

**NOMINATIONS OF HON. ROBERT G. TAUB AND
HON. MARK D. ACTON**

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

NOMINATIONS OF ROBERT G. TAUB AND HON. MARK D. ACTON
TO BE COMMISSIONERS, POSTAL REGULATORY COMMISSION

NOVEMBER 15, 2016

Available via the World Wide Web: <http://www.fdsys.gov/>

Printed for the use of the
Committee on Homeland Security and Governmental Affairs



U.S. GOVERNMENT PUBLISHING OFFICE

24-801 PDF

WASHINGTON : 2017

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

RON JOHNSON, Wisconsin *Chairman*

JOHN McCAIN, Arizona	THOMAS R. CARPER, Delaware
ROB PORTMAN, Ohio	CLAIRE McCASKILL, Missouri
RAND PAUL, Kentucky	JON TESTER, Montana
JAMES LANKFORD, Oklahoma	TAMMY BALDWIN, Wisconsin
MICHAEL B. ENZI, Wyoming	HEIDI HEITKAMP, North Dakota
KELLY AYOTTE, New Hampshire	CORY A. BOOKER, New Jersey
JONI ERNST, Iowa	GARY C. PETERS, Michigan
BEN SASSE, Nebraska	

CHRISTOPHER R. HIXON, *Staff Director*

GABRIELLE D'ADAMO SINGER, *Chief Counsel*

JENNIFER L. SCHEAFFER, *Professional Staff Member*

JOHN D. CUADERES, *Director, Subcommittee on Regulatory Affairs
and Federal Management*

TARA M. SCHONOFF, *Professional Staff Member, Subcommittee on
Regulatory Affairs and Federal Management*

GABRIELLE A. BATKIN, *Minority Staff Director*

JOHN P. KILVINGTON, *Minority Deputy Staff Director*

JOHN A. KANE, *Minority Senior Governmental Affairs Advisor*

FELICIA A. HAWKINS, *Minority U.S. Postal Service Office of the
Inspector General Detailee*

VIOLA B. STOVAL, *Minority U.S. Postal Service Office of the
Inspector General Detailee*

LAURA W. KILBRIDE, *Chief Clerk*

CONTENTS

Opening statements:	Page
Senator Lankford	1
Senator Carper	2
Senator Heitkamp	9
Senator Tester	11
Senator Peters	14
Prepared statement:	
Senator Lankford	23
Senator Carper	24

WITNESSES

TUESDAY, NOVEMBER 15, 2016

Hon. Robert G. Taub to be a Commissioner, Postal Regulatory Commission	
Testimony	4
Prepared statement	28
Biographical and financial information	30
Letter from the Office of Government Ethics	53
Responses to pre-hearing questions	56
Hon. Mark D. Acton to be a Commissioner, Postal Regulatory Commission	
Testimony	5
Prepared statement	75
Biographical and financial information	76
Letter from the Office of Government Ethics	94
Responses to pre-hearing questions	96
Prepared Statement of Senator Schumer	26
Prepared Statement of Senator Gillibrand	27

**NOMINATIONS OF HON. ROBERT G. TAUB
AND HON. MARK D. ACTON
TUESDAY, NOVEMBER 15, 2016**

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

The Committee met, pursuant to notice, at 2:33 p.m., in room SD-342, Dirksen Senate Office Building, Hon. James Lankford, presiding.

Present: Senators Lankford, Carper, Tester, Heitkamp, and Peters.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Good afternoon, everyone. Let me call this hearing before the Senate Homeland Security and Governmental Affairs Committee to order today.

We are considering today the nominations of Mr. Robert Taub and Mr. Mark Acton for Commissioners of the Postal Regulatory Commission (PRC). The Postal Regulatory Commission exercises statutory and comprehensive oversight of the U.S. Postal Service (USPS). Among its responsibilities are the mandates to prevent anticompetitive practices, to promote accountability and to adjudicate complaints, set postal rates, help oversee delivery service standards, and other things. It is a busy group. It is important that each Commissioner reflects the highest standard of public service.

Robert Taub is a native of Gloversville, New York. He received a bachelor's degree and M.A. in political science from American University, where he graduated with honors. Mr. Taub has a distinguished career as a public servant, including work at the Government Accountability Office (GAO), as chief of staff to former Representative John McHugh, and as an assistant to the Secretary of the Army. He is currently serving as the Acting Chairman of the Postal Regulatory Commission.

Mark Acton is a native of Louisville, Kentucky. He earned his bachelor's degree from the University of Louisville and his MBA from the University of Maryland. I assume you are watching a little football lately as well.

Mr. ACTON. Indeed.

Senator LANKFORD. Yes. Mr. Acton served at the Republican National Committee for more than two decades in a variety of positions, including as staff director for the counsel's office and government relations officer. Prior to his confirmation as Commissioner at the PRC, Mr. Acton was the Special Assistant to the Chairman.

Committee staff had the opportunity to interview Mr. Taub and Mr. Acton regarding their work so far at the PRC. They have

thoughtfully and competently answered each question to our satisfaction. Mr. Taub and Mr. Acton, to date, the Committee has found you to be qualified for the position you have been nominated, and I look forward to speaking with you more about this.

When we go through this process and get a chance to open this up for questions and when you do your opening statements, I would hope both of you would introduce your family, and that will give a chance to tell a little bit about your story and what actually brought you here. You have both served very admirably already in these type of positions, and so this should be a very straightforward conversation about what we are doing in the days ahead to be able to help the Postal Service and the many great employees that serve there. So I look forward to this ongoing conversation.

With that, I recognize Senator Carper for any opening statement you might make.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you. Thank you, Mr. Chairman. Again, to our witnesses, to our guests, their families, and one and all, we are happy to be with all of you. Thank you for joining us today. And, Senator Heitkamp, thank you for letting me warm your seat for a little while this afternoon.

I have statements of support for Chairman Taub from Senators Gillibrand and Schumer that I would like, Mr. Chairman, to ask unanimous consent be added to the record, please.¹

Senator LANKFORD. Without objection.

Senator CARPER. I just want to thank you, Mr. Chairman, for scheduling today's hearing to consider what I believe a very important nominations to fill two Commissioner vacancies for the Postal Regulatory Commission. Both Mr. Taub and Mr. Acton's terms expired on October 14, 2016, while we were away, and they are now one month into a one-year holdover term granted to them under the law, so they must leave the Commission next October unless they are reconfirmed. It is imperative, in my view, then that we take swift action on these nominees before the end of this year due to the pending critical work on rates before the Commission.

I should also note that if we do not take action on these two nominations, the PRC will eventually be left with only two Commissioners, and that would be unacceptable and create even more uncertainty for the Postal Service and its customers. It is bad enough that we have a Board of Governors that has just one slot filled out of, gosh, roughly 10, and we do not want to repeat the same mistake here with respect to the Postal Regulatory Commission.

But we are considering Mr. Taub's and Mr. Acton's nominations at what is a very challenging time for the Postal Service. It is not a time, though, that is devoid of promise or potential, although to achieve that promise, that potential, we need strong leadership at the PRC if the Postal Service is going to successfully confront the challenges such as poor service performance issues and the persistent decline in First-Class Mail volume.

¹The prepared statements from Senator Schumer and Senator Gillibrand appear in the Appendix beginning on page 26.

The future also offers the Postal Service a number of promising opportunities. Some of them we are familiar with, others not. But Congress and the PRC have important work to do to help the Postal Service take full commercial advantage of its unique delivery and logistics network. There is one entity in the country that goes to every mailbox in the country, residential, business, five or six times a week. Just one, and it is the U.S. Postal Service. And there is a huge burden in doing all that, but there is also great opportunity for that.

The Postal Service operates at the center of a massive printing, delivery, and logistics industry that I am told adds up to about \$1.4 trillion and employs nearly 8 million people. And even as First-Class Mail loses ground to other forms of communication, the future holds promise for the Postal Service in a number of other ways. Advertising mail is still a popular—and I am reminded every time I open up my mailbox at home in Delaware—still a popular and effective option for mailers. And e-commerce and package delivery are booming, making the Postal Service a vital partner for businesses large and small. Even the Postal Service's traditional competitors rely on it to carry items the last mile to rural communities around the country.

Both Mr. Taub and Mr. Acton have been invaluable resources to the Congress as we work on postal reform legislation, and their confirmation will remove uncertainty about the future of regulatory action at the Postal Service. It will also allow Congress to continue its work on postal reform with a clear sense of who will be implementing the reform in the coming years.

This is Chairman Taub's second nomination, I think, by President Obama, and he has served as the Acting Chairman of the PRC since December 2014. He was first nominated and confirmed in, I think, October 2011. Is that correct? And you have demonstrated, in my view, proven leadership skills to properly address issues and concerns facing the Postal Service and staying keenly aware of the delicate balance between congressional and postal industry needs.

Mr. Acton has spent 14 years at the PRC. President Bush first nominated him as a Commissioner in 2005. He was confirmed by the Senate in 2006. His second nomination as a Commissioner was by President Obama, and he was confirmed a second time by the Senate in September 2011. As a Commissioner, Mr. Acton has shown a clear understanding of key postal issues, as well as a close familiarity with the concerns of Congress and postal stakeholders.

As I stated at the beginning of my remarks, Mr. Chairman, the PRC has a tremendous amount of work ahead of them in the coming weeks and months, including a required 10-year review of the postal pricing system established in our 2006 postal reform law that Senator Collins and I co-authored. We need strong PRC Commissioners to properly address the issues I expect to be raised during the course of the review, which will determine the level of service the Postal Service will offer in the future, and the prices that will be charged for that service. I believe we need to ensure that there is a quorum of PRC Commissioners in place so that the rate review can happen and proceed uninterrupted over the course of the next year.

I look forward to talking with Mr. Taub and Mr. Acton today—we have spoken any number of times before, but I want to talk today about what they think can be done to address some of the ongoing challenges facing the Postal Service and to hear about the skills, the knowledge, and the experience that they would bring to the PRC.

Again, Mr. Chairman, thanks for letting me join you today, and to our witnesses for their willingness to serve, to your families for your willingness to share them, and at least one of your parents who is here to say thanks for raising this kid. He turned out well.

Thank you.

Senator LANKFORD. It is the custom of this Committee to swear in all witnesses before they appear, so if you would please stand, raise your right hand. Do you swear that the testimony that you are about to give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. ACTON. I do.

Mr. TAUB. I do.

Senator LANKFORD. You may be seated. Let the record reflect the witnesses answered in the affirmative.

I would like to recognize both of you, and I would remind you again we would be honored to be able to have the introduction of your family as well whenever you give your opening statement.

Mr. Taub, you are first in this.

TESTIMONY OF THE HONORABLE ROBERT G. TAUB,¹ NOMINEE TO BE A COMMISSIONER, POSTAL REGULATORY COMMISSION

Mr. TAUB. Thank you very much. Indeed, I will start out by introducing my family.

My dear wife, Cynthia Taub, is here. Our twin daughters are away at college and could not be here today to witness our Constitution in action today. And my dear father, Carlson Taub, and my sister, Beth Laddin, have both traveled a distance from upstate New York to attend as well. And so all have lent me love, encouragement, and a good dose of understanding over the years.

I would also like to take an opportunity to acknowledge my colleague and fellow nominee today. Commissioner Acton is a dear friend and a good colleague on the Commission with me, and I wish him well as well. And as Senator Carper indicated, last, I would like to thank my home State Senators, Senators Schumer and Gillibrand, for their statements for the record.

Mr. Chairman, Ranking Member, and Members of the Committee, I want to thank you for the opportunity to be here today and for your consideration of my qualifications to be a Commissioner of the Postal Regulatory Commission for another term.

When the Senate confirmed me as a Commissioner 5 years ago, I was serving as a senior executive in the Department of the Army as the principal civilian advisor to Secretary John McHugh, helping him oversee a workforce of more than 1.2 million people and manage an annual budget over \$200 billion. I had arrived at the Army with Secretary McHugh, having served as his longtime chief of staff in the Congress as well as his leading staffer on postal issues

¹The prepared statement of Mr. Taub appears in the Appendix on page 28.

within the House Oversight and Government Reform Committee. Like Secretary John McHugh, over the course of my 30 years in public service, I have worked in bipartisan fashion to develop solutions to many public policy issues, particularly the challenges confronting our Postal Service.

The President designated me as head of the Commission nearly 2 years ago. During that time, the Commission has become even more efficient and effective in carrying out its mission as measured by budget savings and timeliness of the work. The Commission has achieved improvements in its employees' satisfaction and engagement, as evidenced by the Federal Employee Viewpoint Survey results. The Commission has become a more frequently sought resource for postal expertise, particularly to the Congress. If confirmed, I would welcome and hope to build upon these accomplishments to achieve further improvements in staff achievement, the timeliness and quality of work products, and the efficiency and effectiveness of agency operations.

On December 20, the Commission will begin what may be its most important work in its 46-year history: a statutorily mandated "10-year review" of the Postal Service's price cap system, with unilateral authority to modify it or adopt an alternative system. Considering that the Postal Service's consecutive net losses since 2007 has increased its cumulative net deficit to more than \$57 billion, the importance of this review cannot be overstated. The Postal Service's total liabilities exceed the total value of its assets by more than \$53 billion. As I testified to the Committee in January, the Postal Service's balance sheet must be fixed. With the growing liability of retiree health benefits, the inability to borrow for needed capital investments, and the continued loss of high-margin First-Class Mail revenues, the important task of improving the financial condition of the Postal Service is daunting.

I want to assure this Committee that I appear here before you today with few delusions as to the challenges that lie ahead. I believe I have a clear understanding of the serious and numerous challenges that face America's postal system.

But the fact is, for all the challenges the Postal Service of the 21st Century faces, it still retains an integral role as a key cog in how American businesses conduct their affairs and how Americans all across this land communicate. The Postal Service is the one government agency that touches every American on a daily basis. It is an organization that literally serves 155 million American households and businesses on a typical day. It facilitates trillions of dollars in commerce. For 241 years, our Postal Service has provided a service that American people and American businesses alike have come and grown to expect. Universal service at a uniform price, no questions asked. Very few in this country go to his or her mailbox or his or her local post office wondering if the mail will be there. It is always there. It has always been there. But the true question, the question confronting our Nation, is: Will the mail always be there? The Postal Service is in a serious financial crisis that must be fixed.

There are no easy answers, but answer we must. And I promise you, if confirmed, my first priority will be, along with this Committee, the entire Congress, the President, and my fellow Commis-

sioners, to engage in a constant search for the discovery and implementation of solutions. I am truly honored to be considered. Thank you.

Senator LANKFORD. Mr. Acton.

TESTIMONY OF THE HONORABLE MARK D. ACTON,¹ NOMINEE TO BE A COMMISSIONER, POSTAL REGULATORY COMMISSION

Mr. ACTON. Thank you, Mr. Chairman and Members of the Committee. I am honored to be with you today, and I thank you for holding this hearing to consider my nomination as a Postal Regulatory Commissioner.

I want to thank the President for the honor of nominating me for this appointment, and I am most grateful for the support of our Senate Majority Leader and my home State Senator, Mitch McConnell. My thanks to Committee staff for their expert guidance, and I also would like to acknowledge the support of my partner, family, and friends, some of whom are here today.

I spent 4 years on staff at the Postal Rate Commission assisting the agency Chairman in administering PRC operations, and since then I have served as first a Postal Rate Commissioner and now as a Postal Regulatory Commissioner. I believe that my 14 years of postal policymaking experience affords me an informed perspective regarding the key postal issues that come before us today, as well as a great familiarity with the concerns of the postal community stakeholders at large. I am pleased to be considered for a continuing public policy role, and if confirmed, I pledge to work with this Committee to advance workable solutions that help to renew the vitality of a great American institution—the United States Postal Service.

