

NOMINATION OF HON. TONY HAMMOND

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

NOMINATION OF HON. TONY HAMMOND TO BE A COMMISSIONER,
POSTAL REGULATORY COMMISSION

MARCH 6, 2012

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NOMINATION OF HON. TONY HAMMOND

TUESDAY, MARCH 6, 2012

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:34 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Thomas R. Carper presiding.

Present: Senators Carper and Brown.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The hearing will come to order. Before I offer an opening statement and begin the hearing to consider the nomination of Tony Hammond to be, once again, a Member of the Postal Regulatory Commission (PRC), I would like to yield to Senator Blunt for any comments that he would like to offer at this time.

TESTIMONY OF HON. ROY BLUNT, A U.S. SENATOR FROM THE STATE OF MISSOURI

Senator BLUNT. Well, Senator Carper, thank you.

Senator CARPER. Welcome. We are glad you are here.

Senator BLUNT. Thank you for yielding to me and letting me have the opportunity to introduce my good friend, Tony Hammond.

I have known Mr. Hammond for at least 30 years. He is a native of Hickory County, Missouri, one of the three counties in Missouri that is named after Andrew Jackson. We actually ran out of ways to honor Andrew Jackson, so we just named one of the counties Hickory County in his honor, and that is the one where Tony grew up.

He is a graduate of Missouri State University in Springfield. He previously began service on this same Commission in August 2002, following an appointment by President Bush, and was reappointed in January 2005. The Senate, at that point, confirmed Commissioner Hammond to a term that expired in October 2011. He served 2 years as Vice Chairman of the Commission and has represented the Commission on the U.S. State Department delegation to the Universal Postal Union.

Before being named to the Postal Rate Commission, Commissioner Hammond owned and managed a consulting firm. From 1989 to 1994, he was Executive Director of the Missouri Republican Party. And before that, he served on Capitol Hill for 10 years on the official staff of Southwest Missouri Congressman Gene Taylor. During Congressman Taylor's tenure as ranking member of the

Post Office and Civil Service Committee, Mr. Hammond dealt with the diverse issues that relate to postal rates and postal operations.

I think he served well on the Commission. I am pleased that the President has nominated him, but he has nominated him for a term that ends in November of this year. And so, I look forward to Commissioner Hammond, based on the recommendation, I hope, of this Committee, to be able to serve some additional time on this Commission that he has already served on so well.

Senator CARPER. Well, hopefully, he will have, if confirmed, a lot to do this year and some more to do after November. But we will cross that bridge when we come to it.

I want to thank you very much for coming.

Senator BLUNT. Well, thank you for coming, and I am going to excuse myself. But I appreciate your having this hearing, and I look forward to whatever we can do, working together, to get this nomination confirmed by our colleagues in the Senate. Thank you.

Senator CARPER. Thanks for your testimony and for your endorsement.

Mr. Hammond is not a stranger, as you know, to the Commission. He knows, just as everyone watching this hearing likely knows, that these are challenging times for the Postal Service. As we sit here today, the future of the Postal Service and the massive private sector mailing industry it supports is uncertain. Absent congressional action this year, that future will be dire.

Last year, the Postal Service suffered an operating loss of more than \$5 billion. It will see a similar loss this year even if it finds some way to avoid making the retiree health pre-funding payments due in the coming months. These losses will accelerate starting in fiscal year 2013—\$6.5 billion that year, just under \$10 billion in fiscal year 2014, more than \$12 billion in fiscal year 2015, and I am told more than \$15 billion in fiscal year 2016.

Coincidentally, under current law, the cap on the line of credit that the Treasury may extend to the Postal Service, as you may recall, is \$15 billion.

Postmaster General Patrick Donahoe has said repeatedly that he and his team will do everything they can to keep the mail moving, even as the Postal Service's finances deteriorate. I believe him, and I think he has done a remarkable job so far, along with his team.

But make no mistake; if the Postal Service is not permitted in the very near future to begin adjusting its network to reflect the changing demand for its products and services and to respond to the likely permanent declines in mail volume we have seen in recent years, it will drown in red ink, and millions of jobs, maybe as many as 7 million jobs, will be at risk as a result.

We need to work quickly to prevent this economic catastrophe. Everyone—postal management, postal employees, Members of Congress, and the Postal Regulatory Commission—need to act with a sense of urgency in the coming weeks and months. We need to do our jobs. We need to show leadership, and we need to redouble our efforts to put the right policies in place to change the Postal Service's business model and help it right-size its operations and seek new revenues.

In the past, I have made no secret of my concerns about the Commission's ability to fulfill its statutory role in addressing the

Postal Service's financial challenges. We spoke about that when you met with me in my office.

I have called on the Commission to speed up and improve the quality of its work on Advisory Opinions. The Commission's opinion on the advisability of the Postal Service's proposal to eliminate Saturday delivery did not appear for about a year and, in a lot of ways, created more questions than it answered.

We are, unfortunately, now facing problems with another Advisory Opinion, this one involving proposed changes to the overnight delivery standard and mail processing facility closures. The Commission has indicated that it will not issue an Advisory Opinion on the Postal Service's proposals until this summer. The Postal Service, meanwhile, has a right to act sooner and plans to do so in May.

I recognize that there are a number of procedural hurdles the Commission must get past before issuing an Advisory Opinion. It is unclear to me, however, why commissioners are unable to release even some preliminary findings before May. I do not want the Commission to put out bad work or just rubberstamp the Postal Service's plans. I just want them to be heard and for the Postal Service and Congress to have the benefit of their analysis and opinions before a major change in service is implemented.

The Postal Service says it is acting on its plans in May because it urgently needs to begin making adjustments to its networks before the fall when mail volumes will ramp up due to the holiday season and the upcoming elections. I want to see the same sense of urgency from the Commission as it goes about its business in the coming weeks and months. Otherwise, I fear that the legitimacy and the role of the Commission in these matters could be threatened.

I look forward to our discussion today with Mr. Hammond about his views on a number of postal issues and also on the urgency that he feels to find a way to help the Postal Service get back on its feet while at the same time practicing what I call the Golden Rule, treating all the key stakeholders in this—postal customers, postal employees, and taxpayers—the way we would want to be treated.

With that, let me turn to Senator Brown for any comments that he would like to make at this time. Welcome.

OPENING STATEMENT OF SENATOR BROWN

Senator BROWN. Mr. Chairman, thank you very much for holding this hearing.

As you know, this nomination is being considered at a time when, as you referenced, the Postal Service is at a crossroads. The evolution of electronic communications and the lingering effects of an economic recession have caused mail volumes to drop at unprecedented rates, and this decline, which is not expected to rebound, has combined with enormous labor costs and statutory mandates that have left the Postal Service financially crippled. And there is little disagreement that the current business model is not sustainable.

Through our efforts—I think my office spent about 500 hours on this, between staff and me, trying to come up with a proposal.

I think the 21st Century Post Service Act, S. 1789, with Senators Lieberman, Collins, Carper, and me, was a good start and a good

framework based on information we had by sitting down with the Postmaster General and determining what his needs were. And then, somehow along the way, it got sidetracked by other concerned Members putting out information, rightly or wrongly, based on fact or not. That is when I made a recommendation, as you know, for us all to get in a room—Democrats and Republicans—to solve this very real problem because if we get delayed much more, we are not going to have another opportunity to address it in an open, honest, and fair way.

We are here to consider, obviously, your nomination, and I am looking forward to your testimony. However, I am bouncing back and forth between the Armed Services Committee and here.

But as you know, the PRC's role is critical to everything we are going to be doing. It is critical not only in addressing the closures that are being recommended, but also in dealing with the analysis as to how the Postal Service should continue and grow, or not.

I know you have, obviously, a very long and storied history, a tremendous amount of experience and knowledge of how politics comes into play, and I think that is going to be very important for you to continue to work through.

So I have not yet had a chance to sit down with you, but as I said, I am sure I will in the near future. And I look forward to starting the conversation today. So, thank you.

Senator CARPER. Thanks very much, Senator.

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

Our Committee rules require that all witnesses at nomination hearings give their testimony under oath.

Mr. Hammond, I am going to ask, if you will, to stand and raise your right hand. You have done this before, so this will be like what they say about riding a bicycle.

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

Mr. HAMMOND. I do.

Senator CARPER. All right, please feel free to proceed with your statement.

