) of this title, apply to the district court in any district in which mail is sent or received as part of the alleged scheme, device, lottery, or gift enterprise or in any district in which the defendant is found, for a temporary restraining order and preliminary injunction pursuant to rule 65 of the Federal Rules of Civil Procedure. Upon a showing of probable cause, the court, without any further showing, shall enter an order which shall remain in effect during pendency of the statutory proceedings, any judicial review thereof, or any action to enforce orders issued pursuant to the proceedings, and which directs the detention by the postmaster, in any and all districts, of the defendant's incoming mail and outgoing mail, in furtherance of the scheme which is placed in the postmaster's custody for dispatch or delivery, provided that such mail shall be made available at the post office of mailing or delivery for examination by the defendant in the presence of a postal employee and that such mail as is clearly not connected with the alleged unlawful activity shall be delivered as addressed. No finding of the defendant's intent to make false representations or to conduct a lottery is required to support the issuance of an order under this section.** An action taken by a court hereunder does not affect or determine any fact at issue in the statutory proceedings.

(b) If any order is issued pursuant to subsection (a) and the proceedings under section 3005 or 3006 are concluded with the issuance of an order under the section, any judicial review of the matter shall be in the district in which the order pursuant to subsection (a) was issued.

(b)(c) This section does not apply to mail addressed to publishers of newspapers and other periodical publications entitled to a periodical publication rate or to mail addressed to the agents of those publishers.

TITLE 39 - POSTAL SERVICE
 PART IV - MAIL MATTER
 CHAPTER 30 - NONMAILABLE MATTER

§ 3012. Civil penalties

(a) Any person -

(1) who, through the use of the mail, **telephone, electronic communication, or any medium used for promotion or advertising**, evades or attempts to evade the effect of an order issued under section 3005(a)(1) or 3005(a)(2) of this title;

(2) who fails to comply with an order issued under section 3005(a)(3) of this title; or

(3) who (other than a publisher described by section 3007~~(b)~~(c) of this title) has actual knowledge of any such order, is in privity with any person described by paragraph (1) or (2) of this subsection, and engages in conduct to assist any such person to evade, attempt to evade, or fail to comply with any such order, as the case may be, through the use of the mail;

shall be liable to the United States for a civil penalty in an amount not to exceed \$10,000 for each day that such person engages in conduct described by paragraph (1), (2), or (3) of this subsection. A separate penalty may be assessed under this subsection with respect to the conduct described in each such paragraph.

(b) Any person who, through use of the mail, sends any matter which is nonmailable under sections 3001(a) through (j), 3014 or 3015 of this title, shall be liable to the United States for a civil penalty in accordance with regulations the Postal Service shall prescribe. The civil penalty shall not exceed \$25,000 for each mailing of less than 25,000 pieces; \$50,000 for each mailing of 10,000 to 100,000 pieces; with up to an additional \$10,000 for each 50,000 pieces above 100,000.

~~(b)~~ (c) (1) Whenever, on the basis of any information available to it, the Postal Service ~~finds~~ **believes** that any person has engaged, or is engaging, in conduct described by paragraph (1), (2), or (3) of subsection (a), **or subsection (b)**, the Postal Service may, under the provisions of section 409(d) of this title, commence a civil action to enforce the civil penalties established by such subsection. Any such action shall be brought in the district court of the United States for the district in which the defendant resides, **conducts business**, or receives mail, **or into which the defendant sends mail**.

(2) If the district court determines that a person has engaged, or is engaging, in conduct described by paragraph (1), (2), or (3) of subsection (a), **or subsection (b)**, the court shall determine the civil penalty, if any under this section, taking into account the nature, circumstances, extent, and gravity of the violation or violations of such subsection, and, with respect to the violator, the ability to pay the penalty, the effect of the penalty on the ability of the violator to conduct lawful business, any history of prior violations of such subsection, the degree of culpability, and such other matters as justice may require.

~~(e)~~ (d) All **costs, damages, and penalties** collected under authority of this section shall be paid into the ~~Treasury of the United States~~ **Postal Service Fund established by section 2003 of this title**.