Mr. Chairman, I look forward to working with you and the other Members of this Committee, and I would be pleased to answer any questions.

Senator LANKFORD. Thank you, Mr. Acton.

I have three mandatory questions that we ask all of our nominees for all hearings, so let me ask these three, and then I am going to defer to the Ranking Member for his questions then. So these will all be “yes” or “no” questions, and I will ask both of you at the same time to be able to respond.

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

Mr. TAUB. No.

Mr. ACTON. No.

Senator LANKFORD. OK. Thank you.

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. TAUB. No.

Mr. ACTON. No.

Senator LANKFORD. OK. Thank you both.

¹The prepared statement of Mr. Acton appears in the Appendix on page 75.

Do you agree without reservation to comply with any request or summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. TAUB. Yes, I do.

Mr. ACTON. Yes.

Senator LANKFORD. Thank you both. Senator Carper.

Senator CARPER. Thanks, Mr. Chairman.

I would like to talk about customer service for starters. We have three offices in Delaware, a little State, three counties, an office in each county, and we have in each of those offices someone who is responsible for constituent services. And we have in my Wilmington office a woman named Heather Guerke, who has been with me since I was Governor, and she is great on constituent services. One of her areas of responsibility is Internal Revenue Service (IRS). She has her hands full there. Another is the Postal Service, which for many years, frankly, was not much trouble, not much concern.

Boy, that has changed. We have gotten more complaints about quality of service, lack of quality of service from so many Delawareans, mostly residential but some businesses, over the last couple of years, much more than we have ever seen before.

What is the responsibility, where is the intersection between the PRC and the Postal Service with respect to quality of service for the folks that we represent?

Mr. TAUB. Senator, the Postal Regulatory Commission has a very important responsibility of providing transparency and accountability of the Postal Service, not only with rates and products but service. In the 2006 law that was put together, when that law was passed, the only public data that was out there about service quality was what was on single-piece First-Class Mail.

Today, as we speak, nearly 10 years later, we have full transparency of data on the service performance for all market-dominant classes of mail—First-Class, periodicals, Standard Mail—and we look at that annually and report on whether those service standards are met.

The Postal Service has a major problem with service performance, and the Commission earlier this year in its most recent annual compliance determination, this was the first year we found that the Postal Service did not meet any of its targets for all of First-Class Mail. Standard Mail, periodicals, flats, and First-Class Mail flats are a perennial problem and had gotten worse.

So we have directed the Postal Service to do a comprehensive analysis of what we identified as potential pinch points throughout the whole process and look at what are some of the solutions there. Again, we are the regulator, not the operator. Our responsibility is to provide some sunshine and spotlight that did not exist before and exists today. And the Postal Service did come back to us just a few months ago with that report. We have had some follow-up with them, and we are making some decisions among the Commission as to what the next steps will be.

So the bottom line is the information from your case work operation is not an anomaly. Service performance is not where it should be for the U.S. Postal Service.

Senator CARPER. All right. Thank you.

Maybe a question for Mr. Acton. In a conversation we had just this week, you talked a little bit about some of the different aspects of the postal reform legislation that we have worked on in this Committee and that is being worked on in the House of Representatives. And one of the challenges the Postal Service has, as almost every employer in the country that offers health care for their pensioners has, there is a liability associated with it. Most private sector companies frankly do not acknowledge that. I guess a lot of States do not acknowledge that liability for their pensioners either. The Postal Service has a lot of pensioners, and there is a liability, and it has to be acknowledged. The question is how to pay for that, over what period of time, and to what extent should it be addressed. There is a similarity in the House legislation and the Senate legislation on that point.

One of the other areas where there is some similarity, but not total, is with respect to innovation and looking—I mentioned the challenge. We have a lot of challenges at the Postal Service. We also have opportunities. I like to say in adversity lies opportunity. That is actually Albert Einstein, not me.

But with respect to innovation, in our Senate legislation we created a Chief Innovation Officer within the Postal Service, where we created sort of like a commission or a board of really smart people from the private sector who are very creative and thoughtful and can think of new ways for the Postal Service to generate income by providing services that are needed. And the question I would ask you, and I will start with Mr. Acton and then Mr. Taub: To what extent should we be thinking about, after having created a Chief Information Officer, creating a board or commission of people who advise the Postal Service, should we then tie the hands of the Postal Service and say, well, you cannot really be very innovative except maybe with respect to State and local governments? Any thoughts on that, please?

Let me just say that some people want to see the Postal Service, like they have in other countries, to be a bank. OK? I am not interested in seeing the Postal Service be a bank. Some people are interested in seeing the Postal Service be an insurance company. I am not interested in seeing them be an insurance company. But I would like to not tie their hands in terms of being innovative and creative and using their brand and using what is unique about them, this legacy, 200-year-old delivery network that goes to every post office box in the country, five or six times a week. What do you think in terms of innovation and the flexibility of the Postal Service to use it to innovate?

Mr. ACTON. Thank you, Senator Carper. The Commission has been a ripe playing field for the Postal Service to come to with innovative thought. In instances where the Postal Service is proposing certain market tests for new revenue streams, the Commission in every instance has approved the market test. And, in fact, in our last report, which we call the “701 report,” which is a mandate from Congress in the law for the Commission to come forth with some proposed changes in the legislation that might improve things, we talk in there about raising the thresholds of revenue involvement for market tests and extending the trial period.

So I think that the Commission has demonstrated over a long period of time that we are very open to innovative thought. I do think, though, that if you are going to provide the Postal Service with that avenue to enhance the revenue situation, that you do have some regulatory involvement because it is important to remember, as I know you know, the Postal Service is a two-headed beast. It is operating in a market-dominant environment, and it is also competing in a competitive market environment.

So when you talk about innovation, it is important that a regulator be involved—not an activist regulator, but a regulator who is there to ensure there is not an improper cross-subsidization between those two market arenas that compromises or distorts the competitive playing field.

Senator CARPER. All right. Thank you.

Mr. Taub, I have just a few seconds. Anything you want to add or take away, please, quickly?

Mr. TAUB. I would concur with what Commissioner Acton said. Just a couple points I would amplify on.

First of all, as you know, the 2006 law drew a very hard line as to the Postal Service is not allowed to get into non-postal products and services under current law. So the law would have to change if the aperture would grow.

Knowing that, I do believe the Postmaster General and her team right now understand that their focus is innovating the core of the postal products. To the extent that aperture opened, I would just offer an observation. This has been a long concern of mine, which is trying to get to first principles. Why else do we have a government administration providing postal service? It is to provide universal service. But in the United States, we have never defined exactly what that means. And as we look to the Postal Service to get into other areas, it seems to me we need to have a conversation about what is it that we need and want this government administration to do to meet that universal service obligation (USO) and what is its cost. And then we could better sense what things could be added or subtracted from that equation.

Senator CARPER. All right. Good. Thank you so much. Thank you both.

Senator LANKFORD. Senator Heitkamp.

OPENING STATEMENT OF SENATOR HEITKAMP

Senator HEITKAMP. Thank you, Mr. Chairman, and thank you, Senator Carper, for opening up exactly the topic of conversation that we are having consistently on this Committee, which really is kind of putting the cart before the horse. As you said, Chairman Taub, we do not talk about service; we just talk about how we are going to run the post office without defining what we expect that service to look like and what our expectations are.

Spending the first couple years on this Committee with the previous Postmaster General, I was reminded of a statement that I give often, which is you cannot fix a problem you will not admit you have. We have a problem with service, and that problem is very acute in rural areas. With the closing of service centers, the narrowing of the focus, to suggest that we are getting the same level of postal service that we did 20 years ago is incorrect. Our

service is getting worse. When I sent out a "Fix My Mail," opening up a portal on my Web page, 600 North Dakotans responded. Now, you think about it, we are small State. You get 600 people to volunteer concerns, that tells us that we have a very real concern.

Senator McCaskill and I recently asked for a GAO report taking a look at utilization and service in rural communities. In spite of broadband, there is this idea that broadband eliminates the necessity for attention to universal service. I will tell you, the GAO report argues the other way, that rural communities are even more dependent on the Postal Service than other parts of the country. And so we are going to be myopically focused in my office, and I think for a number of members here, on what is happening with universal service in rural communities.

And so I think that the Commission plays a very important role in guaranteeing improvement in service and guaranteeing universal service. And so I just want a commitment from both of you that simply making the ends meet financially, balancing all of this, will not be the sole priority if as a result of that you do not have a post office that delivers any service. So I would like comments on that, but also a commitment that you are going to be focused on universal service and what that means, especially as it relates to rural communities.

Mr. TAUB. Senator, you have my personal commitment. I am heart attack serious about delivery performance for the Postal Service and seeing that improve. I was born and raised in northern New York State. I served for a decade as then-Congressman John McHugh's Chief of staff. His congressional district was over 14,000 square miles, one of the largest east of the Mississippi. Some of the communities may not have had much, but what they did have was a post office. So I personally well understand the importance in these rural areas.

The Postal Service has to do better, and we are on top of that. Your legislation I think acknowledges that current law only goes so far with our tools in our toolkit, and the Commission would have some additional tools under what you have proposed to take that a bit further.

But I fully agree, as I said, universal service is—why else do we have a government institution providing a service that is in a competitive marketplace every day, but to provide this type of level of service to all communities? The law already says there has to be effective service to areas of the country that may not otherwise be financially viable. And so the bottom line is I am with you 110 percent on that.

Senator HEITKAMP. Thank you, Chairman. Mr. Acton.

Mr. ACTON. Thank you, Senator. I just would like to, first of all, offer my assurances that I understand there is a problem. Do I understand all the particulars of why there is a problem? No. Do I think that the Postal Service is taking ownership of the fact that they have a problem? I do think that they are doing that. We have been meeting with them on a monthly basis in our consultations. They show us the trends about what they think went wrong operationally and otherwise back in the States. And they seem to be implementing some operational adjustments and working closer with the mailers in a fashion that is making some trend toward im-

provement. I hope that that trend continues. They have a long way to go, particularly in rural and remote portions of the Nation.

There are four of us on the Commission. There is a guy from Kentucky. There is a fellow from upstate New York, which is largely rural. We have a fellow from rural Missouri. And we have someone from Hawaii, which is pretty remote in America. So remote and rural American concerns are always at the forefront of a lot of the postal policymaking that goes on at the Commission, and I think that you can examine our record and see that we often point to the disparate effect of certain operational changes that may result, particularly where the Postal Service is most important, which is in rural and remote America.

Then the thing I would close with is your point about making finances better does not necessarily result in the sort of improvements we need, and I agree with that. But I also feel that there is a nexus between what is happening with the degradation of the Postal Service's performance particularly in rural and remote America and their fiscal status in terms of their health on the bottom line. And I think if you can get some meaningful, targeted reform through that offers them some improvements, that does not force the sort of cost efficiencies that they are driving that is compromising these performances, there could be some additional improvement.

Senator HEITKAMP. I think it is critical that we look for efficiencies, but I am always reminded of the story, if you are in retail business and you decide to cut your inventory and your cost of goods sold, you will not be in business very long.

Mr. ACTON. Yes, agreed.

Senator HEITKAMP. And that is my point. My point is if you cut service to the point where you are not delivering anything, that will just continue this spiral. And so you have to be ready to deliver the service that you are making a commitment to deliver. And if you cannot meet those, you are going to lose business, and it is going to be, I think, even more difficult for the Postal Service to catch up.

So just know we are going to be myopically focused on this service issue. We think it is critical. And we need a partner on the Commission, partners on the Commission in doing that.

Thank you, Mr. Chairman.

Senator LANKFORD. Senator Tester.

OPENING STATEMENT OF SENATOR TESTER

Senator TESTER. Thank you, Mr. Chairman and Ranking Member, for having this hearing. Thank you both for your willingness to serve.

I guess we will start out with one of the things you said, Mr. Taub, that the balance sheet needs to be fixed, and I could not agree more. Have you looked at any of the proposals that have been put forth over the last 6 years to see if you have a favorite?

Mr. TAUB. Senator, I do not have a favorite. What I have a favorite for is having something done to fix the balance sheet. I think all of them are moving in that same direction.

Senator TESTER. And I could not agree more with Mr. Acton when—I mean, I think finances do have an impact on everything

we do. And so hopefully in this new Congress—I do not know that you are still going to be in this position, Senator Carper, but if you are, or whoever is Ranking Member of this Committee with the Chairman, make this a priority to get it done, because it is just really important, as Senator Heitkamp has pointed out, for rural America.

Have you had the opportunity to go back and look at the Network Rationalization Plan—this is for either one of you—that was supposed to save a whole bunch of money, hundreds of millions of dollars, and it ended up costing millions of dollars, to determine what went wrong? Because, quite frankly, there were Members on this Committee that were arguing very vociferously not to close down all those processing centers. In Montana, I think we went from seven to three. You have trucks going over passes in wintertime. I mean, it was obvious what was going to happen, and what happened, happened. Your transportation costs went through the roof, and that is with \$2.35 gas.

So have you guys taken a look to see why it went south and we did not save the kind of money that was being predicted?

Mr. TAUB. Senator, we have not. We did under the law, because the separation of regulator and operator, when it came to the change itself, the Postal Service had to seek what was called an “advisory opinion” from us in 2012, and we outlined some very deep concerns to the Postal Service about how they are proceeding and some caution. But under the law, they can proceed forth once they had that advisory opinion, which they did.

I do know their Office of Inspector General (OIG), which does have that focus on fraud, waste, and abuse, has done some studies to look at the network rationalization and has identified that the cost savings that they were expecting have not borne fruit to the level they thought.

Senator TESTER. So who puts forth the recommendations on how to fix it? I mean, one of the reasons it takes a week to mail a letter and get it across the State in Montana is we do not have those processing centers. I can give you plenty of examples where a letter that would go down a block or two would have to travel 300 miles or better. So who puts forth the proposals on how to fix it?

Mr. TAUB. The U.S. Postal Service does.

Senator TESTER. And you either bless it or you do not?

Mr. TAUB. They actually do not need our approval on that, but that is where Senator Heitkamp’s legislation that you have been a cosponsor on would give us some tools to take that further under current—

Senator TESTER. OK. So let us talk about what your authority is. Is it strictly pricing?

Mr. TAUB. No. We do, as I was mentioning, oversee and report on service where, before the 2006 law, we were not providing that transparency.

Senator TESTER. OK.

Mr. TAUB. So we have been able to say—

Senator TESTER. But when it comes right down to it, if the Postal Service wants to do it, you cannot stop them.

Mr. TAUB. That is correct.

Senator TESTER. So what is your club?

Mr. TAUB. The club, when it comes to service, is our providing that report that did not exist in 2006, which is clear transparency on what is going on. So rather than, say, before 2006, where the Postal Service said, “Yes, you may be hearing some problems from your constituents, but trust us, it is OK,” we now have the data, fully transparent, reliable, and accurate, that shows performance is not being met. We have taken them to task on that. We have asked for reports on how to improve it. We are getting those reports. But in terms of our ability to, if you will, force those changes, that is not fully in our toolkit right now when it comes to the service. But compared to where we were before the 2006 law, there is more transparency.

Senator TESTER. So help me through this. I do not have my staffer whispering in my ear, so I will just ask you. If they want to close down a processing center, who makes that call?

Mr. TAUB. The Postal Service’s Board of Governors.

Senator TESTER. The Board of Governors. And that is it, once they make it?

Mr. TAUB. Again, the theory in the 2006 law was maintaining this regulator versus operational separation. So there was a view that when it came to processing plants, that is an operational decision for the U.S. Postal Service and the Governors who exercise the powers of the Postal Service.