Again, welcome. Thank you, and thank you for your willingness to assume this responsibility once again.

TESTIMONY OF HON. TONY HAMMOND¹ TO BE A COMMISSIONER, POSTAL REGULATORY COMMISSION

Mr. HAMMOND. Well, thank you, Senator Carper and Senator Brown, for being here.

First of all, I want to express my appreciation to you and all the Members of the Committee for scheduling this hearing to consider my nomination to return to the Postal Regulatory Commission.

¹ The prepared statement of Mr. Hammond appears in the Appendix on page 19.

I appreciate the confidence that President Obama has placed in me with his nomination as well as the support I received from Senate Minority Leader Mitch McConnell during this process, too.

And I want to especially thank Senator Blunt, who my family and I have been privileged to call a friend for many years, for being here. I am grateful for his willingness to introduce me to this Committee.

I would also like to acknowledge my recent colleagues, Vice Chairman Nanci Langley and Commissioner Mark Acton, for the support they have given me in attending today. Their friendship in our working together has been invaluable over the years.

And finally, if I could, while the rest of my family is back in Missouri, my nephew, Tracy Hammond, does live here in Washington, DC, and he moved his schedule around today in order to sit through this. So I greatly appreciate it.

Senator CARPER. I am going to ask, Mr. Hammond, would you raise your hand, please? All right, welcome.

Mr. HAMMOND. When I first became a Commissioner in 2002, the PRC was an entirely different agency. As you know, the old Postal Rate Commission was mainly responsible for considering changes in postal rates and classifications.

But with the passage of the Postal Accountability and Enhancement Act (PAEA) in 2006, the PRC acquired enhanced responsibilities, which required a major revamping of the agency functions. With the leadership of our then-Chairman Dan Blair and the genuine cooperation among all the commissioners and especially with a dedicated PRC staff, we were able to achieve the transformation in a responsible manner, I believe, in keeping with the mandates of the PAEA.

I was actively involved in all the transition activities. Among them, of course, we were required to implement an entirely new rate-making system, which we were actually able to complete several months in advance of the deadline. The Commission was also timely in providing the mandated Report to the Congress on the Postal Service's Universal Service Obligation. In addition, each year, of course, we are responsible for producing the comprehensive Annual Compliance Determination (ACD), which is the important look-back regulatory model of the PAEA.

And so, along with the annual rate change cases and the other requested decisions, I have also worked with the other members of the Commission in the formal Advisory Opinion requests received from the Postal Service and, of course, the Commission's unanimous ruling on the Postal Service's Exigent Rate Request.

With the Postal Service dealing with such severe financial difficulties, I know that the Postal Regulatory Commission has an extra responsibility to adjudicate fairly, in a professional and timely manner, all the decisions on every case that comes before us. I also know that we must be mindful that all our activities are carried out in a responsible and transparent manner that makes wise use of the ratepayer dollars that provide the PRC's annual budget.

For over 9 years, I enjoyed the challenging work at the Commission, and I hope this Committee will look favorably on my experience and my enthusiasm in considering my return to the PRC.

Mr. Chairman, thank you again for this opportunity. I will be happy to respond to any questions that you or your colleagues might have.

Senator CARPER. Fair enough.

I want to welcome Commissioner Langley and Commissioner Acton as well. Thank you for joining us.

Sometimes I watch the body language of our guests to see how they react, especially your fellow colleagues, past and future. And let the record show that their eyes were rolling for most of the time that you were speaking, but we are going to set that aside, and I will just keep my eyes on you and listen to what you have to say.

No, I think they seemed to be smiling and their body language was quite the opposite of that.

As you know, there are three questions that our Committee rules require us to ask, and those questions are as follows:

Is there anything you are aware of in your background that presents a conflict of interest with the duties of the office to which you have been nominated.

Mr. HAMMOND. No.

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

Mr. HAMMOND. No.

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

Mr. HAMMOND. Yes.

Senator CARPER. Good. When you and I met, we talked about my sense of urgency, and I want to ask a couple of questions that relate to that.

As you are aware and as I mentioned again in my opening statement, it was frustrating to me that it took the Commission so long to issue an Advisory Opinion on an issue as important as the Postal Service's proposal to eliminate Saturday delivery, and I have a couple questions about this issue. In fact, I have three questions. I am going to ask all three, and then I will come back and we will do them one at a time.

The first question is: Would you agree that it was unacceptable for the Commission to keep everyone waiting so long for its thoughts on the Saturday delivery issue?

The second question is: What went wrong in your view and what can you commit to do, if reconfirmed, to address whatever management problems contributed to the delay?

And the third question is: If you are confirmed and return to the Commission, at some point in the coming weeks, can you commit to doing what you can to make sure that the Advisory Opinion the commissioners are currently working on, involving overnight delivery and mail processing facility closures, is completed as expeditiously as possible?

So those are the three questions.

I am going to reread the first one and ask you to respond, and we will do them one at a time. First, would you agree that it was

unacceptable for the Commission to keep everyone waiting for so long for its thoughts on the Saturday delivery issue?

Mr. HAMMOND. Well, my short answer is yes, I think that we did take too long. And when that issue first came before us, I expressed my opinion as to what I thought the timetable should be. My view did not predominate at that time.

So yes, it was unacceptable.

Senator CARPER. What do you think went wrong, as in my second question? What do you think went wrong in your view and what can you commit to do, if you are reconfirmed, to address whatever management problems may have contributed to this delay?

Mr. HAMMOND. Well, I believe whenever possible we should take action as quickly as possible. As far as the specifics, I must say I do respect the prerogative of the chair and the responsibilities that she has ultimately for setting the schedule in consultation with others. So I respect that view.

Things that we could have done differently—I have supported hearing as much opinion as possible on major decisions in the past, but we did take a long time in the hearing process. We held several hearings all across the country. Possibly, we could have tightened that schedule. That could have made a difference.

We were very lenient in allowing people to request additional time than probably we should have allowed for gathering of information.

So those are a couple of the problems that we faced. But no, I did think that we should have done it quicker.

And, yes, I do commit in the future, when and if I am back at the Commission, to see that we make timely decisions.

Senator CARPER. Is that also with respect to the issues the Commission is working on, involving overnight delivery and mail processing facilities?

Mr. HAMMOND. With the current Advisory Opinion, yes.

I left 5 months ago from my current term. And I had already left the Commission when the Advisory Opinion came before the Commission. So I have not been involved in any of the discussion or decisionmaking on what the timetable would be.

But I certainly would commit, and I guess I should say that I hope to be confirmed by the Senate and I hope to be confirmed in time to return to the Commission to actually participate in part of that decision. So I do not want to say anything that would jeopardize—

Senator CARPER. Fair enough.

Mr. HAMMOND [continuing] My ability to actually participate, where anyone would seek my recusal.

But that being said, there are certain things I hope are under way right now, especially after hearing from so many Members of Congress and Committee staff and people in the mailing community about the timetable that it is currently under. Even small things could possibly be of benefit.

I mean, I hope that, for instance, right now, the staff is working on expediting analysis. I know that is difficult to define at times, but I hope that is occurring.

I think that the Commission, on many occasions, has possibly been too accommodating to both the U.S. Postal Service attorneys

and their requests and to interveners and their requests on time-tables, and possibly, we need to consider tightening that up.

If we need to have a complete review of our operational procedures, we should all get together and discuss that to see what we could do in order to assure that all of our decisions are timely because, I mean, I am totally aware that if the Postal Service asks for a major Advisory Opinion from us and it is not timely, we have not really accomplished anything. It does not make any difference how reliable it is when the product gets out if no one is looking at it. We have wasted our time and everyone's time.

Senator CARPER. Fair enough. All right. I have a couple more questions I want to ask, but I am going to yield to Senator Brown so that he might return to his other hearing.

Senator BROWN. Well, thank you, Mr. Chairman, for letting me go out of order.

Yes, we need to get those reports quickly. We are in an emergency with the Postal Service. It is going to be out of business pretty soon. Grandparents are not going to be able to give and get cards from the grandkids. We have an industry and an economy that is relying on the delivery of products, mail, and bills. So yes, we need to get this squared away.

So one of the biggest problems that I am always wrestling with is we make a request, we need some information, and it comes 10 years down the road.

I am looking forward to confirming you. I am going to support you. I look forward to it.