(d) ~~(e)~~ In any proceeding at any time under this section, the defendant shall be entitled as a defense or counterclaim to seek judicial review, if not already had, pursuant to chapter 7 of title 5, of the order issued under section 3005 of this title. However, nothing in this section shall be construed to preclude independent judicial review otherwise available pursuant to chapter 7 of title 5 of an order issued under section 3005 of this title.

TITLE 39—POSTAL SERVICE
PART IV—MAIL MATTER
CHAPTER 30—NONMAILABLE MATTER

Amend chapter 30 of title 39, United States Code, by adding at the end the following new section:

30XX. Administrative Subpoenas

(a) **Authorization of use of Subpoenas by Postmaster General.**—In any investigation conducted under this chapter, the Postmaster General may require by subpoena the production of any records (including books, papers, documents, and other tangible things which constitute or contain evidence) which the Postmaster General finds relevant or material to the investigation.

(b) **Service**

(1) A subpoena issued under this section may be served by a person designated in 18 U.S.C. 3061 at any place within the territorial jurisdiction of any court of the United States.

(2) Any such subpoena may be served upon any person who is not to be found within the territorial jurisdiction of any court of the United States, in such manner as the Federal Rules of Civil Procedure prescribe for service in a foreign country. To the extent that the courts of the United States can assert jurisdiction over such person consistent with due process, the United States District Court for the District of Columbia shall have the same jurisdiction to take any action respecting compliance with this section by such person that such court would have if such person were personally within the jurisdiction of such court.

(3) Service of any such subpoena may be made by a postal inspector upon a partnership, corporation, association, or other legal entity by—

(A) delivering a duly executed copy thereof to any partner, executive officer, managing agent, or general agent thereof, or to any agent thereof authorized by appointment or by law to receive service of process on behalf of such partnership, corporation, association, or entity;

(B) delivering a duly executed copy thereof to the principal office or place of business of the partnership, corporation, association, or entity; or

(C) depositing such copy in the United States mails, by registered or certified mail, return receipt requested, duly addressed to such partnership, corporation, association, or entity at its principal office or place of business.

(4) Service of any subpoena may be made upon any natural person by—

(A) delivering a duly executed copy thereof to the person to be served; or

(B) depositing such copy in the United States mails by registered or certified mail, return receipt requested, duly addressed to such person at his residence or principal office or place of business.

(5) A verified return by the individual serving any such subpoena setting forth the matter of such service shall be proof of such service. In the case of service by registered or certified mail, such return shall be accompanied by the return post office receipt of delivery of such subpoena.

(c) **Enforcement**

(1) Whenever any person, partnership, corporation, association, or entity fails to comply with any subpoena duly served upon him, the Postmaster General may request that the Attorney General seek enforcement of the subpoena in the district court of the United States for any judicial district in which such person resides, is found, or transacts business, and serve upon such person a petition for an order of such court for the enforcement of this section.

(2) Whenever any petition is filed in any district court of the United States under this section, such court shall have jurisdiction to hear and determine the matters so presented, and to enter such order or orders as may be required to carry into effect the provisions of this section. Any final order entered shall be subject to appeal pursuant to section 1291 of title 28. Any disobedience of any final order entered under this section by any court shall be punished as contempt thereof.

(d) **Disclosure.** Any documentary material provided pursuant to any subpoena issued under this section shall be exempt from disclosure under section 552 of title 5.

(e) Within 180 days of enactment, the Postal Service shall promulgate regulations setting out the procedures the Postal Service will use to implement the authority provided in this section.

(b) Clerical amendment - The table of sections at the beginning of chapter 30 of title 39 is amended by adding at the end the following:

'3017. Administrative subpoenas.'

11. Is the Breast Cancer Awareness semi-postal stamp producing the desired income for breast cancer research?

ANSWER: Approximately 61 million Breast Cancer Research stamps have been sold since the stamp's issuance last summer, raising up to \$4.9 million for research. Stamp by stamp and letter by letter, the American public is helping generate significant funds for research. I have ordered a second printing to ensure the stamps are available for anyone who wishes to participate in this worthy cause. The Postal Service initially printed 200 million Breast Cancer Research stamps for the stamp's July 29, 1998, issuance, but inventories have gone down rapidly. The additional 80 million stamps will be available in March and should meet customer demand until sales of the stamp end at all post offices in July 2000.