Senator TESTER. OK. So on your Commission, on the PRC, is there a view that the Postal Service has outlived—you did not say it in your opening statement, but is there a view by some members on the PRC that the Postal Service has outlived its usefulness?

Mr. TAUB. Senator, I can speak for myself on this, that no way in heck have they—

Senator TESTER. But how about the rest? And either one of you, just your sentiments. This is not about you guys. It is about the Board in general. I know there are only four and there needs to be five. But just tell me, is it—because I have gotten the sentiment by some in the Postal Service, I have gotten the sentiment by some in the Senate, by some on this Committee, that they would like to see it go away and let UPS and FedEx handle it.

Mr. ACTON. I would just say, Senator, that with the proper sort of targeted reform that this chamber and the House are considering, I think there is a bright future for the Postal Service.

Senator TESTER. I could not agree more.

Mr. ACTON. The aspects of the present situation that concern me most in terms of what you are talking about as an alternative go to these issues with respect to rural or remote America, because if you move, I think, to try to reduce the Postal Service’s footprint in certain parts of America by, say, privatizing certain aspects of it, it is going to compromise the integrity and the livelihood of the entire infrastructure in a fashion that could have consequences which we do not anticipate well or plan for properly at this point.

But, with just a few changes—for instance, this reamortization of the unfunded liabilities, that is the one position that the Commission has come forth in response to a congressional request to offer expert testimony that says that those changes should be made in a responsible fashion. The intent of covering those unfunded liabilities through the percentages that they initially enacted was a very

responsible public policy approach, but it had some unintended consequences that basically have brought the Postal Service to the brink of bankruptcy.

Senator TESTER. Right.

Mr. ACTON. So the Commission is on the record with its viewpoint that some nature of reamortization needs to be done, and that alone could go miles toward establishing the Postal Service's fiscal health.

Senator TESTER. Make no mistake about it. As we point fingers at one another, Congress gets most of the fingers pointed at them, and rightfully so. We have not acted, and we should have acted many Congresses ago. And so thank you, folks, for your testimony and thanks for your willingness to serve.

Thank you, Mr. Chairman.

Senator LANKFORD. Thank you. Senator Peters.

OPENING STATEMENT OF SENATOR PETERS

Senator PETERS. Thank you, Mr. Chairman. And, again, I would reiterate what my colleagues have said. We appreciate your service and willingness to serve. This is a very difficult position that you will be conducting, but we stand behind you, and we have to figure out ways to make this work.

My colleagues raised a number of issues that I had when I came here, so you have answered some of those. But I would pick up a little bit on what Senator Tester asked related to processing centers and take it down to local post offices. The State of Michigan, which I represent, has a very large rural population in addition to the urban areas, and folks have been concerned about individual post office closures and the negative result that that has brought about to their community. My understanding is that you are involved in oversight of the appeals process where communities can appeal. Could you tell me a little bit about that appeals process and how you see that functioning? And are there things that we need to be aware of to potentially improve the opportunity for folks to have a stronger impact in that appeals process?

Mr. TAUB. Senator, we have a process that dates from the 1970s and the law in which any community or a patron of a post office, if it is being closed, can appeal to the Commission for a review as to whether the Postal Service followed the procedures that are outlined in statute. And if not, the Commission either can remand that decision back to the Postal Service for further action or affirm it.

However, when it comes to processing facilities, as we were discussing with Senator Tester, those are not part of the process that the Commission is involved in and are wholly within the purview of the U.S. Postal Service itself. But I do believe the community aspect of citizen participation that allows people to come to the Commission is an important feature that should be maintained.

I would note that the Commission updated and modernized its rules on post office closures in 2011 and 2012, and we recently held a proceeding looking at some precedent in this area. So we are trying to stay fresh and involved in that. But when it comes to the processing plants, that is just in the purview of the U.S. Postal Service itself.

Senator PETERS. Right, I realize that. But I am talking about individual post offices, which you have addressed, which have an impact on the community. At least some of the feedback that I have received from these local communities is that the decisionmakers look at the issue related to the health of the Postal Service as opposed to the impact on the local economy, and that the local economy should be factored in more in some of that appeals process. Is that accurate? Is that a concern or not? If you could comment on that, I would appreciate it.

Mr. ACTON. Thank you for the question, Senator. My personal view on the post office appeals process, as it is called, is that the name alone is a bit misleading. It implies that the Commission is empowered with the responsibility to decide whether or not the Postal Service has made the proper decision about closing or relocating a given post office, when indeed what it is is the Commission is tasked by law to review the administrative record that the Postal Service assembles in managing these decisions.

So when the Postal Service comes to us in answer to an appeal for a given post office, they have to demonstrate to the Commission that they followed the proper rules and regulations that are outlined for building the record that is needed to make the decision that Postal Service management has made. And often those decisions are related to portions of the Postal Service network where it is not clear what the Commission's authority is. And in our recent 701 report, we put forth some recommendations, since you are contemplating postal reform, where you might want to improve that clarity about where the line is drawn between what the Postal Service does with respect to post office closings and suspensions and what the Commission is responsible to do. And I think that would be helpful moving forward.

Senator PETERS. And some clarification as to criteria beyond just following certain processes?

Mr. ACTON. People talk about applying criteria for the universal service obligation and for closing post offices, and I think that, broadly speaking, that is wise, and we have done that in the past in our Universal Service Obligation study where we talk about the various elements and aspects of the USO. But I also know now through my experience in having done dozens of these post office closing appeals and reviews that they are fact set specific; that what constitutes troublesome 5 miles in Idaho can be much different than 5 miles in a more urban area.

So lots of times, those considerations have to be taken up on an instance-by-instance basis, which is what the Commission does. I think if you start trying to apply general metrics about, do not close a post office within a certain radius of a number of miles, then you begin to generalize a process which in many instances is very specific to the community at hand.

Senator PETERS. All right. Very helpful. Thank you. I appreciate it.

Senator LANKFORD. Thank you.

Mr. Acton, let me continue to press on through just cooperation and some of the things that you are doing, and interaction. Tell me about just the relationship between PRC right now and the Office of Inspector General for USPS, distinctly different responsibilities

but I would hope there is some coordination there as well in the oversight and transparency.

Mr. ACTON. We coordinate with them in the sense that we often have shared examinations of similar issues of concern. Sometimes Congress is interested in knowing the Postal Regulatory Commission's position with respect to a certain issue or concern, and sometimes they want it from the OIG, and sometimes they ask for it from both. So we do not interact with the OIG's office as regularly, as robustly as we do with the Postmaster General and her executive leadership team, whom we meet with monthly. But we are informed on what the OIG is up to, and the Acting Chairman and his staff are very active in keeping the Commission in close concert with all of the important postal players, including the Inspector General's office.

Senator LANKFORD. OK. Your group, the PRC, has subpoena power to be able to get information from USPS if needed. Are there other tools that you need to be able to do your job?

Mr. ACTON. Well, I will tell you that it is my fervent belief that the Postal Service management is working hard to make things better, and they are stressed with the fiscal situation which pervades every aspect of their operation. So when the regulator talks about needing to develop these methodologies or pursue these systems or come up with this data, the thing that is always in the back of my mind, and I think the Commission's mind, when we pursue those sorts of avenues is that that costs money. And the Postal Service does not have a lot of money. In fact, as you know, they are billions in debt.

So we do what we can to try to stress where we think pinch points may lie and where they may focus resources and introduce some metrics that will improve the situation in terms of how the community learns about these problems and what the Postal Service is doing to address them.

But there are limited arrows in our quiver with respect to what we can do to drive that type of action, and subpoena power is certainly one of them. Another one is fining them for certain offenses, like not meeting service terms. But for me, if you fine the Postal Service for a given offense, that is the mailers' money, that is the ratepayers' money; and they will end up having to pay that bill, which for me does not seem equitable.

Senator LANKFORD. All right. Mr. Taub, the recommendations came out today, the 701 recommendations and such. Any high points that you want to be able to walk us through on that?

Mr. TAUB. Probably high points 1, 2, 3, 4, 5 and on is fixing the financial balance sheet. That really is our overarching message to the Congress. We offer a variety of possible options on how to do that. The Postal Service and comments that are attached to the report go beyond and offer some additional ones. The bottom-line message is anything and all of the above that can be done in a fiscally responsible way can go a long way to giving the Postal Service that breathing room. Right now they have almost no working capital, very little liquidity. That is unsustainable for a \$70 billion operation itself.

Senator LANKFORD. Let us talk a little bit about international packages coming in and the two issues that come up over and over

again, and that is, prohibited items coming into the United States through USPS or paying customs fees and being able to pick those up once they are coming in. What is the progress on those? And where do things stand right now? Just picking up customs fees and then picking up prohibited items.

Mr. TAUB. I would say, although the Commission has a very important role when it comes to international mail issues, it is over their rates and service offerings. We have to opine on any proposals to the Department of State before they conclude those treaties. Largely, this is within an area of the Department of Homeland Security (DHS) and Customs and Border Protection, but they are interrelated.

Senator LANKFORD. Any interrelation is obviously the cost of how it is coming in and why, and what drives that cost and such to be able to pick that up internationally.

Mr. TAUB. That is right, and there is, unfortunately, distortions in the international system right now that create incentives for foreign posts and foreign mailers to use the postal systems, both for the lower cost that they are paying as well as avoiding the customs fees.

The 2006 law had a directive that there should have been a strive for equalization of customs treatment, and that was on the Department of Homeland Security. Suffice it to say that has not been achieved, and I know there is some pending legislation both in the Senate and the House, and I think that would take it the full step to ameliorate the problem.

Senator LANKFORD. Any comments on that?

Mr. ACTON. Thank you, Senator. I would mention, this rate review that we are talking about, this 10-year rate study, calls for the Commission to look at these nine featured elements of the law and decide whether or not they are being properly balanced under the present ratemaking system. One of those objectives includes security of the mail. So there is a hook to hang our hat on here going forward in terms of examining this if we think it is appropriate, and that may be part of what the Commission does.

I would just follow up for a moment about Acting Chairman Taub's reference to some of the rate-setting activities with respect to global shipping. We do provide the Department of State with insights about whether or not their proposals that they are presenting at the Universal Postal Union (UPU) are in keeping with the criteria of American law. It is usually a sort of pro forma process. We do it on a 4-year basis. But the last examination was different in a lot of regards, and there are some fundamental problems with what is happening there in terms of how those rates are set and what it means for the American consumer.

For me—and I said this in my remarks—the notion that an American consumer can go on Amazon today and have the same item delivered for less from Beijing, China, than you can from Dallas, Texas, to me strikes to the core of what is wrong with an international rate-setting body where, in an organization like ours that delivers 40 percent of the world's mail, gets only one vote. And so those outcomes are not equitable for the American consumer who is interested in getting fair shipping rates.

Senator LANKFORD. Thank you.

Senator Carper, any questions?

Senator CARPER. I have two quick ones, if I could, Mr. Chairman.

I am going to direct this first question, if I could, to Chairman Taub and then ask Commissioner Acton to respond as well. In both of your written testimonies—earlier this year, one I think before this Committee in January, I believe it was January 21, and the other I think might have been before the House Oversight and Government Reform Committee on, I want to say, May 11. But you remain optimistic—and we have heard this here today—about the future of the Postal Service and stated, and I think this is a quote—“There is still strength in the system.” Could you just expand a little bit on that thought, if you will, Mr. Chairman? And then I am going to ask Commissioner Acton to do so as well.

Mr. TAUB. Definitely, Senator. Thank you. Yes, I am very optimistic about the future of the United States Postal Service. Despite all the challenges that face us, it is still that key center of gravity (COG) of a delivery system in the United States that American businesses and households depend upon. As you indicated in your statement, by some estimates it is the center and a linchpin of a \$1.4 trillion sector of our economy with 7.5 million jobs. So despite the problems the Postal Service faces, that is enormous strength that the Congress, the President, and all policymakers can build upon. So despite the loss of First-Class Mail and the reduced revenues there, I think the Postal Service is going through that process of, as some have called it, “a new normal.” But the idea that it is time to shut out the lights and we no longer need a postal administration—if it did not exist, we would have to think of it.

Senator CARPER. Thank you.

Mr. ACTON. I think you know, Senator, that public opinion polls consistently rate the United States Postal Service as the most trusted government agency in the land, and that does not happen by happenstance. It happens because, despite people’s concerns about waiting time at the post office or what-not, they almost invariably have a great appreciation for this Federal Ambassador who visits their household, reaches out and touches their homes 6 days out of 7, and sometimes 7 out of 7.

So I do not foresee the demise of the Postal Service by any means within the short term. I think that we have at hand a toolbox of reform that can make an important difference to put the Postal Service back in the black for years and years to come.

Senator CARPER. I like that, “Back in the black.” Maybe that could be our slogan here.

A last question. I would direct this to you, Commissioner Acton, and, Chairman Taub, if you would like to take it on too, just briefly. Mr. Commissioner, what do you think might be the biggest challenge out of several challenges that plague the U.S. Postal Service in your eyes? And what is your role as a Commissioner in helping the Postal Service evolve in its third century and to remain relevant for years to come?

Mr. ACTON. We have been harping today on the problems with the Postal Service’s business model, and I would say that that, of course, is the most challenging aspect of what the Postal Service is facing because it compromises every element of their operation,

because once you start hemorrhaging losses at that scale, it pervades the entire enterprise.

So I think the Commission's role here is still what the Commission's role was when it was created in the 1970s as the Postal Rate Commission. The Congress wanted out of postal rate setting. They wanted an expert body who could provide legal and technical assistance to give you the sort of information and insight that you are asking for here today so that you can make informed judgments which you have reserved for yourself, and rightly so, about what will best work to bring the Postal Service back to viability.

So, for me, the Commission's real role here is to do what we are trying to do, which is focus the resources you afford us in a fashion that informs your view so that good decisions can be made.

Senator CARPER. Thank you. Mr. Chairman.

Mr. TAUB. Senator, I would echo Commissioner Acton's points on that. First and foremost, the financials need to be fixed. And, second, I am a big proponent of strategic planning, in the small percentage of time where you can be proactive as opposed to reactive. We just concluded just a few months ago a strategic planning process, issued a new strategic 5-year plan for the Commission where we identified our strengths, our challenges going forward, involved the whole agency from top to bottom. And first and foremost was a reaffirmation of our basic mission, which is twofold: transparency and accountability to the U.S. Postal Service, and ensuring a vital and efficient universal mail system for the United States. That is part and parcel of what we see our role in doing. Our challenge, quite frankly, is ensuring we have the staff and resources to do what needs to be done. We are a very small agency, a micro agency. We are about 75 folks. That includes the five Commissioners and their staff. We have our own Office of Inspector General, which is another three folks—once you peel back the administrative folks, it is really about 40 staff working really hard day in and day out ensuring that transparency and accountability. Our appropriation has been generally flat-lined, and to deal with that in previous years, the Postal Regulatory Commission was deferring hiring and deferring investments in information technology (IT) that are no longer sustainable. With the Congress' help, this past appropriations cycle we have been starting to turn the curve on that.

But those are some of the internal challenges that we have, and certainly the external one for the Postal Service is the financials.

Senator CARPER. Good. Thanks. Just a concluding thought, if I could, Mr. Chairman.

First of all, our thanks to both of you for your service to date and for your willingness to continue to serve. I think there is great opportunity that lies ahead, and I think you may in these positions, if you are reconfirmed, be in a position to help us seize the day, and that would be wonderful. I am encouraged that it can and will happen.

I serve on another Committee called Environment and Public Works, and a couple of years ago, Mr. Chairman, maybe 6 years or so ago, George W. Bush was the President and he offered legislation called "Clear Skies." It dealt with emissions of sulfur dioxide, nitrogen dioxide, mercury, and CO2 for the regulated community, utilities, and I offered legislation—we called it "Really Clear Skies."