Mr. Chairman, I would ask that you speak to the Majority Leader and have him get this done so we can have his expertise on the Commission and the ability for him to push things forward because I think it is vitally necessary for what we are trying to do—the band of four trying to save the Postal Service.

And as you know, the Postal Service has made tentative plans to consolidate and close around half of its processing facilities, four of which are in my home State of Massachusetts. What role has, or should, the PRC play in ensuring that this process has been, and will be, fair and the community input has been, and will be, appropriately considered?

Mr. HAMMOND. Well, I know we face difficulties here because we have talked about the amount of time to work on this Advisory Opinion, but there certainly is a process set up on purpose for the PRC to give an adequate amount of time for community input, as well as everyone else. As you know, of course, anyone can come before the Commission as an intervener. Anyone can seek that sort of information in that manner. But community input is important also, and so sometimes we do have to take into account that part of the timeliness is involved with how much people want to be involved in what we are doing.

Senator BROWN. And do you think is it appropriate for the PRC to have greater oversight responsibility in the process, yes or no, or why or why not?

Mr. HAMMOND. Well, I think that we have a proper role. You know, when the PAEA was passed, we got enhanced responsibilities, and maybe at the time we did not anticipate that the Advisory Opinion process would be so predominant as it has been.

So we have to take those responsibilities seriously, but we do so, and that is what we do. We are there for that, and that is part of our responsibility for accountability and transparency in everything that we do also.

Senator BROWN. Right. And it is funny; that is a significant criticism from people in Massachusetts regarding the Postal Service's ability to provide sufficient data and justification to back up its decision to consolidate and close operations in my State. I recently met with the Postmaster General to specifically ask for additional information on how he came to the decision on which facilities to close.

What were the PRC's most significant concerns with the retail closing plan, if you know?

Mr. HAMMOND. Yes, I was still on the Commission when we originally received that Advisory Opinion request and was active in the hearings and the testimony received and all.

I had left the Commission by the time the decision was issued, but I agree with what the other Commissioners all unanimously signed off on, and that was that the Postal Service had not done an adequate job of getting together the necessary information, just like you talk about the necessary data, that is necessary to make some of those decisions.

I think that was a major recommendation of the Commission, and I think that was a proper one; that, as well as the other things which came up, such as had they thought out adequately alternative access and things like that. I agree with the decision that the Commission ultimately made.

Senator BROWN. So in terms of the rollout of the plan and communicating how service standards would affect the communities that would be impacted, do you think they could have done it a little better?

Mr. HAMMOND. Yes.

Senator BROWN. And what is the tradeoff between the need to lower operating costs and the impact that service changes and rate increases have on future revenues? For example, I know from my last conversation that there was a potential to go up to 50 cents per parcel now for first-class mail.

What are the most important factors in preventing a death spiral to the point where people will just say, I am at that point where I would rather get online and do it; I would rather do it differently, find other ways to deliver mail? What do you think the trigger points are?

Mr. HAMMOND. Well, since you mention the possibility particularly of an increase in essentially the price of stamps outside the PAEA's restrictions, if the Congress chooses to do that without the input of the Postal Regulatory Commission, we would, of course, have nothing to say about it. But when we had that issue before us earlier, with the Postal Service's Exigent Rate Request, we unanimously rejected that, and I think we made the right decision. So as far as that goes, that is what I think about that.

We have an obligation, and obviously, as you pointed out, the Postal Service is in severe financial difficulty. So of course, everything they are doing is trying to become more efficient in cutting costs, etc., in what they have to do.

But our first obligation, which has been given to us, and what I always looked at when I was a member of the Commission in everything that came before us—in an Advisory Opinion request, a complaint case, no matter what it was—is to make sure that the Postal Service is continuing their Universal Service Obligation. So if they do not meet the criteria of keeping the Universal Service Obligation, we cannot consider it any further in my opinion.

So they have to do that. That is the absolute No. 1 thing.

Senator BROWN. Yes. Well, it is interesting. I have had many people who have come to me and said: Listen, when first-class stamps reach 50 cents and over, that is it. I am done.

But they said: Why not lower the price to 30 or 35 cents? Then I would actually take all my stuff offline, and I would actually do it the old-fashioned way, not only to support the institution, but people actually like getting that old-fashioned mail, so to speak.

Is there ever any conversation about actually lowering prices? I will just give you an example. I know the Philadelphia 76ers lowered their costs. They revamped the way they do business. They have re-energized that franchise, and they have more people coming because it is more affordable.

Is there ever any discussion about lowering the costs and actually making it more affordable for people to participate again in the Postal Service?

Mr. HAMMOND. Yes, well, certainly, another goal of the PAEA was to give the Postal Service the flexibility to experiment in things like that. And you know, 2 to 3 years ago now—I cannot remember exactly when they started it—the Postal Service experimented with the so-called seasonal sales.

The summer sale is what they originally started with, and that was actually providing a preferred rate for people who were going to be in the mail system. And that was successful. Without any delay, we approved that.

And they subsequently came back to us with several other seasonal sales. Yes, that is an example of the flexibility that they have to experiment with things like that.

They have come to the Commission with other experiments like that, and the Commission has approved every single one of them. So we have encouraged that innovation. We are not the ones who are responsible for telling them what new product they ought to offer, but we have not been a hindrance in approval.

Senator BROWN. Well, good luck, sir. Thank you.

Mr. HAMMOND. Thank you.

Senator CARPER. Thanks, Senator Brown. Thanks very much for being here and being a part of this hearing.

A couple more questions, if I could. Recently, the Commission has been spending a significant amount of time hearing appeals of post office closings, as you know. It is my understanding that the authority the Commission has to prevent closings is somewhat limited. Closings can only be halted if the Postal Service has been arbitrary or has not followed the process laid out in the law. At the end of the day, the Postal Service will likely have its way if it really wants to close a post office under current law and rules.

Now I think the Postal Service should have the right to close post offices or consolidate them and probably needs to close or con-

solidate some, but I want to make sure that communities, particularly rural communities, that rely more on their post offices than others have reasonable access to some sort of postal retail service.

What role should the Commission have in this area and how would you approach post office appeals should you return to the Commission?

Mr. HAMMOND. Well, I somewhat understand that because I am originally from a rural area, as you know. And yes, you are absolutely right about how they rely on their U.S. Postal Service and their postal facilities.

Currently—and we have been responsible in setting up an appeals process—anyone can appeal who feels that he has been impacted by that potential closure. And the thing, of course, as you mentioned, that we have to look at in appeals is if the U.S. Postal Service is being arbitrary and capricious. So that is roughly no farther than anyone has to go to make that allegation for an appeal to be filed and considered.

That requires a full administrative record from the Postal Service and requires review by the Commission on what the actions were that the Postal Service took. And for the ultimate decision, we have to look at each and every post office appeal individually, and that is a great protection for people.

It is time-consuming, and I anticipate if the Postal Service goes back to a big amount of closings possibly, that we will have a tremendous amount of appeals before us. And that will be time-consuming, but that is the process that was set up to provide people their rights, and we have to continue to consider individually all the appeals that would come before the Commission.

Senator CARPER. All right. All of the changes that are being contemplated by the Postal Service with regard to its facilities, with regard to its delivery speed, with regard to Saturday delivery and other issues are coming as a result, as we know, of serious financial issues. In weighing the advisability of some of what the Postal Service wants to do in these areas, I think we need to keep in mind that the demand for what the Postal Service offers has changed.

For example, in my office I get, every other week, a mail report from my staff. I started asking for it in 2001 so we know what people are writing, faxing, calling, and emailing us about and how promptly we are responding to them.

I get this biweekly mail report, so I asked my staff to go back and look at 2001 and tell me how many letters we received for every email. The ratio was something like 15 letters for every email.

And I asked them to look at 2011 to see what, in our office, the ratio was between letters and emails, and the numbers had just flipped. Roughly, for every letter we receive today, we receive 15 emails. So I think that pretty much speaks for itself and has done a lot to help change the financial picture at the Postal Service.

There is likely some percentage of the mail volume we have lost in recent years that will just never come back. I do not expect us to start getting 10 letters for every 10 emails anytime soon. I think both the public and the Commission need to recognize that, and so do my colleagues.

How do you think the Commission should account for things like the Postal Service's financial problems or electronic diversion of the mail when considering a proposed service change or post office closing?

Mr. HAMMOND. Well, you are absolutely correct about the electronic diversion being a major cause. If you look at particularly bill payment, the diversion on bill payment came about a lot quicker and a lot more massively than anyone anticipated. So I mean, that is another example.

And sure, we have to look at all the financial issues of the Postal Service. There is no doubt that, as you hear constantly, they are almost out of money.

We have to continue. The PRC is responsible for approving or reviewing every innovative proposal that the Postal Service brings to us, whether it is, like I mentioned, the seasonal sales, the flat rate box, the second ounce free, or this new every door direct—I cannot remember the acronym for it. But you know the PRC approved that as an experimental product just recently, and I did read that the first quarter results showed that the Postal Service looked at 57 million pieces of mail being mailed because of that, which was a tremendous opportunity.

We need to encourage the flexibility to look at innovative things like that, which will make a difference to their bottom line. The goal is to bring them more financial resources. And an innovation like that is what we have a responsibility to look at and approve expeditiously, without delay, if it has possibilities.

I mean, we have to make sure that everyone has their opportunity to review, but we have to get that done within the time frames allowed. And we have done that in every instance when I was at the PRC.

Senator CARPER. I hope it is not too late when this happens. I do not think it will be.

Someday, somebody is going to look at the business model and the network of the Postal Service, their presence in every community in America, the fact that 5 or 6 days a week a letter carrier goes to everybody's door, everybody's business in America, or at least to their post office box if they choose to have a post office box in a rural community. But somebody is going to say, why did we not think of a particular idea that would have better utilized that network, that delivery system?

And you have mentioned a couple of ideas that are good ones. There are others.

One of the things I have said repeatedly—I say it again here today—it is not enough for the Postal Service or for the Congress just to say cut, cut, cut. We have to find ways to grow some revenues, think outside the box. There are a number of us in the Senate, and I am sure in the House, who are interested in encouraging and facilitating the Postal Service in their efforts to be more entrepreneurial, to be more innovative, and to consider good ideas.

I think the legislation, the Managers' amendment, that is going to come to the Senate before long, I hope, will strengthen the likelihood that when some folks come up with great ideas to increase revenues at the Postal Service, the Postal Service will have a chance to do those.

Language in legislation this Committee has reported out would allow the Postal Service to take advantage of its resources and its delivery networks to experiment on a limited basis with non-postal products, and let me just ask what your thoughts are on the proposal. How would you approach non-postal proposals if they were to come across your desk as a Commissioner?

Mr. HAMMOND. Well, I know when I first had the written questions from the Committee that asked about Postal Service competition with the private sector, I indicated that I did not see any reason for the Postal Service to compete where the private sector is already providing the service.

But after I had discussions with some of the other Senators as well as you about what was contained in that specific proposal—I believe there is a four-prong test that the PRC would be responsible to review for anything that the Postal Service was to begin to offer under that—I think that would provide adequate safeguards.

And of course, I recall one of those tests was if the private sector was currently providing the service, and if you have that as a safeguard, I do not see a problem. Your specific proposal takes into consideration the potential problem and has adequately dealt with it as far as I could see.

And we would do a very expeditious job if we had that responsibility, I know, in reviewing and approving.

Senator CARPER. Thank you. I want to thank Senator Brown for joining us today.

I want to thank our staff for working with you to prepare you and us for this hearing as well.

Thank you for your willingness to return and to resume your service to the Postal Regulatory Commission.

As you know, we have to allow a certain amount of time for Members who may not have been here to submit questions to you, and we are going to let them have until noon tomorrow for the submission of additional comments and questions. I do not know that I will have any of my own, or if Senator Brown will, but we might. And if you get those, I would just ask that you respond to them promptly.

Mr. HAMMOND. I certainly will.

Senator CARPER. Any closing word that you might like to offer?

Mr. HAMMOND. No. Again, I appreciate what you are doing, and I wish you success.

Senator CARPER. Thank you. Thanks so much.

And to the Commissioners who are here, we welcome you. We thank you for your service. You have some excellent staff on the Commission, and we are grateful for their service as well.

With that having been said, I am going to rush off to my Finance Committee hearing and try to get there before they finish that up as well. Thanks so much.

The hearing is adjourned.

[Whereupon, at 11:16 a.m., the Committee was adjourned.]

A P P E N D I X



FOR RELEASE: March 6, 2012
CONTACT: Emily Spain (202) 224-2441 or emily_spain@carper.senate.gov

U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

HEARING: "Hearing on the Nomination of Tony Hammond"

Opening Statement of Senator Tom Carper *As prepared for delivery*

Today, we'll be considering the nomination of Tony Hammond to be a member of the Postal Regulatory Commission. Mr. Hammond is not a stranger to the Commission. He knows – just as everyone watching this hearing likely knows – that these are extremely challenging times for the Postal Service.

As we sit here today, the future of the Postal Service and the massive private-sector mailing industry it supports is uncertain. Absent congressional action this year, that future will be dire.

Last year, the Postal Service suffered an operating loss of more than \$5 billion. It will see a similar loss this year even if it finds some way to avoid making the retiree health pre-funding payments due in the coming months. These losses will accelerate starting in fiscal year 2013: \$6.5 billion that year; just under \$10 billion in fiscal year 2014; more than \$12 billion in fiscal year 2015; and more than \$15 billion in fiscal year 2016.

Postmaster General Donahoe has said repeatedly that he and his team will do everything they can do to keep the mail moving even as the Postal Service's finances deteriorate. I believe him, and he's done a remarkable job so far. But make no mistake: If the Postal Service is not permitted in the very near future to begin adjusting its network to reflect the changing demand for its products and services and to respond to the likely permanent declines in mail volume we've seen in recent years, it will drown in red ink. Millions of jobs will be at risk as a result.

We need to work quickly to prevent this economic catastrophe. Everyone – postal management, postal employees, members of Congress, and the Postal Regulatory Commission – need to act with a sense of urgency in the coming weeks and months. We need to do our jobs, show leadership, and redouble our efforts to put the right policies in place to change the Postal Service's business model and help it right size its operations and seek new revenues.

In the past, I've made no secret of my concerns about the Commission's ability to fulfill its statutory role in addressing the Postal Service's financial challenges. I've called on the Commission to speed up and improve the quality of its work on advisory opinions. The Commission's opinion on the advisability of the Postal Service's proposal didn't appear for about a year and, in a lot of ways, created more questions than it answered.

We're unfortunately now facing problems with another advisory opinion, this one involving proposed changes to the overnight delivery standard and mail processing facility closures. The Commission has indicated that it will not issue an advisory opinion on the Postal Service's proposals until the summer. The Postal Service, meanwhile, has a right to act sooner and plans to act in May.

I recognize that there are a number of procedural hurdles the Commission must get past before issuing an advisory opinion. It's unclear to me, however, why commissioners are unable to release even some preliminary findings before May. I don't want the Commission to put out bad work or to just rubber stamp the Postal Service's plan; I just want them to be heard, and for the Postal Service and Congress to have the benefit of their analysis and opinions before a major change in service is implemented.

The Postal Service says it is acting on its plans in May because it urgently needs to begin making adjustments to its network before the fall, when mail volumes will ramp up due to the holiday season and the upcoming elections. I want to see the same sense of urgency from the Commission as it goes about its business in the coming weeks and months. Otherwise, I fear that the legitimacy and the role of the Commission in these matters could be threatened.

I look forward to talking to Mr. Hammond today about his views on a number of postal issues and also on the urgency he feels to find a way to help the Postal Service get back on its feet.

STATEMENT OF SENATOR SCOTT BROWN
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS

Nomination for Postal Regulatory Commission – Tony Hammond

March 6, 2012

Thank you Mr. Chairman.

This nomination is being considered at a time when the Postal Service is at a crossroads. The evolution of electronic communications and the lingering effects of an economic recession have caused mail volumes to drop at an unprecedented rate. This decline, which is not expected to rebound, has combined with enormous labor costs and statutory mandates that have left the Postal Service financially crippled. There is little disagreement that the current business model is not sustainable in the future.

There is plenty of disagreement, however, on the steps necessary to put the Postal Service on a viable financial path forward. Surely, the Postal Service must continue to cut costs and reduce capacity to align with projected declines in mail volume. Yet, it is also up to Congress to find the right balance of reforms that will both ensure universal service and secure the long-term financial health of this vital institution into the future. No doubt, some tough choices must be made. The Postal Service impacts many important stakeholders and thoughtful consideration is required across many different viewpoints. I am confident, however, that Congress can find a responsible set of proposals that may require some shared sacrifice, but will finally put the Postal Service on a sustainable fiscal path.