And we brought in a bunch of utility Chief Executive Officers (CEOs) to come in and testify before us on—not to testify but actually meet with us in private on the President’s proposal and our proposal, bipartisan proposal in the Senate. And I will never forget this one curmudgeonly old CEO from a utility, a southern utility. And he came in and he said to us about both the proposals, the President’s proposal and our proposal, he said, “Here is what you should do, Senator. Here is what you and your colleagues should do. Tell us what the rules are going to be. Give us some flexibility, give us a reasonable amount of time, and get out of the way.” And what he was really saying is that they wanted some certainty and predictability, they wanted some flexibility, and a reasonable time-frame. And I think we have an obligation to those who are served by the Postal Service to better ensure they get the kind of service that they want and deserve and that we want them to have.

But a good place to start, before we even pass our legislation—and I hope we will pass legislation. I hope we will actually continue the very hard work that is being done, Democrat and Republican, House and Senate, to narrow our differences and to try to do our job this year before we go home for the holidays. But a good place to start is with confirming these nominations. Excellent nominations. Both I think are Republican, if I am not mistaken. But we are lucky to have you in these jobs.

The second would be we have—the President has nominated six people to serve as the Board of Governors. I just said to the Chairman that the one remaining non-postal person on the Board of Governors, they just had his retirement party yesterday, and so we are down to zero folks on the Board of Governors who are not part of the Postal Service. That is just not acceptable.

And so we have excellent nominees to report out of Committee. We need to get that done. And I think there is a clear path to actually—not an easy path but a clear path to having bipartisan legislation to actually address a lot of the concerns that need to be done, the work for us to be enablers for the Postal Service, and for you to be able to do your work. And I am going to fight like hell to see that we realize that potential this year—this year, not some year down the road but this year—to get it done while we can, do our job.

Thanks so much.

Senator LANKFORD. Thank you, Senator Carper.

Just one comment to my friend. As you were recalling it, 4, 5, maybe 6 years ago when President Bush was President, I think it is more than six.

Senator CARPER. Probably. [Laughter.]

It only seems like two or three.

Senator LANKFORD. It always does. Time is flying when you are having fun with it.

Gentlemen, you have served the men and women of the USPS, and we are very grateful for that. They are some very fine folks, including some of my own family members, that serve, that are out, as you all know well, in rain, snow, sunshine, whatever it may be. There are people that most of our neighbors will never, ever meet that are literally being served by folks every single day that work for the United States Postal Service. And so I want to say to

you thank you for your service to them as they serve the entire Nation and as you all serve the Nation as well. This is a difficult, complicated task, and what we have asked you to do is difficult, because none of these decisions are easy. Twenty years ago, this was a simpler job. It is no longer simple, and this is a complicated process that we all have very hard decisions to make in the days ahead, and we appreciate your insight with that.

Mr. Taub and Mr. Acton have filed responses and biographical and financial questionnaires, answered prehearing questions submitted by the Committee, and have had financial statements reviewed by the Office of Government Ethics. Without objection, this information will be made part of the hearing record¹ with the exception of the financial data, which is on file and available for public inspection in the Committee offices.²

The hearing record will remain open until 12 p.m. tomorrow, November 16, 2016, for the submission of statements and questions for the record.

To both of you, thank you, and to your families, thank you for your endurance through this long confirmation process, and we look forward to passing it on to the full body in the days ahead.

With that, this hearing is adjourned.

[Whereupon, at 3:34 p.m., the Committee was adjourned.]

¹The information of Mr. Taub appears in the Appendix on page 30.

²The information of Mr. Acton appears in the Appendix on page 76.

A P P E N D I X

November 15, 2016

**Opening Statement of Senator James Lankford
Homeland Security and Governmental Affairs Committee Hearing:
Nominations of Mr. Mark Acton and Mr. Robert Taub,
to be Commissioners of the Postal Regulatory Commission**

Good afternoon. Today we will consider the nominations of Mr. Robert Taub and Mr. Mark Acton for Commissioners to the Postal Regulatory Commission. The Postal Regulatory Commission exercises statutory and comprehensive oversight of the U.S. Postal Service. Among its responsibilities are the mandates to prevent anticompetitive practices, to promote accountability, to adjudicate complaints, set postal rates, and help oversee delivery service standards. It is important that each commissioner reflects the highest standard of public service.

Robert Taub is a native of Gloversville, New York. He received his bachelor's degree and M.A. in political science from American University, where he graduated with honors. Mr. Taub has a distinguished career as a public servant, including work at the Government Accountability Office, as Chief of Staff to former-Representative John McHugh, and as an assistant to the Secretary of the Army. He is currently serving as Acting Chairman of the Postal Regulatory Commission.

Mark Acton is a native of Louisville, Kentucky. He earned his bachelor's degree from the University of Louisville and M.B.A. from the University of Maryland. Mr. Acton served the Republican National Committee for more than two decades in a variety of positions, including as Staff Director for the Counsel's Office and Government Relations Officer. Prior to his confirmation as a Commissioner of the PRC, Mr. Acton was the Special Assistant to the Chairman.

Committee staff had the opportunity to interview Mr. Taub and Mr. Acton regarding their work so far at the PRC. They have thoughtfully and competently answered each question to our satisfaction. Mr. Taub and Mr. Acton, to date, the Committee has found you to be qualified for the position you have been nominated. I look forward to speaking with you more today on how you would apply your experience for another term.

Statement of Ranking Member Tom Carper
“Nominations of the Honorable Robert G. Taub and the Honorable Mark D. Acton to be Commissioners, Postal Regulatory Commission”

As prepared for delivery:

Thank you, Mr. Chairman, for scheduling today’s hearing to consider these important nominations to fill two Commissioner vacancies for the Postal Regulatory Commission. Both Mr. Taub and Mr. Acton’s terms expired on October 14, 2016. They are now one month into a one-year holdover term granted to them under the law, so they must leave the Commission next October unless they’re re-confirmed. It is imperative, then, that we take swift action on these nominees before the end of the year due to the pending critical work on rates before the Commission. I should also note that, if we don’t take action on these two nominations, the PRC will eventually be left with only two Commissioners. That would be unacceptable and create even more uncertainty for the Postal Service and its customers.

We’re considering Mr. Taub’s and Mr. Acton’s nominations at what is a very challenging time for the Postal Service. It is not a time that’s devoid of promise, although to achieve that promise, we need strong leadership at the PRC if the Postal Service is going to successfully confront challenges such as poor service performance issues and the persistent decline in First-Class Mail volume.

The future also offers the Postal Service a number of promising opportunities. Congress and the PRC have important work to do to help the Postal Service take full commercial advantage of its unique delivery and logistics network. The Postal Service operates at the center of a massive \$1.4 trillion printing, delivery, and logistics industry that employs nearly 8 million people. Even as First-Class Mail loses ground to other forms of communication, the future holds promise for the Postal Service in a number of other ways. Advertising mail is still a popular and effective option for mailers. And e-commerce and package delivery are booming, making the Postal Service a vital partner for businesses large and small. Even the Postal Service’s traditional competitors rely on it to carry items the last mile to rural communities around the country.

Mr. Taub and Mr. Acton have been invaluable resources to the Congress as we work on postal reform legislation. Their confirmation will remove uncertainty about the future of regulatory action at the Postal Service. It will also allow Congress to continue its work on postal reform with a clear sense of who will be implementing the reform in the coming years.

This is Chairman Taub’s second nomination by President Barack Obama, and he has served as the Acting Chairman of the PRC since December 2014. He was first nominated and confirmed in October 2011 and has demonstrated proven leadership skills to properly address issues and concerns facing the Postal Service and staying keenly aware of the delicate balance between Congressional and postal industry needs.

Mr. Acton has spent 14 years at the PRC. President Bush first nominated him as a Commissioner in 2005. He was confirmed by the Senate in August 2006. His second

nomination as a Commissioner was by President Obama, and he was confirmed a second time by the Senate in September 2011. As a Commissioner, Mr. Acton has shown a clear understanding of key postal issues, as well as a close familiarity with the concerns of Congress and postal stakeholders.

As I stated at the beginning of my remarks, the PRC has a tremendous amount of work ahead of it in the coming weeks and months, including a required 10-year review of the postal pricing system established in the 2006 postal reform law. We need strong PRC Commissioners to properly address the issues I expect to be raised during the course of the review, which will determine the level of service the Postal Service will offer in the future, and the prices that will be charged for that the service. I believe we need to ensure that there is a quorum of PRC Commissioners in place so that the rate review can happen and proceed un-interrupted over the course of the next year.

I look forward to talking to Mr. Taub and Mr. Acton today about what they think can be done to address the ongoing challenges facing the Postal Service and to hear about the skills, the knowledge, and experience they would bring to the PRC. My thanks again, Mr. Chairman, for holding this very important and timely hearing.

**Senate Committee on Homeland Security and Governmental Affairs
Hearing: "Nominations of the Honorable Robert G. Taub and the Honorable Mark D.
Acton to be Commissioners, Postal Regulatory Commission."
November 15, 2016 at 2:30 p.m.
Senator Schumer**

As submitted for the record:

Good afternoon. I am pleased to submit this statement regarding the nomination of Robert Taub for the position of Commissioner on the Postal Regulatory Commission (PRC). Mr. Taub is a native of Gloversville, New York with a long career in public service. He earned an M.A. in Political Science, with a concentration in American politics, and a B.S. in Political Science with Honors, both from American University in Washington, D.C. Mr. Taub has dedicated himself to public service throughout his career. He served the people of New York when he worked as Chief of Staff to then-Representative John McHugh in the House of Representatives, taking a leadership role on postal policy. As you know, Mr. Taub is no stranger to the PRC, having first been sworn in as Commissioner in October 2011 following his nomination by President Obama. Mr. Taub was elected Vice Chairman of the Commission for 2013, and was designated Acting Chairman by President Obama in December 2014. He is uniquely qualified to serve on the Postal Regulatory Commission. With the PRC already experiencing a vacancy, and set to begin a 10-year review of the Postal Service's rate-making system, it is imperative that the Commission has a quorum in order to effectively do its job. I congratulate Mr. Taub and respectfully urge my colleagues to support his nomination.

**Statement of U.S. Senator Kirsten Gillibrand (D-New York)
In Support of the Nomination of the Honorable Robert G. Taub
To be Commissioner of the Postal Regulatory Commission
November 15, 2016**

I submit this statement in support of the nomination of the Honorable Robert G. Taub of Gloversville, New York for a second term as Commissioner of the Postal Regulatory Commission.

Mr. Taub was first sworn in as Commissioner of the Postal Regulatory Commission in October 2011 following his nomination by President Barack Obama and confirmation by the United States Senate. He was elected Vice Chairman by the Commission in 2013 and designated as Acting Chairman of the Commission by President Obama in December 2014. In recognition of his leadership abilities, Mr. Taub continues to hold the position of Acting Chairman of the Commission today.

Prior to his 2011 appointment as Commissioner, Mr. Taub dedicated his career to 30 years of public service in federal, state, and local government. Mr. Taub served as the Special Assistant to then-Secretary of the Army John M. McHugh and previously as Chief of Staff to then-Congressman McHugh, who represented a Congressional district in upstate New York. Mr. Taub has also worked as a senior policy analyst at the U.S. Government Accountability Office as well as a staff member for three Members of Congress, a Member of the British Parliament, and state and county officials in upstate New York.

Mr. Taub received a Master of Arts degree in Political Science and a Bachelor of Science degree in Political Science with Honors from American University. Throughout his career, Mr. Taub has demonstrated an unwavering commitment to public service.

I am grateful for Mr. Taub's dedication to improving the United States Postal Service, and I strongly encourage my colleagues to support the nomination of the Honorable Robert G. Taub to be Commissioner of the Postal Regulatory Commission. Thank you.

**Opening Statement of Robert G. Taub
Nominee, Commissioner, Postal Regulatory Commission**

November 15, 2016

Mr. Chairman, Ranking Member Carper, and distinguished members of the Committee, I want to thank you for the opportunity to appear before you today, and for your consideration of my qualifications to be a Commissioner of the Postal Regulatory Commission for a second term. I would like to thank President Obama for the opportunity he has afforded me through this nomination, and I am honored by his trust.

I am pleased that many of my family, friends, and colleagues are here, and I am grateful for the support they have provided in my chosen career of public service. While I cannot acknowledge them all by name, I would like to introduce my dear wife Cynthia Taub. Our twin daughters are away at college and could not be here today to experience our Constitution in action. Also, my father and sister who traveled a distance from upstate New York to attend: my father Carlson Taub and my sister Beth Laddin. Like good families everywhere, all have lent me love, encouragement, and a good dose of understanding.

I would also like to acknowledge the other nominee on this afternoon's panel: my fellow Commissioner Mark Acton, nominated for another term on the Commission. I congratulate him for his selection and wish him well. I have known Mark for more than 15 years, and it is a pleasure to be with him today. Lastly, I would like to thank my New York Senator Kirsten Gillibrand for her kind and thoughtful statement of support for the hearing record.

When the Senate confirmed me as a Commissioner 5 years ago, I was serving as a senior executive in the Department of the Army as the principal civilian advisor to Secretary John McHugh, helping him oversee a workforce of more than 1.2 million people, and manage an annual budget over \$200 billion. I had arrived at the Army with Secretary McHugh, having served as his longtime Chief of Staff in the Congress as well as his leading staffer on postal issues within the House Oversight & Government Reform Committee. Like Secretary McHugh, over the course of my 30 years in public service, I have worked in bipartisan fashion to develop solutions to many public policy issues, particularly the challenges confronting our Postal Service.

The President designated me as head of the Commission nearly 2 years ago. During that time, the Commission has become even more efficient and effective in carrying out its mission as measured by budget savings and timeliness of work. The Commission has achieved improvements in its employees' satisfaction and engagement, as evidenced by the Federal Employee Viewpoint Survey results. The Commission has become a more frequently sought resource for postal expertise, particularly to the Congress. If confirmed, I would hope

to build upon these accomplishments to achieve further improvements in staff achievement, the timeliness and quality of work products, and the efficiency and effectiveness of agency operations.

On December 20, the Commission will begin what may be its most important work in its 46 year history: a statutorily mandated "10 year review" of the Postal Service's price cap system, with unilateral authority to modify it or adopt an alternative system. Considering that the Postal Service's consecutive net losses since 2007 has increased its cumulative net deficit to more than \$57 billion, the importance of this review cannot be overstated. The Postal Service's total liabilities exceed the total value of its assets by more than \$53 billion. As I testified to the Committee in January, the Postal Service's balance sheet must be fixed. With the growing liability of retiree health benefits, the inability to borrow for needed capital investments, and the continued loss of high margin First-Class Mail revenues, the important task of improving the financial condition of the Postal Service is daunting.

I want to assure this Committee that I appear here before you today with few delusions as to the difficulties that lie ahead. I believe I have a clear understanding of the serious and numerous challenges that face America's postal system. The Commission has just issued its most recent 5 year review of the law with recommendations to improve it.

But the fact is, for all the challenges the Postal Service of the 21st century faces, it still retains an integral role as a key cog in how American businesses conduct their affairs and how Americans all across this land communicate. The Postal Service is the one government agency that touches every American on a daily basis; it is an organization that literally serves 155 million American households and businesses on a typical day. It facilitates trillions of dollars in commerce. For 241 years, our Postal Service has provided a service that American people and American businesses alike have come and grown to expect. Universal service at a uniform price, no questions asked. Very few in this country go to his or her mailbox or his or her local post office wondering if the mail will be there. It is always there. It has always been there. But the Postal Service is in a serious financial crisis that must be fixed.

If confirmed, I would welcome the opportunity to focus my executive and management skills on ensuring transparency and accountability of the Postal Service and fostering a vital and efficient universal mail system. I would bring to the job 30 years of public service achievement and experience, and I pledge to work with all stakeholders to address the current difficulties. There are no easy answers, but answer we must. And I promise you, if confirmed, my first priority will be, along with this Committee, the entire Congress, the President, and the other Commissioners, to engage in a constant search for the discovery and effective implementation of solutions. I am truly honored to be considered. Thank you.

HSGAC BIOGRAPHICAL QUESTIONS FOR EXECUTIVE NOMINEES

1. Basic Biographical Information

REDACTED

Please provide the following information.

<i>Position to Which You Have Been Nominated</i>	
Name of Position	Date of Nomination
Robert Taub	September 12, 2016

<i>Current Legal Name</i>			
First Name	Middle Name	Last Name	Suffix
Robert	Garson	Taub	

<i>Addresses</i>					
<u>Residential Address</u> (do not include street address)			<u>Office Address</u> (include street address)		
			Street: 901 New York Ave NW, Suite 200		
City: Washington	State:DC	Zip: 20016	City: Washington	State: DC	Zip:20016

<i>Other Names Used</i>						
First Name	Middle Name	Last Name	Suffix	Check if Maiden Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
					Est <input type="checkbox"/>	Est <input type="checkbox"/>
					Est <input type="checkbox"/>	Est <input type="checkbox"/>

<i>Birth Year and Place</i>	
Year of Birth (Do not include month and day.)	Place of Birth
1964	Gloversville, New York

<i>Marital Status</i>					
Check All That Describe Your Current Situation:					
Never Married	Married	Separated	Annulled	Divorced	Widowed
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Spouse's Name</i> (current spouse only)			
Spouse's First Name	Spouse's Middle Name	Spouse's Last Name	Spouse's Suffix
Cynthia	Lucille	Taub	

<i>Spouse's Other Names Used</i> (current spouse only)						
First Name	Middle Name	Last Name	Suffix	Check if Maiden Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
					Est <input type="checkbox"/>	Est <input type="checkbox"/>
					Est <input type="checkbox"/>	Est <input type="checkbox"/>

<i>Children's Names (if over 18)</i>			
First Name	Middle Name	Last Name	Suffix
Hannah	Jocle	Taub	
Madeline	Rose	Taub	

2. Education

List all post-secondary schools attended.

<u>Name of School</u>	<u>Type of School</u> (vocational/technical/trade school, college/university/military college, correspondence/distance/extension/online school)	<u>Date Began School</u> (month/year) (check box if estimate)	<u>Date Ended School</u> (month/year) (check box if estimate) (check "present" box if still in school)		<u>Degree</u>	<u>Date Awarded</u>
			Est <input type="checkbox"/>	Present <input type="checkbox"/>		
American University	university	08/1982 <input type="checkbox"/>	05/1986 <input type="checkbox"/>	Est Present <input type="checkbox"/> <input type="checkbox"/>	BS	May 1986
American University	university	01/1986 <input type="checkbox"/>	12/1987 <input type="checkbox"/>	Est Present <input type="checkbox"/> <input type="checkbox"/>	MA	Dec. 1987
		Est <input type="checkbox"/>		Est Present <input type="checkbox"/> <input type="checkbox"/>		
		Est <input type="checkbox"/>		Est Present <input type="checkbox"/> <input type="checkbox"/>		

3. Employment

(A) List all of your employment activities, including unemployment and self-employment. If the employment activity was military duty, list separate employment activity periods to show each change of military duty station. Do not list employment before your 18th birthday unless to provide a minimum of two years of employment history.

<u>Type of Employment</u> (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non-Federal Employment), Self-employment, Unemployment, Federal Contractor, Non-Government Employment (excluding self-employment), Other	<u>Name of Your Employer/Assigned Duty Station</u>	<u>Most Recent Position Title/Rank</u>	<u>Location</u> (City and State only)	<u>Date Employment Began</u> (month/year) (check box if estimate)	<u>Date Employment Ended</u> (month/year) (check box if estimate) (check "present" box if still employed)
Other Federal	U.S. Postal Regulatory Commission	Acting Chairman	Wash, DC	10/2011 Est <input type="checkbox"/>	Present Est <input type="checkbox"/>
Other Federal	U.S. Department of the Army	Special Assistant	Wash, DC	10/2009 Est <input type="checkbox"/>	10/2011 Est <input type="checkbox"/>
Other Federal	U.S. House of Representatives	Chief of Staff	Wash, DC	01/1995 Est <input type="checkbox"/>	10/2009 Est <input type="checkbox"/>
Other Federal	U.S. Government Accountability Office	Senior Evaluator	Wash, DC	08/1990 and previous 06/1987 Est <input type="checkbox"/>	01/1995 and previous 12/1989 Est <input type="checkbox"/>
Non-Govt Employment	Verstandig & Associates, Inc.	Research Director	Wash, DC	01/1990 Est <input type="checkbox"/>	07/1990 Est <input type="checkbox"/>

(B) List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, not listed elsewhere.

<u>Name of Government Entity</u>	<u>Name of Position</u>	<u>Date Service Began</u> (month/year) (check box if estimate)	<u>Date Service Ended</u> (month/year) (check box if estimate) (check "present" box if still serving)
		Est <input type="checkbox"/>	Est Present <input type="checkbox"/> <input type="checkbox"/>
		Est <input type="checkbox"/>	Est Present <input type="checkbox"/> <input type="checkbox"/>
		Est <input type="checkbox"/>	Est Present <input type="checkbox"/> <input type="checkbox"/>

4. Potential Conflict of Interest

(A) 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

(B) 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

5. Honors and Awards

List all scholarships, fellowships, honorary degrees, civilian service citations, military medals, academic or professional honors, honorary society memberships and any other special recognition for outstanding service or achievement.

Fellow, National Academy of Public Administration, 2015

Decoration for Distinguished Civilian Service, U.S. Department of the Army, 2011

New York Former Administrative Assistant of the Year Award December 2010

Recognition for outstanding contributions and continued support to the mission of the Postal Service's Office of Inspector General 2009

Recognition as "NAPUS Champ" by National Association of Postmasters of the U.S. 2007

Recognition for postal reform by National Association of Postal Supervisors March 2007

Recognition for contributions and dedication to the mission of the Postal Service's Office of Inspector General March 2007

Recognition from America's Postmasters for years of tireless effort on behalf of postal reform 2006

Recognition for contributions to the development of the Postal Service's Office of Inspector General May 2006

Recognition for support and many contributions to the National Postal Mail Handlers Union April 2005

Recognition of contribution to the Postal Service's Office of Inspector General October 2004

American Society of Association Executives congressional staff award for important efforts on behalf of the association community March 2002

Recognition from The Nature Conservancy in appreciation for efforts to protect New York's Tug Hill Plateau and Great Northern Forest 2002

Recognition for exceptional support of transition team efforts to the Postal Service's Office of Inspector General 1997

6. Memberships

List all memberships that you have held in professional, social, business, fraternal, scholarly, civic, or charitable organizations in the last 10 years.

Unless relevant to your nomination, you do NOT need to include memberships in charitable organizations available to the public as a result of a tax deductible donation of \$1,000 or less, Parent-Teacher Associations or other organizations connected to schools attended by your children, athletic clubs or teams, automobile support organizations (such as AAA), discounts clubs (such as Groupon or Sam's Club), or affinity memberships/consumer clubs (such as frequent flyer memberships).

<u>Name of Organization</u>	<u>Dates of Your Membership</u> (You may approximate.)	<u>Position(s) Held</u>
RAMS (Republicans Associated for Mutual Support)	2008-Present	Member

7. Political Activity

(A) Have you ever been a candidate for or been elected or appointed to a political office?
No

<u>Name of Office</u>	<u>Elected/Appointed/ Candidate Only</u>	<u>Year(s) Election Held or Appointment Made</u>	<u>Term of Service (if applicable)</u>

(B) List any offices held in or services rendered to a political party or election committee during the last ten years that you have not listed elsewhere.

<u>Name of Party/Election Committee</u>	<u>Office/Services Rendered</u>	<u>Responsibilities</u>	<u>Dates of Service</u>
Committee to Elect McHugh	Volunteer (treasurer 4/2007 to 1/2009)	Volunteer support to campaign management and oversight	March 2000 to Oct. 2009

(C) Itemize all individual political contributions of \$200 or more that you have made in the past five years to any individual, campaign organization, political party, political action committee, or similar entity. Please list each individual contribution and not the total amount contributed to the person or entity during the year.

Robert Taub speeches

I have done my best to identify all speeches and presentations through a review of my personal files and searches of publicly available electronic databases. Despite my searches, there may be other items I have been unable to identify, find, or remember.

Congressional Testimony:

June 16, 2015

U.S. House Oversight and Government Reform Committee

January 21, 2016

U.S. Senate Homeland Security & Governmental Affairs Committee

May 11, 2016

U.S. House Oversight and Government Reform Committee

Speeches/presentations:

Tuesday, January 17, 2012

Consumer Postal Council Lunch

Monday, January 30, 2012

National League of Postmasters 42nd Legislative Forum

Monday, March 12, 2012

National Association of Postal Supervisors 2012 Legislative Training Seminar

Friday, April 6, 2012

Professor Crew's Advanced Workshop in Regulation and Competition

Wednesday, May 2, 2012

National Catalog Forum

Monday, May 21, 2012

National Rural Letter Carriers Association

Sunday, May 27, 2012

The Bridge Builder Show WCGO 1590 AM (Richard Boykin's radio show)

Wednesday, July 18, 2012

Pitney Bowes Government Affairs Group

Tuesday, August 14, 2012

Parcel Shippers Association Morning Meeting

Thursday, September 20, 2012

National Postal Policy Council

Tuesday, October 2, 2012
Association for Postal Commerce

Wednesday, March 6, 2013
Greeting Card Association

Friday, April 12, 2013
Michael Crew event

Wednesday, April 24, 2013
PostalVision 2020

Wednesday, October 2, 2013
Parcel Shippers Association Dinner

Thursday, February 27, 2014
National Postal Policy Council Meeting

Thursday, June 5, 2014
Central New York Postal Customer Council Meeting

Wednesday, February 11, 2015
PostCom Board Meeting

Thursday, February 12, 2015
Parcel Shippers Association General Membership and Board of Directors Meeting

Thursday, February 19, 2015
National Postal Policy Council Meeting

Thursday, February 26, 2015
DMA Nonprofit Federation Conference - Keynote Speaker

Wednesday, March 11, 2015
PostalVision2020/5.0 general session

Wednesday, March 25, 2015
Brookings public forum on "The Future of the United States Postal Service"

Friday, March 27, 2015
Michael Crew CRRRI event

Wednesday, June 3, 2015
GSA Mail Education Forum - keynote speaker

Thursday, February 4, 2016
 Bipartisan Policy Center event - USPS: The Path to Profitability

Speeches/presentations pre-PRC

Presentation on status of pending legislation before Congress; May 19, 2008; legislative seminar of National Rural Letter Carriers' Association

Presentation on current postal issues; April 15, 2008; conference of the Alliance of Nonprofit Mailers

Presentation on current and future postal issues; November 27, 2007; meeting of the postal policy council of First-Class mailers

Presentation on postal reform legislation; on or about June 2007; meeting of Inspector General of the Postal Service staff

Presentation on legislative postal matters; March 22, 2007; seminar for national stewards of the National Rural Letter Carriers' Association

Presentation and panel discussion of new postal law; March 1, 2007; American University School of Public Affairs forum

Panel discussion on postal reform; March 22, 2006; National Association of Postmasters of the U.S. conference

Panel presentation on status of postal reform; June 21, 2005; Pitney Bowes Chairman's Council meeting of mailing industry executives

Presentation on the status of acid rain legislation; May 18, 2005; Garden Club of America New York State Zone III

Presentation on postal reform; April 22, 2005; National Postal Mail Handlers Union conference

Keynote speech regarding challenges facing the Postal Service and subsequent panel discussion on postal reform; October 22, 2004; Office of the Inspector General of the Postal Service conference

Presentation on status of postal reform legislation; September 21, 2004; National Association of Letter Carriers state presidents and business agents

Presentation on status of postal reform legislation; April 22, 2004; National Association of Postmasters of the U.S. legislative chairs

Panel discussion on postal reform; March 29, 2004; National Association of Postal Supervisors legislative training seminar

- Presentation on postal reform legislation; on or about February 2004; National League of Postmasters forum
- Presentation on postal reform legislation; October 29, 2003; Paper Industry Association council membership meeting
- Presentation on postal reform; on or about September 2003; National Association of Letter Carriers training workshop for national business agents and state legislative chairs
- Presentation on federal higher education legislative issues; June 5, 2003; State University of New York conference on university affairs and development
- Presentation on postal reform; on or about May 2003; Printing Industry Association meeting
- Panel presentation of postal workforce issues and its unfunded liabilities; May 8, 2003; symposium on postal transformation issues before government and industry officials
- Presentation on pending postal legislative issues; on or about April 2003; National Association of Postal Supervisors legislative training seminar
- Presentation on postal legislative issues; on or about March 2003; National Association of Postmasters of the U.S. legislative seminar
- Speech on congressional operations and services; March 28, 2002; North Country Council of Social Agencies
- Presentation on postal reform status; on or about April 2002; legislative seminar of federal employee organizations
- Presentation and panel discussion on the status of U.S. postal reform legislation; January 25, 2002; International Post Corporation conference of the CEOs of global postal operators
- Presentation and panel discussion on postal reform; May 2, 2001; The Direct Marketing Association Nonprofit Federation symposium on nonprofit postal rates

9. Criminal History

Since (and including) your 18th birthday, has any of the following happened? NONE

- Have you been issued a summons, citation, or ticket to appear in court in a criminal proceeding against you? (Exclude citations involving traffic infractions where the fine was less than \$300 and did not include alcohol or drugs.)
- Have you been arrested by any police officer, sheriff, marshal or any other type of law enforcement official?
- Have you been charged, convicted, or sentenced of a crime in any court?

- Have you been or are you currently on probation or parole?
- Are you currently on trial or awaiting a trial on criminal charges?
- To your knowledge, have you ever been the subject or target of a federal, state or local criminal investigation?

If the answer to any of the questions above is yes, please answer the questions below for each criminal event (citation, arrest, investigation, etc.). If the event was an investigation, where the question below asks for information about the offense, please offer information about the offense under investigation (if known).

A) Date of offense:

- a. Is this an estimate (Yes/No):

B) Description of the specific nature of the offense:

C) Did the offense involve any of the following?