Senator Carper and I, along with Senators Lieberman and Collins have attempted to do just that with S.1789, the 21st Century Postal Service Act -- a bill that is a shining example of how legislation can be developed with a bipartisan, bicameral solution in mind. We continue to receive a lot of input from our colleagues and will continue to work with them to address their concerns. It is my hope that we can finally see this bill on the floor sometime this work period. Otherwise, I am afraid that every day that passes without legislation is another day that pushes the Postal Service closer to the brink of insolvency.

We are here today to consider the nomination of a Commissioner to the Postal Regulatory Commission (PRC), an organization whose unique perspective has been extremely important to various ongoing postal policy debates. The PRC will have an important role as the legislative process moves forward. As the Postal Service looks to tackle excess capacity in its retail network and consolidate operations, the PRC's role will be crucial in addressing the questions surrounding proposed changes to service standards. This analysis will inform how the Postal Service proceeds with its ongoing consolidation plans and will provide key decision makers, such as Congress, with important insight into the resulting impact to postal customers, postal employees, and other important stakeholders.

Having served as a Commissioner for ten years, Mr. Hammond is no stranger to the balance of politics and policy considerations that govern the operations of the Postal Service on a daily basis. Many questions have been raised in the past about the proper role and responsibilities of the PRC now and in the future. I think his experience may provide some valuable insight into how the PRC will handle an increasingly demanding workload as the Postal Service moves forward with significant operational changes in the future. Furthermore, Mr. Hammond is no stranger to the challenges and debates surrounding postal reform in Congress having worked on the Hill himself at one time.

And though I have not yet had a chance to sit down with Mr. Hammond in person, I know we will get the chance in the near future. I look forward to it and the opportunity to start that conversation today. No doubt it will be a demanding time to serve on the PRC considering the challenges facing the Postal Service in the near and long term. Mr. Hammond, I appreciate your willingness to serve another term in this important position; I thank you for being here; and I look forward to your comments.

**Prepared Statement of Tony Hammond
Nomination to the Postal Regulatory Commission
Senate Homeland Security and Governmental Affairs Committee
March 6, 2012**

Thank you, Senator Carper.

First, I do want to express my appreciation to you and all the members of the Committee for scheduling this hearing to consider my nomination to return to the Postal Regulatory Commission.

I appreciate the confidence President Obama has placed in me with his nomination, as well as the support I have received from Senate Minority Leader McConnell during this process.

And, I especially want to thank Senator Roy Blunt, who my family and I have been privileged to call a friend for many years, and especially for the decades of service that he has given to the citizens of Missouri. I am grateful for his willingness to be here today to introduce me to this Committee.

I also wish to acknowledge my recent colleagues, Vice Chairman Nanci Langley, Commissioner Mark Acton and Commissioner Robert Taub for the support they have given me in attending today. Their friendship in our working together has been invaluable.

When I first became a Commissioner in 2002, the PRC was an entirely different agency. As you know, the old Postal Rate Commission was mainly responsible for considering changes in postal rates and classifications.

With the passage of the Postal Accountability and Enhancement Act in 2006, the PRC acquired enhanced responsibilities which required a major revamping of the agency functions.

With the leadership of then-Chairman Dan Blair and genuine cooperation among all the Commissioners, and with a dedicated PRC staff, we were able to achieve the transformation in a responsible and effective manner in keeping with the mandates of the PAEA.

I was pleased to be actively involved in all the transition activities.

Among them, we were required to implement an entirely new ratemaking system, which we were actually able to complete several months in advance of the deadline.

The Commission was also timely in providing the mandated Report to the Congress on the Postal Service's Universal Service Obligation.

In addition, each year, we are responsible for producing the comprehensive Annual Compliance Determination (ACD), which is the important look-back regulatory model of the PAEA.

Along with the annual rate change cases and the other requested decisions, I've also worked with the other members of the Commission in the formal Advisory Opinion requests received from the Postal Service. And, of course, the Commission's unanimous ruling on the Postal Service's Exigent Rate Request.

With the Postal Service dealing with such severe financial difficulties, I know that the Postal Regulatory Commission has an extra responsibility to adjudicate fairly, in a professional and timely manner, all the Decisions on every case that comes before us.

I also know that we must be mindful that all our activities are carried out in a responsible and transparent manner that makes wise use of the ratepayer dollars that provide the PRC's annual budget.

For over nine years, I enjoyed the challenging work at the Commission. And I hope this Committee will look favorably on my experience and enthusiasm in considering my return to the PRC.

Mr. Chairman, thank you, again, for this opportunity. I will be happy to respond to any questions you and your colleagues have.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)
Tony Hammond
2. **Position to which nominated:**
Commissioner, Postal Regulatory Commission
3. **Date of nomination:**
December 5, 2011
4. **Address:** (List current place of residence and office addresses.)
REDACTED
5. **Date and place of birth:**
April 13, 1956
Humansville, MO
6. **Marital status:** (Include maiden name of wife or husband's name.)
Divorced
7. **Names and ages of children:**
None

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

1974-1978
 Missouri State University
 Springfield, MO
 Bachelor of Science Degree, May 1978

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

2002-2011	Commissioner	Postal Regulatory Commission Washington, DC
2000-2002	Owner/Managing Member	T. Hammond Company, LLC Arlington, VA
1999-2000	Senior Consultant	Forbes 2000, Incorporated Alexandria, VA
1994-1999	Political Director Regional Political Director	Republican National Committee Washington, DC
1989-1994	Executive Director Finance Director	Missouri Republican Party Jefferson City, MO
1979-1989	Legislative Director	Congressman Gene Taylor (MO) Washington, DC

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

None

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

Consultant National Republican Congressional Campaign Committee
Consultant FLS, Inc. (direct marketing firm)

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

None

13. **Political affiliations and activities:**

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

Greene County, Missouri Republican Central Committeeman
(elected at 1978 Primary)

- (b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years.

None other than those listed in Employment Record

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

2010	<i>Nodler for Congress Committee (MO)</i>	<i>\$500</i>
	<i>Hammond for State Representative (MO)</i>	<i>\$250</i>
2009	<i>Missourians for Roy Blunt</i>	<i>\$1,000</i>
2008	<i>McCain for President</i>	<i>\$500</i>
	<i>Hulshof for Governor (MO)</i>	<i>\$500</i>

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

*Pi Sigma Alpha National Honor Society
Phi Alpha Theta National Honor Society*

15. **Published writings:** Provide the Committee with a list and two copies of any books, articles, reports, or other published materials which you have written. These items can be provided electronically via e-mail or other digital format.

None.

16. **Speeches:**

- (a) Provide the Committee with a list and two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. Provide a list and copies of any testimony to Congress, or to any other legislative or administrative body. These items can be provided electronically via e-mail or other digital format.
- (b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it.

Formal remarks given as Postal Regulatory Commissioner:

<i>May 2010</i>	<i>Association of United States Postal Lessors, Arlington, VA</i>
<i>May 2009</i>	<i>World Mail and Express Europe Conference, Munich, DE</i>
<i>December 2008</i>	<i>National Postal Policy Council, Arlington, VA</i>
<i>August 2008</i>	<i>National Association of Postmasters of the United States, St. Louis, MO</i>
<i>November 2007</i>	<i>National Postal Policy Council, Arlington, VA</i>
<i>November 2005</i>	<i>National Catholic Development Conference, St. Louis, MO</i>
<i>May 2005</i>	<i>Nomination Hearing, Washington, DC</i>
<i>November 2004</i>	<i>National Postal Policy Council, Arlington, VA</i>
<i>August 2004</i>	<i>National League of Postmasters, Portland, OR</i>
<i>March 2003</i>	<i>IDEA Alliance, Clearwater, FL</i>
<i>October 2002</i>	<i>Nomination Hearing, Washington, DC</i>

17. Selection:

- (a) Do you know why you were chosen for this nomination by the President?
- (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

During my years of service on the Postal Regulatory Commission I handled all cases and issues before the PRC in a fair, impartial and responsible manner. I will continue to maintain the high ethical standards the President has set for all nominees for service in the federal government. I will work toward the best interest of all parties involved in every issue the Commission considers.

I served over nine years as a Commissioner of the Postal Regulatory Commission and its' predecessor agency, the Postal Rate Commission. In previous positions, I developed mail marketing programs and have several years in direct marketing experience, working in the private sector. I have been an administrator, a supervisor, and have managed my own consulting firm. I also spent ten years on the staff of a former Ranking Member of the House of Representatives postal oversight committee, where I focused extensively on postal issues.

B. EMPLOYMENT RELATIONSHIPS

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

I have no connections outside the position I held as Commissioner.

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

No

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

No.

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

No.

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

23. ~~Have you ever been asked by an employer to leave a job or otherwise left a job on a non-~~
~~voluntary basis, if so, please explain.~~

Yes.

C. POTENTIAL CONFLICTS OF INTEREST

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

None.

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

None.

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

Yes.

D. LEGAL MATTERS

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

No.

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

No.

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

No.

30. For responses to question 30, please identify and provide details for any proceedings or civil litigation that involve actions taken or omitted by you, or alleged to have been taken or omitted by you, while serving in your official capacity.

None.

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

None.

E. FINANCIAL DATA - REDACTED

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

AFFIDAVIT

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

Tony Hammond
Subscribed and sworn before me this 19th day of Dec, 2011

Mark D. Acton

Notary Public

MARK D. ACTON
MY COMMISSION EXPIRES:
OCTOBER 14, 2014



United States
Office of Government Ethics
1201 New York Avenue, NW., Suite 500
Washington, DC 20005-3917

DEC 14 2011

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Tony L. Hammond, who has been nominated by President Obama for the position of Commissioner of the Postal Regulatory Commission.

We have reviewed the report and have also obtained advice from the agency concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is an ethics agreement outlining the actions that the nominee will undertake to avoid conflicts of interest. Unless a date for compliance is indicated in the ethics agreement, the nominee must fully comply within three months of confirmation with any action specified in the ethics agreement.

Based thereon, we believe that this nominee is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Don W. Fox".

Don W. Fox
Acting Director

Enclosures - REDACTED

**U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-Hearing Questionnaire for the
Nomination Tony L. Hammond to be Commissioner, Postal Regulatory Commission**

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President has re-nominated you to serve as a Commissioner of the Postal Regulatory Commission ("PRC" or "the Commission")?

During my years of service on the Postal Regulatory Commission I handled all cases and issues before the PRC in a fair, impartial and responsible manner. I will continue to maintain the high ethical standards the President has set for all nominees for service in the federal government. I will work toward the best interest of all parties involved in every issue the Commission considers.

2. Were any conditions, expressed or implied, attached to your nomination?

No.

3. What specific background and experience affirmatively qualifies you to be a Commissioner of the PRC?

I served over nine years as a Commissioner of the Postal Regulatory Commission and its predecessor agency, the Postal Rate Commission. In previous positions I developed mail marketing programs and have several years in direct marketing experience, working in the private sector. I have been an administrator, a supervisor, and have managed my own consulting firm. I also spent ten years on the staff of a former Ranking Member of the House of Representatives postal oversight committee, where I focused extensively on postal issues.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as a Commissioner of the PRC? If so, what are they and to whom have the commitments been made?

No.

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

During my past service as a Commissioner, my activities were annually reviewed by our ethics officer and constantly monitored. I did not, and do not, maintain any connections with any firms or organizations which would cause me to recuse or disqualify myself because of a conflict of interest or the appearance of a conflict of interest.

II. Role of the Postal Rate Commission and its Commissioners

6. What is your view of the role of a Commissioner of the PRC?

The role of a Commissioner is to serve as a fair, independent arbiter of every issue and case brought before the PRC by the United States Postal Service, ratepayers, interested parties and citizens.

7. In your view, what are the major internal and external challenges facing the PRC, and how have they evolved since you were appointed to the PRC?

When I first became a Commissioner in 2002, the PRC was an entirely different agency. The Postal Rate Commission was mainly responsible for considering changes in postal rates, fees and classifications.

When it became the Postal Regulatory Commission following the 2006 postal reform legislation, the PRC acquired enhanced responsibilities which required major revamping of the agency functions. With the leadership of the then-Chairman and genuine cooperation among the Commissioners and the PRC staff, the transformation was achieved in a responsible and effective manner.

The major challenges facing the PRC stem from the Postal Service's need to adjust to the changing role of mail. The cooperation and effectiveness displayed during that transition is great guidance to the internal and external challenges currently facing the PRC.

8. How have you addressed the challenges facing the PRC during your term as Commissioner?

During the nine years I served as a Commissioner, I continually sought the input of everyone affected by the actions of the PRC. From the Postmaster General's office and the postal employee unions to representatives of the mailing industry, shippers, postal competitors and mail recipients, I dealt with the diverse interests who were concerned with the operations of the United States Postal Service. It provided me with a good background for understanding the issues facing everyone in the postal community.

9. What do you think is the PRC's most important role now and going forward given the changing nature of communication and commerce?

Transparency and accountability remain important Postal Service functions. The Postal Regulatory Commission assuring that transparency and accountability should be the PRC priority.

10. What specific contributions have you made during your tenure at the PRC? What contributions do you hope to make if confirmed for a second term?

During my tenure at the Postal Regulatory Commission, I was active in all the full-time duties of a Commissioner.

Elected twice as Vice-chairman, I chaired hearings and actively participated in all the meetings, forums and conferences at the Commission. I consulted with my colleagues and worked for cooperation among the Commissioners. I provided on-the-record alternative and supplemental comments in multiple cases and advisory opinions.

I participated in active outreach to varied groups and organizations through speaking events, postal forums and site visits. When necessary, I represented the Commission on the official delegations to the Universal Postal Union.

If confirmed to return to the Commission, I will continue as an active, full-time Commissioner to see that all cases and issues before the Commission are handled in a fair and responsible manner that participants have every right to expect.

11. If confirmed, how would you coordinate and communicate with PRC staff to accomplish the PRC's goals?

There has been a good working relationship between the Commissioners and PRC staff. The interaction between staff and Commissioners is beneficial in getting our jobs done. I always had PRC staff communicate directly with me on any issue before us and will do so again if I am confirmed to return to the Commission.

12. What do you believe should be the PRC's top three priorities over your six-year term?

The Postal Regulatory Commission's responsibility is to carry out the statutory requirements given it by the Postal Accountability and Enhancement Act. Three ways to accomplish that goal are:

1.) Making sure that the PRC provides accurate, non-biased and timely Advisory Opinions to the Postal Service and Annual Reports to the Congress. 2.) Adjudicating fairly, in a professional, reliable and timely way, all decisions on every case, complaint and appeal that comes to the Commission. 3.) Assuring that the PRC is transparent, accountable and responsive in PRC activities and operations as should be required of all government agencies.

13. In what ways do you believe the PRC could improve the management and timeliness of its docket?

The full-time workload at the PRC mandates that the priorities of the Commission must be to see that its statutory responsibilities are carried out without distraction.

14. How do you believe your prior experience would help inform and guide your decisions as a Commissioner of the PRC for a second term?

If confirmed to return to the Commission, my previous nine years of service will be helpful. I will continue as an active, full-time Commissioner to see that all cases and issues before the Commission are handled in a fair and responsible manner that participants have every right to expect.

15. The PRC is an independent agency. How do you understand that obligation of independence? How does such independence affect your approach to the evaluation and decision of cases?

As an independent agency, the Postal Regulatory Commission is beholden to no group, agency or constituency. Our responsibility is to evaluate and decide cases based upon the facts after providing a fair hearing to all ratepayers and those affected by our actions.

III. Policy Questions

Postal Reform Generally

16. The U.S. Postal Service (or "USPS") continues to experience volume and revenue losses. The Postal Service ended Fiscal Year (FY) 2011 with a net loss of \$5.1 billion. USPS would have lost an additional \$5.5 billion if it had made the annual retiree health benefits payment required under the Postal Accountability and Enhancement Act of 2006 (PAEA) (P.L. 109-435). Congress delayed the Postal Service's statutorily required FY 2011 deadline until August 1, 2012. (H.Rept. 112-331). Further, the Postal Service reported a loss of \$3.3 billion for the first quarter of FY 2012.
- a. In your view, what is the PRC's role in overseeing USPS's efforts to improve its financial condition and exercising its flexibility to increase postal revenue and cut costs, while also meeting its universal service obligations and other statutory requirements?