- 1) Domestic violence or a crime of violence (such as battery or assault) against your child, dependent, cohabitant, spouse, former spouse, or someone with whom you share a child in common: Yes / No
- 2) Firearms or explosives: Yes / No
- 3) Alcohol or drugs: Yes / No

D) Location where the offense occurred (city, county, state, zip code, country):

E) Were you arrested, summoned, cited or did you receive a ticket to appear as a result of this offense by any police officer, sheriff, marshal or any other type of law enforcement official: Yes / No

1) Name of the law enforcement agency that arrested/cited/summoned you:

2) Location of the law enforcement agency (city, county, state, zip code, country):

F) As a result of this offense were you charged, convicted, currently awaiting trial, and/or ordered to appear in court in a criminal proceeding against you: Yes / No

1) If yes, provide the name of the court and the location of the court (city, county, state, zip code, country):

2) If yes, provide all the charges brought against you for this offense, and the outcome of each charged offense (such as found guilty, found not-guilty, charge dropped or "nolle pros," etc). If you were found guilty of or pleaded guilty to a lesser offense, list separately both the original charge and the lesser offense:

3) If no, provide explanation:

G) Were you sentenced as a result of this offense: Yes / No

H) Provide a description of the sentence:

- I) Were you sentenced to imprisonment for a term exceeding one year: Yes / No
- J) Were you incarcerated as a result of that sentence for not less than one year: Yes / No
- K) If the conviction resulted in imprisonment, provide the dates that you actually were incarcerated:
- L) If conviction resulted in probation or parole, provide the dates of probation or parole:
- M) Are you currently on trial, awaiting a trial, or awaiting sentencing on criminal charges for this offense: Yes / No
- N) Provide explanation:

10. Civil Litigation and Administrative or Legislative Proceedings

(A) Since (and including) your 18th birthday, have you been a party to any public record civil court action or administrative or legislative proceeding of any kind that resulted in (1) a finding of wrongdoing against you, or (2) a settlement agreement for you, or some other person or entity, to make a payment to settle allegations against you, or for you to take, or refrain from taking, some action. Do NOT include small claims proceedings. NONE

<u>Date Claim/Suit Was Filed or Legislative Proceedings Began</u>	<u>Court Name</u>	<u>Name(s) of Principal Parties Involved in Action/Proceeding</u>	<u>Nature of Action/Proceeding</u>	<u>Results of Action/Proceeding</u>

(B) In addition to those listed above, have you or any business of which you were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? 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

<u>Date Claim/Suit Was Filed</u>	<u>Court Name</u>	<u>Name(s) of Principal Parties Involved in Action/Proceeding</u>	<u>Nature of Action/Proceeding</u>	<u>Results of Action/Proceeding</u>

--	--	--	--	--

(C) For responses to the previous question, 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.

11. Breach of Professional Ethics

(A) 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? Exclude cases and proceedings already listed. NONE

<u>Name of Agency/Association/Committee/Group</u>	<u>Date Citation/Disciplinary Action/Complaint Issued/Initiated</u>	<u>Describe Citation/Disciplinary Action/Complaint</u>	<u>Results of Disciplinary Action/Complaint</u>

(B) Have you ever been fired from a job, quit a job after being told you would be fired, left a job by mutual agreement following charges or allegations of misconduct, left a job by mutual agreement following notice of unsatisfactory performance, or received a written warning, been officially reprimanded, suspended, or disciplined for misconduct in the workplace, such as violation of a security policy? NONE

12. Tax Compliance

(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.)

REDACTED

13. Lobbying

In the past ten years, have you registered as a lobbyist? **NO** If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State).

14. Outside Positions

X See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

For the preceding ten calendar years and the current calendar year, report any positions held, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

<u>Name of Organization</u>	<u>Address of Organization</u>	<u>Type of Organization</u> (corporation, firm, partnership, other business enterprise, other non-profit organization, educational institution)	<u>Position Held</u>	<u>Position Held From</u> (month/year)	<u>Position Held To</u> (month/year)

15. Agreements or Arrangements

See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

As of the date of filing your OGE Form 278, report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment.

Provide information regarding any agreements or arrangements you have concerning (1) future employment; (2) a leave of absence during your period of Government service; (3) continuation of payments by a former employer other than the United States Government; and (4) continuing participation in an employee welfare or benefit plan maintained by a former employer other than United States Government retirement benefits.

<u>Status and Terms of Any Agreement or Arrangement</u>	<u>Parties</u>	<u>Date</u> (month/year)

16. Additional Financial Data

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing)

on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

REDACTED

SIGNATURE AND DATE

I hereby state that I have read the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.



A handwritten signature in black ink, appearing to be "T. M. De", is written over a horizontal line.

This 13 day of ~~September~~ 2016

UNITED STATES OFFICE OF
GOVERNMENT ETHICS



September 19, 2016

The Honorable Ron Johnson
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510

REDACTED

Dear Mr. Chairman:

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

We have reviewed the report and have 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,

DAVID APOL

Digitally signed by DAVID APOL,
DN: c=US, o=U.S. Government, ou=Office of
Government Ethics, cn=DAVID APOL,
092342192003001001; 0540102201870
Date: 2016.09.19 15:20:46-0400

David J. Apol
General Counsel

Enclosures

REDACTED

September 1, 2016

David A. Trissell
General Counsel and Designated Agency Ethics Official
Postal Regulatory Commission
901 New York Ave., NW, Suite 200
Washington, DC 20268

Dear Mr. Trissell:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Commissioner of the Postal Regulatory Commission.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter in which I know that I have a financial interest directly and predictably affected by the matter, or in which I know that a person whose interests are imputed to me has a financial interest directly and predictably affected by the matter, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

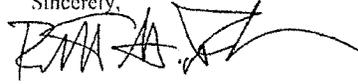
My spouse is employed as an attorney by the law firm of Steptoe & Johnson, LLP, from which she receives a fixed salary. For as long as my spouse continues to work for Steptoe & Johnson, LLP, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on my spouse's compensation or employment with the firm, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1). I also will not participate personally and substantially in any particular matter involving specific parties in which I know my spouse's employer or any client of my spouse is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

I will retain, in name only, my position as a Fellow in the National Academy of Public Administration. I will not participate personally and substantially in any particular matter involving specific parties in which the National Academy of Public Administration is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. 2635.205(d).

I understand that as an appointee I must continue to abide by the Ethics Pledge (Exec. Order No. 13490) that I previously signed and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this ethics agreement.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with ethics agreements of other Presidential nominees who file public financial disclosure reports.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. G. Taub', with a long horizontal flourish extending to the right.

Robert G. Taub

**U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire
For the Nomination of Robert Taub to be
Commissioner, Postal Regulatory Commission**

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as a Commissioner of the Postal Regulatory Commission (“PRC” or “the Commission”)?

I believe I was nominated because of my knowledge and experience in public service and public administration, particularly regarding postal legislative matters.

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

I believe my nearly 5 years of service as a Commissioner of the PRC, including my work as Acting Chairman the past 21 months, qualifies me to be a PRC Commissioner. Moreover, my lengthy professional public service experience as both a senior manager and executive combined with demonstrated expertise working on postal legislative and oversight matters in the House of Representatives is critical experience. This includes my work and extensive knowledge of the Postal Accountability and Enhancement Act (PAEA), which modernized our nation’s postal laws in 2006. Also important is my 30 years of experience in public service as an independent and objective analyst at the Government Accountability Office (GAO), a Subcommittee Staff Director in the House of Representatives, a Chief of Staff to a Member of Congress, and a senior executive directly assisting the Secretary of the Army in managing the Department of the Army.

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

No.

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

No.

5. If confirmed, are there any issues from which you would 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 and/or criteria you will use to carry out such a recusal or disqualification.

In connection with the nomination process, I have consulted with the Office of Government Ethics and the PRC's Designated Agency Ethics Official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the PRC's Designated Agency Ethics Official and that has been provided to the Committee. I am not aware of any current conflicts of interest.

II. Role of the Postal Rate Commission and its Commissioners

6. What do you believe are the most important responsibilities of the PRC, and what is your opinion of how those responsibilities have been fulfilled during your tenure as Commissioner?

I believe the most important responsibilities of the PRC are to ensure transparency and accountability of the Postal Service, and to foster a vital and efficient universal mail system. While I believe in always striving for continual improvement, the PRC has done a good job in fulfilling these responsibilities during my tenure as a Commissioner and as Acting Chairman.

7. Given your years of experience as a Commissioner, what kind of role do you believe the PRC should play in overseeing the Postal Service? What is your view of the role of each Commissioner of the PRC? How has this view changed over the course of your tenure as a Commissioner?

I view the PRC's most important role as protecting the public interest to ensure a vital, effective, efficient, and transparent Postal Service that operates in compliance with the law. I believe that each PRC Commissioner must be fair and impartial in all matters brought before the agency. I have firmly maintained this view over the course of my tenure as a Commissioner and as Acting Chairman.

8. What do you believe have been your principal accomplishments during your tenure at the PRC? What contributions do you hope to make if confirmed for another term?

I believe my principal accomplishment during my tenure at the PRC has been in providing strong direction and leadership as head of the agency since December 2014. Under my direction, the PRC has become much more efficient and effective in carrying out its mission as measured by budget savings and timeliness of work. The PRC has achieved improvements in its employees' satisfaction and engagement, as evidenced by the Federal Employee Viewpoint Survey results. The PRC has become a more frequently sought resource for postal expertise, particularly to the Congress. If confirmed for another term, I would hope to build upon these accomplishments to achieve further improvements in staff achievement and morale, the timeliness and quality of work products, and the efficiency and effectiveness of agency operations.

9. 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?

I believe that the major challenge facing the PRC is ensuring that staff have the appropriate resources and support to continue their high quality and timely work in the face of a heavy workload. Since I was designated as acting chairman, the PRC has made great strides in addressing long deferred investments in hiring and information technology systems. These efforts are critical for ensuring strong PRC oversight and transparency of the Postal Service, which itself continues to confront major financial challenges.

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

I believe in the importance of strategic planning and goal setting for any organization; such efforts help to articulate priorities for the organization and focus key efforts. The PRC issued a new Strategic Plan for 2012-2017 upon my appointment in October 2011, and the then-chairman asked me to lead implementation of the Plan. Under my direction as acting chairman, the PRC has developed an updated 5-year Strategic Plan. This current Plan provides a road map for the agency's future, reflecting agency-wide analysis of the challenges, strengths, and weaknesses identified in the nearly 10 years since the PRC was transformed by PAEA. I ensured that the new Plan was developed with the input and involvement of every PRC employee.

11. What do you believe should be the PRC's top three priorities over the next six years?

In order to ensure that the PRC continues to produce high quality work in a timely manner, particularly with a 10 year review of the market dominant rate system set to begin in December 2016, I believe the PRC's top three priorities must be to: deliver accurate and objective analyses and decisions; actively engage with Congress and stakeholders in support of a dynamic postal system; and recruit, develop, and retain a diverse, high-performing workforce. This can only be accomplished by providing an optimal internal infrastructure to support management of priorities, workload, and emerging requirements.

12. If confirmed, how would you coordinate and communicate with PRC staff to accomplish the PRC's goals? How have you coordinated and communicated with PRC staff in the past to ensure goals were met?

The PRC is a relatively small agency compared to many other federal entities. The size of the PRC has allowed me to obtain direct input from all of the staff regarding the PRC's vision, goals, and objectives. I updated the Strategic Plan in a manner that fosters explicit understanding of the PRC's goals among the entire agency. In addition, on a regular

basis, I convene “town hall” meetings with each of the four administrative units within the agency to provide a forum to share information and hear from the staff directly. Annually, I hold a brown bag lunch to “break bread” with small groups of individual staff in a casual manner on a daily basis. Given the size of the PRC, within one month of lunches, I have met with every member of the staff. Lastly, I convene weekly staff meetings both individually and collectively with the agency’s senior executives, as well as my fellow Commissioners, to coordinate and communicate pending priorities. All of these efforts, among others, have helped us to accomplish our goals. If confirmed, I would continue these practices to build upon our success.

13. Does the PRC have the appropriate number of staff needed to accomplish its mission? Please explain.

As detailed in the PRC’s fiscal year 2017 appropriation request, due to previous years of deferred hiring as a way to operate within decreased funding, the PRC needs additional staff to fully accomplish its mission. The PRC is focused on operating in the most effective and efficient manner to ensure staff have the support and resources necessary to produce timely and high quality work.

14. Since your first term as commissioner, how has the PRC improved the management and timeliness of its docket while also maintaining or improving the quality of decision-making? In your opinion, in what ways do you believe the PRC could still improve in this area?

As a result of strong coordination and communication between and among the Commissioners, the PRC’s senior executives, and their staff, the PRC has improved the management and timeliness of its dockets while also improving the quality of decision-making. As Acting Chairman, I have worked with our senior executives to develop full visibility on pending docket items, expected issuance dates, and weekly monitoring of needs and resources. There are always opportunities for improvement, and I believe the new Strategic Plan will provide a strong road map to maintain a focus on high quality and timely work products.

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?

The PRC’s obligation of independence is critical to its role in protecting the public interest and ensuring a vital, effective, efficient, and transparent Postal Service that operates as required by, and in compliance with, the law. I believe such independence underscores that a commissioner must be fair and impartial in evaluating and deciding cases.

16. What do you think about the proposed legislation which shifts oversight functions of PRC Inspector General to Postal Service Inspector General? How would this impact the PRC?

I am a strong advocate and supporter of inspectors general (IG). Significant federal programs and agencies should be subject to oversight by independent IGs. As the GAO has concluded, alternative approaches exist to achieve IG oversight that may be appropriate for federal agencies with small budgets and few resources. For example, GAO has recommended on a case-by-case basis that specific small agencies could benefit by obtaining IG oversight from another agency's IG office where the missions of the two agencies are somewhat similar. I believe the proposed legislation is wholly consistent with the GAO's recommendation. This legislation could result in approximately \$600,000 of annual budget savings for the PRC, while still maintaining appropriate oversight and review of fraud, waste, and abuse.

17. How can the PRC effectively and efficiently fulfill the statutory mandate for the PRC to provide its views to the State Department regarding international postal arrangements?

Less than 9 months ago on December 30, 2015, the PRC adopted new rules applicable to the development of the PRC's views. Despite no legal requirement to do so, the PRC created the new rules to allow for increased public input and transparency into the development of its views. On April 20, 2016, the PRC then established a public proceeding under these new rules to solicit input, which resulted in more than 19 interested individuals and parties submitting comments. The PRC transmitted its views to the State Department on August 31, 2016.

III. Policy Questions

Previous Postal Service Reforms

18. It has been nearly ten years since the Postal Accountability and Enhancement Act of 2006 (PAEA) (P.L. 109-435) changed postal pricing to provide the United States Postal Service (USPS or Postal Service) with more flexibility as well as improve the rate-making process.
- a. Do you believe the Postal Service has effectively utilized the pricing flexibility provided by the PAEA? If yes why, if no why not?

I believe that the USPS has become more active in developing initiatives to take advantage of the pricing flexibility provided by PAEA. The USPS has used seasonal pricing incentives, experimental market tests, and particularly among its competitive products, increasing numbers of Negotiated Service Agreements.

- b. Do you believe that the goal of increased flexibility was met? If yes why, if no why not?

The PAEA establishes a tension between the restrictions of an inflation-based price cap on Market Dominant price increases and the objective that the USPS must be self-sufficient and maintain financial stability. Furthermore, though PAEA provides incentives via the price cap to reduce costs and increase efficiency, it also imposes personnel-related expenses requiring the pre-funding of future healthcare costs for USPS retirees. Among its Competitive products, I believe that the USPS has been extensively using its pricing flexibility. The USPS must continue to encourage a culture of innovation and make the greatest use of the pricing flexibilities provided in law.

- c. Should “flexibility” include the ability of the Postal Service to have different price increases for one class of mail versus another class? If yes why, if no why not?

For Market Dominant products, price increases are currently restricted at the class level by an inflation-based price cap. Despite this price cap at the class level, the USPS is free to increase some classes to the cap and others less than the cap. In practice, the USPS has not been able to do so because of its financial difficulties. The PAEA mandated that the PRC review the market dominant rate-setting and classification system after 10 years to determine if it is achieving the objectives established by Congress. December 20, 2016 is the ten-year anniversary of PAEA, and also will mark the beginning of the PRC’s required review of the system of regulation established by 39 U.S.C. § 3622. If confirmed, I would look forward to undertaking that comprehensive evaluation.

- d. Do the workshare provisions of the Commission rules, all else equal, foster flexibility? If yes why, if no why not?

Workshare discounts provide reduced rates for mailers based on the costs avoided as a result of the mailer performing an activity that would otherwise be performed by the USPS. Under PAEA, the PRC must review workshare discounts to ensure that the discounts do not exceed the USPS’s avoided costs, subject to limited exceptions. Legally, workshare discounts are only bound by this ceiling; these provisions do not limit the USPS from increasing a workshare discount that is less than avoided costs. The USPS also has the flexibility to introduce new workshare discounts. A discussion of noncompliant workshare discounts is always included in the PRC’s Annual Compliance Determination (ACD).

19. The PAEA substantially changed the relative responsibilities of the Postal Service Board of Governors and the Commission.

- a. What do you believe are the most important decisions the Commission has made since the PAEA?

Aside from the extensive amount of work done by the PRC this past decade, providing almost daily oversight and transparency of USPS costs, revenues, rates, and service performance, particularly in the annual ACDs, four decisions in particular stand out to me: timely establishment of the many new regulations required after enactment of PAEA, and the concurrent transformation of the Postal Rate Commission into the Postal Regulatory Commission; interpreting when exigent rate increases may be permissible; creation of service performance measurement system rules for all Market Dominant products; and expert analysis of the universal service obligation and the monopoly.

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

The key decision will be the PRC's evaluation of the success of the price cap and to then determine whether that mechanism should be altered. The PRC will also have to reevaluate whether the contribution currently required of competitive products is appropriate. In addition, PRC decisions in future ACDs will be critical to ensuring USPS compliance with the law.

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

I believe the PRC should continue its measured approach to regulation that allows USPS, when appropriate, the flexibility to design operationally feasible solutions to identified problems. Also, as noted in earlier answers, I believe the development and assessment of the PRC's new Strategic Plan has provided an improved understanding of the strengths and challenges of the PRC's current regulatory operations.

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

In general, I believe PAEA was well implemented. The most challenging area has been the important task of improving the financial condition of USPS. These financial obstacles demand attention due to the growing liability of retiree health benefits, the inability to borrow for needed capital investments, and the continued loss of high margin First-Class Mail revenues. Aside from the financial pressure of generating sufficient funds to remain solvent, the USPS must also fund \$4 billion in annual universal service obligations. The PRC has recommended that Congress consider and balance all the

features of universal service as part of any review of changes necessary to preserve a financially viable USPS.

21. The PAEA set forth a new process for resolving complaints against the Postal Service. What do you believe must be done to ensure that the PRC will review and resolve any complaints promptly and fairly?

I firmly believe that complaints must be resolved promptly and fairly. As noted, I believe the changes I have instituted to management of the PRC's docket helps us to maintain priorities and resources on all pending matters. Complaints filed during my tenure as acting chairman have been resolved promptly. If confirmed, I would strive to ensure this standard continues to be met.

Postal Service Operations

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

As a regulator, the PRC's role is to protect the public interest and assure that the USPS's actions do not violate the policies established in law. The USPS's Board of Governors is responsible for operating the USPS.

23. Should Congress modify or repeal the requirement for USPS to seek advisory opinions from the PRC, as some have proposed? Why or why not?

I believe that in general, the USPS's Board of Governors should have the authority and responsibility for operational decisions. While the PRC has final authority on many issues involving products and rates, the law provides the PRC with advisory authority on certain operational matters. If the USPS fails to fairly take PRC advisory opinions into account before making final decisions, then Congress may want to consider modifying the requirement given the extensive amount of resources currently expended on a process that is not binding.

24. 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?

By law, the PRC has final authority over whether the quality and quantity of data submitted by the USPS is adequate for the PRC to make its decisions. As the PRC has done in some instances, cases can be remanded or rejected based upon the insufficiency of the quality or timeliness of USPS filings. I believe this is an important regulatory authority.

25. The USPS continues to experience volume and revenue losses, ending Fiscal Year (FY) 2015 with a net loss of \$5.1 billion. Costs are continuing to outpace revenue, with operating expenses for FY 16 Q2 growing 2.7% faster than operating revenue for the same period in FY 15.

- 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?

I believe the PRC's primary responsibility is to ensure, in a deliberate but timely manner, transparency and accountability of USPS actions. This includes maintaining a predictable, transparent, and effective system of rate and product regulation; ensuring appropriate and transparent performance standards and measurement; ensuring transparent, accurate, and informative data reporting for evaluation of financial performance; ensuring accountability through a fair and open public complaint process that provides for appropriate and timely resolution; and ensuring the PRC is visible and readily accessible to all stakeholders.

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

Unlike the PRC, the Board of Governors directs the exercise of the powers of the USPS, directs and controls its expenditures, and conducts long-range planning for its operations. The Board is responsible for increasing revenues and cutting costs. Congress has ultimate responsibility for our nation's postal system, rooted in its authority under the Constitution in Article I, Section 8, "To establish Post Offices and post Roads." Congress establishes the laws and policies that the USPS must strive to fulfill.

26. In the PRC's Financial Analysis Report for FY 2015, the Commission stated that the Postal Service has "made significant efforts to reduce operating expenses and improve efficiency to ensure that expenses are better aligned with mail volumes."

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

Both the GAO and the USPS's Office of Inspector General have issued reports that outline a variety of possible approaches the USPS could consider, including transforming its operations and network structure as well as further use of existing product and pricing flexibilities in the law.

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

The PAEA mandated several assessments that could guide policymakers in crafting solutions. For example, the GAO evaluated the USPS's long-term business model and provided a menu of possible changes to its mission, role,

monopoly, governance, and regulation. The same study recommended that the USPS only be required to prefund its retiree health benefits to the maximum extent its finances permit. In addition, the PRC reported on universal service and the monopoly, and the PRC is now conducting a new five-year review of the law with recommendations for improvements, to be issued later this year. The PRC's last such review, which included suggested legislative changes, was issued in 2011. The Federal Trade Commission also issued a study on the equal application of laws to competitive products, and included its recommendations to bring such legal differences to an end.

27. In your view, how can the Postal Service return to viability in a market in which 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?

The USPS continues to provide a portfolio of valuable services to the American public. Clearly, modern technology has eroded the value of some products. The PRC must be cognizant of these factors in evaluating USPS proposals to innovate and modernize its products and network to better meet the needs of current customers.

28. 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. Do you believe the Postal Service should be allowed to compete with the private sector? If so, under what circumstances?

The USPS should be allowed to compete with the private sector to deliver postal products. PAEA restricted the USPS from offering nonpostal products. Whether the USPS should be allowed to engage in nonpostal activities should be carefully considered. USPS's poor past performance in this area and fair competition issues should be evaluated as part of this consideration.

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

Allowing the USPS to diversify into nonpostal activities would raise a number of issues, including whether it should engage in nonpostal areas where there are private-sector providers and if so, under what terms. Other issues relate to concerns about unfair competition; whether the USPS's mission and role as a government entity with a monopoly should be changed; as well as questions regarding how it would finance its nonpostal activities, what transparency and accountability provisions would apply; whether the USPS would be subject to the same regulatory entities and regulations as its competitors; and whether any losses might be borne by postal ratepayers or the taxpayer.

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

The PRC should ensure that new products, and the pricing of new products, are consistent with the policies established in the PAEA.

Postal Ratemaking

29. During consideration of the PAEA, there was debate about the impact of a strict consumer-inflation-based rate cap. In your opinion, how has the rate cap helped the Postal Service, the mailing community, and postal customers? How has the rate cap hurt these groups?

The PAEA establishes a tension between the restrictions of an inflation-based price cap on Market Dominant price increases and the objective that the USPS must be self-sufficient and maintain financial stability. Furthermore, though the PAEA provides incentives via the price cap to reduce costs and increase efficiency, it also imposes personnel-related expenses requiring the pre-funding of future healthcare costs for USPS retirees.

30. Current proposed postal reform legislation includes an increase in the base rate for market dominant products. In your view, what drawbacks and advantages exist to increasing postal rates through legislation, rather than through the existing ratemaking process?

Congress has ultimate responsibility for our nation's postal system, rooted in its authority under the Constitution in Article I, Section 8, "To establish Post Offices and post Roads." Congress establishes the laws and policies that the USPS must strive to fulfill. From the very beginning of our Republic until 1970 when the Post Office Department was transformed into the USPS, Congress adjusted postal rates through legislation. Even under current law, Congress has enacted explicit mandates on postal rate matters, including reduced rates for certain types of mailers. Whether or not to adjust postal rates through legislation or leave it to the existing ratemaking process is well within the Constitutional authority of the Congress to decide.

31. Beginning in December 2016, the PRC will begin the review of the rate-cap system, as required by the PAEA. What do you view is a reasonable time frame for completing this review? Does the PRC have the resources to complete the review? Please explain.

The PRC has begun marshalling its limited resources to start identifying approaches to structure the review and schedule a process that allows full and open opportunities for those interested to participate. The PRC is sensitive to the high interest in the review and its potential outcomes. I recently informed the public about our plans for the 10-year

review, well in advance of the December 20, 2016, start date. It will be a resource intense and time consuming process, but if confirmed, and if I remain as agency head, I am committed to ensuring that the PRC issues an Order by early Autumn 2017 that includes its findings and, if necessary, preparatory rule-making information for any changes to the system.

32. As Commissioner, how will you balance the objectives and factors of the review as required by 39 U.S.C. § 3622? Do you believe certain objectives or factors should be weighted above others?

The PAEA mandated that the PRC review the market dominant rate and classification system after 10 years to determine if it is achieving the objectives established by Congress. There are 9 objectives listed in the law that the modern rate regulation and classification system must be designed to achieve, with 14 factors to be taken into account. Each of the nine objectives must be applied in conjunction with the others. December 20, 2016 is the ten-year anniversary of the PAEA, and also will mark the beginning of the PRC's required review of the system of regulation established by 39 U.S.C. § 3622. As noted, I recently informed the public about our plans for the 10-year review. If confirmed, I would look forward to undertaking that comprehensive evaluation.

33. The Postal Service lost \$1.2 billion from underwater products in 2015 despite the exigent increase in January 2014. Since 2008, it has lost \$3.9 billion in Standard Flats alone. How would you fix the cost coverage problem of underwater products?

With respect to Periodicals In-County, Periodicals Outside County, and Standard Mail Flats, the PRC found in its most recent ACD that additional information regarding costs is needed to best determine how to address the cost coverage problem, and directed the USPS to provide a report 120 days after issuance of this ACD. The USPS filed its comprehensive report at the end of July 2016, and the PRC is currently evaluating the USPS report and deciding next steps, which could include starting a new proceeding or other appropriate action.

Service Standards and Other Performance Obligations

34. Debates about postal reform legislation raise fundamental questions about the role of the Postal Service in our nation, including the nature of the Postal Service's universal service obligation.

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

The universal service obligation remains the essential capstone of national postal policy. It establishes the minimum service levels that the USPS must provide to all Americans. In developing the legislation that became PAEA, Congress determined to retain for itself the responsibility to define that obligation. In the absence of a clear definition, particularly given the

USPS's current financial challenges, each of us may have a differing view of what the USPS must provide in its services and operations to fulfill the universal service obligation. All of our views will have different price tags. The PRC recommended that Congress consider and balance all the features of universal service as part of any review of changes necessary to preserve a financially viable USPS.

- b. Do you believe the concept of universal service has evolved since the 2008 report? If so, how? How do you believe USPS can adapt to meet that obligation?

Yes. As technology rapidly changed concurrent with the resulting impacts on mailing trends from the Great Recession, the environment in which the USPS provides universal service has changed. Total mail volume in 2015 dropped to levels not seen in more than 27 years, and the USPS anticipates further reductions in total volumes for 2016. The decline in mail volume is the result of the economic recession that began in December 2007 along with the acceleration of a long-term trend of mail migrating to electronic media. According to the USPS, the volume lost to electronic alternatives is not expected to return because the movement constitutes a fundamental and permanent change in mail use by households and businesses. Under current law, it is the role of the USPS Board of Governors to adapt operations to meet the changing needs and expectations of the American public.

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

The PRC evaluates service performance each year and identifies areas of potential concern. Additionally, the PRC is responsible for informing Congress of the cost of the universal service obligation, and if necessary, suggesting congressional action needed to preserve it.

- 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? Should the PRC encourage use of the complaint process?

Every PRC decision or opinion that I have been involved in has been done in accordance with the standards, criteria, and requirements of our nation's postal laws, Title 39 of the U.S. Code. At the core of these laws is a fundamental policy to ensure that the nation is bound together through the universal service provided by USPS. Unlike other countries, the universal service obligation is largely undefined and instead is comprised of a broad set of policy statements with only a few legislative proscriptions. Aside from the annual appropriations mandate for the past 33 years to provide 6 days of delivery, Congress has rarely established rigid, numerical standards of minimally acceptable service for any of the attributes of universal service. Rather, through its history, the USPS has been expected to use its flexibility to meet the needs and expectations of the Nation while balancing the delivery of service against budgetary constraints. The PRC must ensure a fair and open public complaint process that provides for appropriate and timely resolution as well as USPS accountability.

35. What do you believe should be the PRC's role in establishing performance standards for postal products and services and for monitoring the Postal Service's results in meeting

these standards? Do you believe that the Postal Service has sufficient business incentives to provide good service? If yes why, if no why not?

The law directs the USPS, in consultation with the PRC, to develop service standards for market dominant products. The PRC then has an ongoing responsibility for monitoring the USPS's results in meeting those service standards. The PRC reviews, analyzes, and assesses service performance results on an annual basis. The PRC also uses historical data and trend analysis to track service performance over time, both nationwide and in specific geographic areas. When it has been determined that service performance has significantly deteriorated or is not meeting targets, the PRC directs the USPS to focus on increasing service performance results for that mail product or category, and to outline a plan to improve results. Whether or not the USPS has sufficient business incentives to provide good service, the PRC's ACD provides transparency and accountability into service performance for the customers of Market Dominant products.

36. The Postal Service continues to face the problem of reducing costs while also maintaining fast and reliable service. In your opinion, how can the PRC help the Postal Service try to find this balance?

Through the ACD process, the PRC has directed the USPS to focus on deficiencies in service performance and cost coverage. In the most recent ACD, the PRC mandated the USPS provide a detailed, comprehensive plan to improve service performance, and also directed the USPS to focus on the ongoing and interrelated problems with flats products' service and profitability. The PRC recently received this comprehensive report and is now evaluating the information provided to determine next steps, which could include a new proceeding or other appropriate action.

37. The PRC found that in 2015 the Postal Service did not meet its service performance targets for all of First-Class Mail products, both Periodical Class products, most products in Standard Mail and Bound Printed Matter Flats. How concerned is the PRC with the current decline in service performance? How can the PRC make sure that a customer of the Postal Service receives the service it is paying for? How do you feel delays in service impact the price of postage?

The PRC is extremely concerned with the current decline in service performance. In the most recent ACD, the PRC directed the USPS to develop, and publicly provide, detailed and measurable plans for improvement to ensure that the customers of these products receive better service.

38. Given the growing shortfalls in on-time performance for First-Class Mail Flats since 2011, in your opinion, what is the PRC's role in making sure the Postal Service meets the service performance standards it sets?

Under current law, the PRC's ACD provides transparency and accountability into service performance. In its most recent ACD, the PRC directed the USPS to provide a report on flats service and profitability issues that quantifies what the PRC understands to be the main drivers of these significant and ongoing service failures and cost shortfalls. The PRC is evaluating the recently delivered report and may use the information provided to form the basis of a new proceeding or other appropriate action.

39. The PAEA requires the Postal Service to consult with the PRC in establishing modern service standards, as well as in 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? If yes why, if no why not?

The USPS has proposed a new measurement system that the PRC is currently assessing in an open docket, including several technical conferences that the PRC convened to provide insight into the proposed measurement system. The original service standards after PAEA's enactment were developed after regular meetings between USPS and the PRC, consultations that were carried out in the spirit of cooperation. The PRC has provided useful public policy context that has helped develop consistent and understandable standards and goals.