The PAEA's goal was transparency. As the regulator, the PRC motivates the Postal Service to continue improvement. The PRC's Annual Compliance Determination is the primary guide for USPS to comply with the statutory requirements.

- b. How does this differ from the role of the Postal Board of Governors or the role of Congress?

The Congress sets broad national postal policy. The Congress created the Board of Governors specifically to select the management of the United States Postal Service to set the goals and policies of the agency. As the independent regulator, the PRC provides transparency which leads to accountability.

17. In the PRC's Annual Compliance Determination Report for FY 2010, the Commission stated that while the Postal Service's reduction of work hours and other actions have

reduced costs, "they will not provide the \$4-\$5 billion annual cost savings necessary to bring the Postal Service long term financial solvency and stability."

- a. What additional steps do you believe the Postal Service should take that do not require Congressional action to improve its financial condition?

The Postal Service needs to continue review of their modernization efforts that bring about further efficiencies. The Postal Service can make more use of the flexibilities Congress provided it in the PAEA.

- b. What legislative changes do you believe Congress should consider to help improve the Postal Service's financial condition?

The program changes contained in the major reform bills currently before the Congress would help put the Postal Service in a better financial condition. Last year, I joined in approving the Commission Section 701 Report to Congress which made recommendations on legislative changes.

Included was the Commission's position that the Health Care Retiree Benefit Fund payment requirements were overly ambitious and needed to be modified. The Report also recommended that the Postal Service be allowed to add new market-dominant classes of mail to provide it with more flexibility. It further recommended that the law allow the maximum revenue limitation on market tests of experimental products to be increased.

These kind of changes could bring about more financial stability.

18. What role, if any, should the PRC have in the Postal Service's operational decisions?

Congress provided that the Board of Governors select a Postmaster General to make the operational decisions for the Postal Service. The Postal Regulatory Commission was not given a statutory responsibility for operational decisions.

19. It has been over five years since PAEA changed postal pricing to provide the Postal Service with more flexibility as well as improve the rate-making process. Do you believe the Postal Service has effectively utilized the pricing flexibility provided in PAEA?

The Postal Service has sent several requests for approval to develop and evaluate new products to the Commission since enactment of the PAEA. They are cases in keeping with the increased competitive flexibility allowed under the Act.

The PRC has also approved hundreds of competitive Negotiated Service Agreements from cases filed by the Postal Service. The Postal Service could be more aggressive in filing market-dominant NSA proposals before the Commission.

20. In your view, how can the Postal Service return to viability in a market where e-commerce and electronic communication and payments are increasing and mail volume is declining? What role do you believe the PRC should play in shaping the future Postal Service given these rapid changes?

While there is an ever-changing environment in the way people use the mail, there is still a need for postal service products. The Postal Service must be aggressive in pointing out the strengths they have and the services they provide to keep them relevant.

The statutory role of the PRC is to continue to be timely, accurate and reliable in consideration of the requests brought before it by the Postal Service.

21. What is your overall impression of how well the postal reforms under PAEA have been implemented? What areas have been most challenging, and what areas do you believe need the most attention in the future?

Before passage of the PAEA, the postal ratemaking process had become too cumbersome and expensive. It took too long. It also did not provide the predictability of rates that mailers needed, nor the flexibility the Postal Service needed to modernize and remain relevant.

The implementation of the new ratemaking system was the biggest challenge to the Postal Regulatory Commission. The PRC was successful in transforming into an entirely new agency, with different responsibilities. At the same time, the PRC completed the new regulations governing future ratemaking several months in advance of the deadline. It was accepted by both the Postal Service and the mailing community as in keeping with the mandate of the PAEA.

The challenge in the future is for the PRC to continue to provide timely, accurate and reliable decisions on the statutory responsibilities of the Commission.

22. What do you believe are the PRC's most important responsibilities under the PAEA, and what is your opinion of how those responsibilities have been fulfilled to date?

The continuing responsibility of the PRC is to carry out the PAEA's statutory requirements. To do that, the PRC has to make sure that it is producing accurate, non-biased and timely Advisory Opinions and Reports. The Commission must adjudicate fairly, in a professional and timely manner, all decisions on every case, complaint and appeal that comes before it.

The PRC must also be transparent, accountable and responsive in PRC operations. The PRC must be mindful that all activities are carried out in a frugal and responsible manner that makes wise use of the ratepayer dollars that provide the PRC's annual budget.

23. The PAEA substantially changed the relative responsibilities of the Postal Board of Governors and the PRC.
- a. What do you believe are the most important decisions the Commission has made under PAEA?

The decision implementing the new rate-making process, the Annual Compliance Determinations, the mandated report on Universal Service, the issuing of the Advisory Opinions requested by the Postal Service, and the annual rate change cases have all been important decisions. One of the most important decisions from the PRC was the ruling which rejected the Postal Service's Exigent Rate Request.

- b. What are the key decisions you expect the Commission to make in the future under the PAEA?

The look-back regulatory model of the PAEA requires an Annual Compliance Determination by the PRC. I would anticipate that the Postal Service will make annual price adjustment requests of the Commission. Further Advisory Opinions may be requested as the Postal Service struggles financially. All these decisions would be major issues for the PRC.

- c. Generally, what approaches do you advocate the PRC should take in regulating USPS and why?

The PRC has established a good record in accordance with the statutes governing regulation of the Postal Service. This was in keeping with the guidance provided by the PAEA. I advocate the PRC remaining within the understood boundaries of the law, rather than trying to intervene in the day-to-day operational management of the Postal Service.

24. Debates about postal reform legislation raise fundamental questions about USPS's role in our nation, including the nature of the Postal Service's universal service obligation. The Postal Service is required by statute to provide "...a maximum degree of effective and regular postal services..."

- a. What is your view of the Postal Service's universal service obligation?

I actively participated in the development of the PRC's 2008 Report on Universal Postal Service and the Postal Monopoly, required by the PAEA. It outlined that the current obligation to provide service to all persons in all parts of the Nation, its territories, and possessions, is paramount and should not be altered. Our Report also identified the features that should be attributed to the USO.

- b. Do you believe the concept of universal service has evolved? If so, how? How do you believe USPS can adapt to meet that obligation?

As the PRC Report noted, the "universal service obligation" has been consciously and intentionally applied since only the mid-20th Century. The Postal Service should be encouraged to use their flexibilities and constantly monitor the changing needs of their customers. This could make a difference in the Postal Service meeting their universal service obligation.

- c. In your view, what is the PRC's role in preserving universal service?

The PRC has the responsibility of considering the preservation of the universal service obligation in all cases that come before the Commission.

- d. What PRC decisions or opinions have you been involved in that uphold the Postal Service's responsibility to provide universal service, and what has been your view about the universal service obligation in deciding these cases?

Similar to the above statement, every decision and opinion I have been involved in at the PRC takes into consideration the universal service obligation.

25. What is the role of the PRC in mail delivery service frequency determinations?

As provided for by law, the Postal Service requested a Commission Advisory Opinion on a plan to end Saturday delivery, Saturday outgoing mail processing and other related service changes. In 2011, the Postal Regulatory Commission issued the Advisory Opinion in response to that request.

The Postal Regulatory Commission does not determine mail delivery service frequency. That determination is made by the Congress.

26. Since enactment of PAEA, the PRC has interpreted the term "non-postal service" through consideration of various USPS proposals for new products and services.

- a. In your view, do you believe the Postal Service should be allowed to compete with the private sector? If so, under what circumstances?

Under current law, the Postal Service is allowed to provide competitive postal products which are also offered by private sector companies. One example is the Priority Mail boxes similar to FedEx and UPS. In other areas where the private sector is already providing the products, there is no reason for the Postal Service to offer the same products.

- b. What concerns, if any, do you have about such efforts?

If the services are already being provided by the private sector, there is no need for the Postal Service, which enjoys the free world's largest government monopoly, to become a competitor with unfair advantages. It could cause businesses to close and private sector jobs would be lost to our economy.

- c. What role do you believe the PRC should play in the introduction or pricing of new products?

The Postal Regulatory Commission is not responsible for introducing new postal products. The PRC does have the duty to ensure that market dominant products are not subsidizing competitive products. The PRC also is responsible for making sure new products are consistent with the current statutory requirements.

Postal Ratemaking

27. Before the PAEA was enacted in 2006, the postal ratemaking process was criticized for being too cumbersome, taking too long, and being too adversarial to best serve the financial interests of the Postal Service or postal customers. In your view, how has the ratemaking process changed from implementation of PAEA? Do you believe additional improvements to the ratemaking system are necessary?

The PAEA was a necessity. Prior to passage of the reform legislation, the ratemaking process was outdated and impractical to modern postal realities. The PRC set up a realistic new system of ratemaking; fair to all and workable. The budget deficiencies of USPS are not because of any faulty ratemaking process.

28. The PAEA codifies the Postal Service's ability to enter into special classifications with mailers, referred to as Negotiated Service Agreements (NSAs). The Postal Service, however, has entered into very few domestic market-dominant NSAs. Some mailers cite the lengthy and cumbersome process for NSA approval, while other stakeholders have raised concern that NSAs may lead to unfair competition.
- a. What do you believe has hindered the use of this authority?
- b. Do you believe the PAEA addresses and resolves these concerns?

In responding to these two questions, I would say that the PAEA rightly gave the PRC the responsibility of assuring that Negotiated Service Agreements not provide unfair advantages to any individual mailer over their competitors. The PRC seriously reviews each request to make sure that each NSA is accountable and fair. During the time I have been on the Commission there has been no delay in the PRC approving any NSA.

29. What do you believe should be the role of the PRC in helping to ensure that the quality and timeliness of the Postal Service's data in cases before the PRC are adequate?

The PRC has the responsibility to obtain the information necessary from the Postal Service to determine cases and issues before us. While there are some instances where the quality of the data has been questioned, there has not been an instance where the Postal Service refused to comply with our requests since the passage of the PAEA provided the PRC with subpoena power.

Service Standards and Other Performance Obligations

30. What do you believe the PRC's role should be in establishing performance standards for postal products and services and for holding USPS accountable for meeting these standards under PAEA?

As contemplated by the PAEA, service standards have been established and the PRC requires reporting of service performance. This information is analyzed and reported in the PRC's Annual Compliance Determination.

31. The PAEA requires USPS to consult with the PRC in establishing modern service standards, as well as modifying the standards and planning for future standards. How do you believe this consultation should be carried out? What additional value, if any, do you believe the PRC can bring to this process? Do you believe PRC consultation has been effective thus far?

As was established by the PAEA, the consultations between the Postal Service and the PRC were carried out in establishing the standards. The continuing consultations have been beneficial to both agencies. They assure that both the Commission and the Postal Service understand each other's responsibilities.

32. PAEA also required the Postal Service to measure and report service performance for all market dominant products. The Commission recently found that the Postal Service's service results for bulk First-Class Mail, Standard Mail, Packages and Periodicals remain deficient. How do you think the Commission and the Postal Service should address this deficiency and what do you think are the main reasons for these problems?

This is an example of how the system is to work under the PAEA. The Postal Service now has the responsibility to develop a solution to the problem. Earlier, the lack of transparency allowed the Postal Service to fail to focus on them.

33. In your view, what degree of transparency should USPS provide to Congress, mailers, and the public on delivery performance goals and general quality of delivery services? Do you believe the PRC has sufficient information to monitor service quality?

Unless the Postal Service has a specific legitimate reason to withhold information, they are to be transparent in their reporting. Providing the PRC sufficient information is an evolving process, which the Commission needs to keep the Postal Service accountable for.

34. Many postal stakeholders have raised concerns about the adequacy of the Service's financial transparency. The PAEA now requires the Postal Service to meet the financial reporting requirements of the Sarbanes-Oxley legislation by FY 2010.
- a. What is your opinion of this mandate, and what do you believe should be the role of the PRC in implementation of it?

The Postal Service has said that going through the process of having to meet the financial reporting requirements was beneficial for them. As it is a continuing requirement, the PRC will provide a continuing review.

- b. Do you believe the Postal Service has satisfied this mandate?

Yes, the Postal Service is complying with this mandate.

35. In March 2011, the PRC issued an advisory opinion about the USPS's proposal to reduce delivery to five days per week. In its opinion, the PRC identified many shortcomings in the USPS's proposal, including a lack of consideration for the disproportionate effect the proposal would have in rural areas.
- a. What role do you believe the PRC's opinion should play in Congress's decision to allow USPS to reduce delivery days?

The PRC's unanimous opinion was a reliable review of the effect reducing delivery days could have. I joined with my colleagues in stating that the USPS had not adequately considered the effect the proposal would have in rural and non-contiguous areas of the country.

In separate views, I did point out our analysis showed that even after the Postal Service's somewhat optimistic estimates were corrected, eliminating Saturday delivery would provide substantial financial benefit. I also wrote that it was my belief that closing thousands of post offices would cause more harm to the communities and businesses that rely on those post offices, generate more negative reaction from customers, and save less money than eliminating Saturday delivery.

- b. Please explain your views on whether you believe the PRC's opinion should be binding rather than advisory.

Congress properly establishes national postal policy. That is why the PRC was asked to provide an Advisory Opinion rather than issuing a binding decision on this issue.

Post Office Closings and Relocations

36. In your opinion, does the existing process for closing and relocating post offices adequately protect the interests of postal customers, especially in small towns and rural areas? If not, what additional protections do you believe are necessary?

Current law requires that in making the determination on whether to close a post office, the Postal Service must consider the following factors: the effect on the community; the effect on postal employees; whether a maximum degree of effective and regular postal service will be provided; and the economic savings to the Postal Service. These are definitive safeguards. Anyone who finds these considerations have not taken place has appeal rights to the Postal Regulatory Commission.

37. Many members of the public have expressed a concern that the Postal Service does not adequately involve affected communities in the decision-making process for the closings of post offices and processing facilities. What are your views on this issue?

Anyone who believes the Postal Services has acted in an arbitrary or capricious manner has appeal rights to the Postal Regulatory Commission. The Commission must impartially consider any appeal that comes before it.

38. Do you believe the PRC should have final authority to approve post office closings?

The Congress has determined that the PRC may remand matters to the Postal Service for further consideration. However, it does not authorize the Commission to modify the Postal Service's determination by substituting its judgment for that of the Postal Service. It remains the Postal Service's responsibility to run their day-to-day operations.

39. Does the process for closing and relocating post offices need to be improved?

While I was not a member of the Commission by the time its Advisory Opinion on the Postal Service's Retail Access Optimization Initiative was issued, I was active in consideration of the AO during my time at the PRC and agreed with its findings.

As was pointed out "The Commission was unanimous in expressing its concern that the Postal Service's plan did not and could not, because of lack of data and analysis, determine the facilities most likely to serve the greatest number, reduce the greatest costs, or enhance the potential for growth or stability in the system. We agree that the Postal Service access network should be right-sized but found that the RAOI was not the proper approach to meet that goal."

40. Do you believe the Postal Service should have additional flexibility to more quickly and easily close post offices? If so, what impact do you believe this will have on USPS's current retail network?

Their current authority does not allow the Postal Service to be arbitrary or capricious, nor abuse their discretion. This allows the Postal Service flexibility in managing their retail network while providing necessary safeguards.

a. In the last year, USPS has expanded its retail network to existing retail facilities, such as Office Depot. What is your view on USPS's efforts to offer postal products and services at existing retail facilities and other alternative retail locations?

The more presence the Postal Service has, the more opportunities it has for sale of its products.

- b. To what extent do you think the availability of postal services at alternative locations should be a key factor when considering closing or consolidating traditional retail facilities?

The availability of postal services at alternative locations is a necessity, but only one factor when closing or consolidating traditional retail facilities.

- c. Are improvements needed to the PRC's appeals process related to closing and consolidating post offices? If yes, what specific changes do you believe are needed? If no, please explain why you believe the current process is viable.

The PRC has already published new regulations relating to the PRC appeals process. They updated the procedures for the review of Postal Service determinations to close or consolidate post offices. These new regulations need to be given a chance to work before considering any other changes.

IV. Relations with Congress

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

Yes.

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

Yes.

V. Assistance

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

These answers are my own. I have not consulted with the PRC or any interested parties.

AFFIDAVIT

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

Tony Hammond

Subscribed and sworn before me this 1st day of March 2012.

MD Acton
Notary Public

MARK D. ACTON
MY COMMISSION EXPIRES
OCTOBER 14, 2014