40. In your view, what degree of transparency should the Postal Service 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?

The USPS has a statutory monopoly and a market dominant position in most of the mail industry. Under these circumstances, it has an obligation to provide Congress, mailers, and the public with full information on its service performance goals, and its success in meeting those goals. The PRC sees evidence that service performance results for most products are accurate, reliable, and representative of nationwide performance. This accuracy has improved over the past several years. The PRC uses variables such as sampling fractions, confidence intervals, margins of error, density of mail, sample size, mail shape, and district-level volumes to determine the statistical validity of service performance results. The PRC recently ordered the USPS to provide enhanced reporting of service performance to further improve transparency.

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

For the past 33 years, delivery frequency (6 days) has been mandated by Congress in its annual appropriation bills. As such, the PRC does not determine delivery service frequency.

- b. Do you believe the PRC's opinion on this matter should be binding rather than advisory? Please explain.

I believe that in general, the USPS's Board of Governors should have the authority and responsibility for operational decisions. While the PRC has final authority on all regulatory issues involving products and rates, the law provides the PRC with advisory authority on certain operational matters such as this one. As long as the USPS fairly takes PRC advisory opinions into account before making final decisions, I see no reason to make such PRC opinions binding.

42. Many postal stakeholders have raised concerns about the adequacy of the Service's financial transparency. The PAEA requires the Postal Service to meet the financial reporting requirements of the Sarbanes-Oxley legislation. What is your opinion of this mandate and do you believe the Postal Service has satisfied this mandate? Are further improvements necessary to make Postal Service finances more transparent? If yes, what additional improvements are needed?

I think the requirements that the USPS meet many of the financial reporting obligations of the Sarbanes-Oxley legislation are some of the most important reforms accomplished by PAEA. The PRC developed the rules that guide the USPS to achieve Sarbanes-Oxley requirements. I believe the PRC implemented guidelines in a timely fashion, and that the USPS is complying with those rules. Based on the PRC's ACDs, I believe the USPS has satisfied this mandate. PRC rules require the USPS to file several reports with the PRC regarding financial results on a monthly, quarterly, and annual basis. Prior to 2014, the PRC's ACD included a chapter on the overall financial health of the USPS. However, because the ACD is focused on rates and service performance, it did not include a detailed analysis of other financial data. Starting in 2014, the PRC developed a separate Financial Analysis report to provide greater clarity and transparency of the USPS's financial data and trends. It includes a detailed analysis of all USPS financial data as well as its Securities and Exchange Commission equivalent Form 10-K filing.

Post Office Closings and Relocations

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

In 2011 and 2012, the USPS modified its process for closing and relocating post offices. If the USPS continues to follow the letter and spirit of its new procedures, it should be

able to effectively develop and analyze the relevant information needed to allow it to adequately protect the interests of postal customers and affected communities when deciding whether to close facilities, including those in small towns and rural areas.

44. 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 primary purpose for many traditional retail facilities is to provide convenient access to postal services for American consumers and businesses. The convenient availability of a full range of postal services from existing alternative locations should be a major consideration when considering closing or consolidating traditional retail facilities.

45. 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 the USPS's current retail network?

Current law allows the USPS flexibility to close post offices when necessary, after providing affected patrons a relatively brief window to provide comments. I believe it important to maintain the opportunity for citizen participation.

46. 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?

If the USPS follows its existing procedures, it should be able to effectively develop and analyze the relevant information needed to allow it to adequately protect the interests of postal customers and affected communities. Problems can arise when the USPS fails to follow the letter and spirit of these procedures that call for community involvement. Current law requires the USPS to consider the effect of closing or consolidating a post office on the community served, and upon appeal, the PRC reviews whether the USPS observed the required procedures.

47. 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 current appeal process provides important safeguards to individuals and communities that must rely on existing post offices. During my time at the PRC, the agency extensively updated and modernized its rules for reviewing post office closures and consolidations for the first time in decades, and it recently held a public inquiry to obtain further input on PRC precedent and practice for such cases.

48. In your opinion, does the existing process for closing and consolidating postal processing facilities adequately protect the interests of postal customers, especially those in small towns and rural areas? If not, what additional protections do you believe are necessary?

Current law mandates that the USPS must provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. However, the law does not directly address postal processing facilities, although the USPS has procedures that govern closing or consolidating such locations.

49. Should the PRC have greater input over the closures or consolidations of post offices or postal processing facilities? Why or why not?

The PRC serves an important function by hearing appeals to ensure that the USPS has followed the law and its procedures for closing or consolidating post offices, but in the final analysis given the existing law's separation of responsibilities between the regulator and the operator, a decision to close a specific facility should be in the hands of the Board of Governors and USPS management.

V. Assistance

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

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

**Chairman Ron Johnson
Supplemental Pre-hearing Questionnaire
For the Nomination of Robert Taub to be
Commissioner, Postal Regulatory Commission**

1. Do you agree without reservation to comply with any request or summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

YES

2. Do you agree without reservation to comply fully, completely, and promptly to any request for documents, communications, or any other agency material or information from any duly constituted committee of the Congress if you are confirmed?

YES

I, ROBERT G. TAUB, hereby state that I have read the foregoing Pre-Hearing Questionnaire and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.



(Signature)

This 13 day of SEPTEMBER, 2016

STATEMENT OF MARK D. ACTON

November 15, 2016

Thank you, Mr. Chairman (and Members of the Committee). I am honored to be with you today and I thank you for holding this hearing to consider my nomination as a Postal Regulatory Commissioner.

I want to thank the President for the honor of nominating me for this appointment, and I am most grateful for the support of our Majority Leader, and my home state senator, Mitch McConnell. My thanks to committee staff for their expert guidance and I would like also to acknowledge the support of my partner, family and friends.

I spent four years on staff at the Postal Rate Commission assisting the agency chairman in administering PRC operations, and since then have served as first a Postal Rate Commissioner and now as a Postal Regulatory Commissioner. I believe that my 14 years of postal policymaking experience affords me an informed perspective regarding key postal issues, as well as a close familiarity with the concerns of the postal community stakeholders. I am pleased to be considered for a continuing public service role, and if confirmed, I pledge to work with this committee to advance workable solutions that help to renew the vitality of a great American institution -- the United States Postal Service.

Mr. Chairman, I look forward to working with you and the other members of the committee, and I would be pleased to answer any questions.

REDACTED

HSGAC BIOGRAPHICAL QUESTIONS FOR EXECUTIVE NOMINEES

1. Basic Biographical Information

Please provide the following information.

<i>Position to Which You Have Been Nominated</i>	
Name of Position	Date of Nomination
Regional Regulatory Commission	JUNE 16, 2016

<i>Current Legal Name</i>			
First Name	Middle Name	Last Name	Suffix
Mark	David	Acton	

<i>Addresses</i>					
<u>Residential Address</u> (do not include street address)			<u>Office Address</u> (include street address)		
			Street: 101 New York Ave NW DC		
City: Washington	State: DC	Zip: 20007	City: Washington	State: DC	Zip: 20007

<i>Other Names Used</i>						
First Name	Middle Name	Last Name	Suffix	Check if Maiden Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
					Est <input type="checkbox"/>	Est <input type="checkbox"/>
					Est <input type="checkbox"/>	Est <input type="checkbox"/>

<i>Birth Year and Place</i>	
Year of Birth (Do not include month and day.)	Place of Birth
1959	Louisville, KY

<i>Marital Status</i>					
Check All That Describe Your Current Situation:					
Never Married	Married	Separated	Annulled	Divorced	Widowed
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<i>Spouse's Name (current spouse only)</i>			
Spouse's First Name	Spouse's Middle Name	Spouse's Last Name	Spouse's Suffix

<i>Spouse's Other Names Used (current spouse only)</i>						
First Name	Middle Name	Last Name	Suffix	Check if Maiden Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
					Est <input type="checkbox"/>	Est <input type="checkbox"/>
					Est <input type="checkbox"/>	Est <input type="checkbox"/>

Children's Names (if over 18)			
First Name	Middle Name	Last Name	Suffix

2. Education

List all post-secondary schools attended.

Name of School	Type of School (vocational/technical/trade school, college/university/military college, correspondence/distance/extension/online school)	Date Began School (month/year) (check box if estimate)	Date Ended School (month/year) (check box if estimate) (check "present" box if still in school)	Degree	Date Awarded
Univ of MD	University	07-2005 ^{Est} <input checked="" type="checkbox"/>	11-2006 ^{Est} <input checked="" type="checkbox"/> Present <input type="checkbox"/>	Master's	12-2006
Univ of Louisville	University	09-1977 ^{Est} <input checked="" type="checkbox"/>	09-1983 ^{Est} <input checked="" type="checkbox"/> Present <input type="checkbox"/>	Bach	05-2005
Northern Ky Univ	University	05-2003 ^{Est} <input checked="" type="checkbox"/>	07-2003 ^{Est} <input checked="" type="checkbox"/> Present <input type="checkbox"/>	—	—
Univ of the District of Columbia	University	01-2003 ^{Est} <input checked="" type="checkbox"/>	05-2005 ^{Est} <input checked="" type="checkbox"/> Present <input type="checkbox"/>	—	—

3. Employment

(A) List all of your employment activities, including unemployment and self-employment. If the employment activity was military duty, list separate employment activity periods to show each change of military duty station. Do not list employment before your 18th birthday unless to provide a minimum of two years of employment history.

<u>Type of Employment</u> (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non-Federal Employment), Self-employment, Unemployment, Federal Contractor, Non-Government Employment (excluding self-employment), Other	<u>Name of Your Employer/Assigned Duty Station</u>	<u>Most Recent Position Title/Rank</u>	<u>Location</u> (City and State only)	<u>Date Employment Began</u> (month/year) (check box if estimate)	<u>Date Employment Ended</u> (month/year) (check box if estimate) (check "present" box if still employed)
Federal Employment	Postal Regulation Commission	Commissioner	WASH DC	March 2002 ^{Est} <input checked="" type="checkbox"/>	Present ^{Est} <input type="checkbox"/>
Private Sector	Committee on Merit Payments and Rep. Nat. of Wash	Deputy to Chairman	New York NY	July 2003 ^{Est} <input checked="" type="checkbox"/>	Sept. 2004 ^{Est} <input checked="" type="checkbox"/>
Private Sector	Republican Nat. Committee	Staff Dir. of Councils of base	WASH DC	Nov. 1996 ^{Est} <input checked="" type="checkbox"/>	Mar. 2002 ^{Est} <input checked="" type="checkbox"/>
Private Sector	Republican National Committee	Special Asst to Chief Counsel	WASH DC	July 1993 ^{Est} <input checked="" type="checkbox"/>	Mar. 2002 ^{Est} <input checked="" type="checkbox"/>
Private Sector	National Repub. Congressional Committee	Deputy Restructuring Director	WASH DC	Mar. 1989 ^{Est} <input checked="" type="checkbox"/>	Jan 1993 ^{Est} <input checked="" type="checkbox"/>

(B) List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, not listed elsewhere.

<u>Name of Government Entity</u>	<u>Name of Position</u>	<u>Date Service Began</u> (month/year) (check box if estimate)	<u>Date Service Ended</u> (month/year) (check box if estimate) (check "present" box if still serving)
		^{Est} <input type="checkbox"/>	^{Est} <input type="checkbox"/> Present <input type="checkbox"/>
		^{Est} <input type="checkbox"/>	^{Est} <input type="checkbox"/> Present <input type="checkbox"/>
		^{Est} <input type="checkbox"/>	^{Est} <input type="checkbox"/> Present <input type="checkbox"/>

4. Potential Conflict of Interest

(A) 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.

(B) 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.

5. Honors and Awards

List all scholarships, fellowships, honorary degrees, civilian service citations, military medals, academic or professional honors, honorary society memberships and any other special recognition for outstanding service or achievement.

6. Memberships

List all memberships that you have held in professional, social, business, fraternal, scholarly, civic, or charitable organizations in the last 10 years.

Unless relevant to your nomination, you do NOT need to include memberships in charitable organizations available to the public as a result of a tax deductible donation of \$1,000 or less, Parent-Teacher Associations or other organizations connected to schools attended by your children, athletic clubs or teams, automobile support organizations (such as AAA), discounts clubs (such as Groupon or Sam's Club), or affinity memberships/consumer clubs (such as frequent flyer memberships).

<u>Name of Organization</u>	<u>Dates of Your Membership</u> (You may approximate.)	<u>Position(s) Held</u>
Notary Public for District of Columbia	1996-Present	Notary
United States Tennis Association	2006-Present	Member
Hon. Order of Kentucky Colonels	2006-Present	Member

Kentucky Society of Washington	2000 - Present	Member
Univ. of Louisville Alumni Association	2005 - Present	Member
Republican Nat. Lawyers Assoc.	2000 - Present	Member

7. Political Activity

(A) Have you ever been a candidate for or been elected or appointed to a political office?

<u>Name of Office</u>	<u>Elected/Appointed/Candidate Only</u>	<u>Year(s) Election Held or Appointment Made</u>	<u>Term of Service (if applicable)</u>

(B) List any offices held in or services rendered to a political party or election committee during the last ten years that you have not listed elsewhere.

<u>Name of Party/Election Committee</u>	<u>Office/Services Rendered</u>	<u>Responsibilities</u>	<u>Dates of Service</u>

(C) Itemize all individual political contributions of \$200 or more that you have made in the past five years to any individual, campaign organization, political party, political action committee, or similar entity. Please list each individual contribution and not the total amount contributed to the person or entity during the year.

Name of Recipient	Amount	Year of Contribution
Romney for President Inc.	\$ 500-	2011
McConnell Senate Committee '14	\$ 1,000-	2014
McConnell Senate Committee '14	\$ 1,000-	2013
McConnell Victory Kentucky	\$ 500-	2014
McConnell Senate Committee '14	\$ 500-	2014

8. Publications and Speeches

(A) List the titles, publishers and dates of books, articles, reports or other published materials that you have written, including articles published on the Internet. Please provide the Committee with copies of all listed publications. In lieu of hard copies, electronic copies can be provided via e-mail or other digital format.

<u>Title</u>	<u>Publisher</u>	<u>Date(s) of Publication</u>
Conjuring Consensus and Consensus - A New York Press column	Atlantic as Non-profit Matters "Report"	Jan 12, 2010
Global Postal Reform from a U.S. Perspective	Mail and Express Review	August 2009

(C) List all speeches and testimony you have delivered in the past ten years, except for those the text of which you are providing to the Committee.

<u>Title</u>	<u>Place/Audience</u>	<u>Date(s) of Speech</u>
Regulatory Update	Parcel Shippers Assoc.	Oct. 7, 2015
10 Year Summary of Regulatory Review + Postal Reform	Postal Policy Council Quarterly Meeting	Dec. 5, 2013
The Vision and Voice of Private Advertising Distribution	Assoc. of Alternative Postal Systems	April 27, 2013
Regulatory Update + the FCC Role in Reform	Center for Research in Regulatory Industries	April 12, 2013
Current Regulatory Concerns	National Postal Policy Council	May 10, 2012
Current Regulatory Concerns	IDE Alliance Leadership Conference	Feb 7, 2012
The Role of a Regulator in Making Trust a Powerful Assurances	Triangle Management 2012 Americas Conf	Feb. 6, 2012
Current Regulatory Concerns	National Postal Policy Council	Sept. 22, 2011
Current Regulatory Concerns	IDE Alliance Print Distribution Conference	April 4, 2011
Postal Regulatory Update	Kentucky Press Assoc.	Jan. 21, 2011
Current Postal Regulatory Concerns	Parcel Shippers Ass.	Aug 10, 2010
Current Regulatory Concerns	Assoc. of US Postal Lessons	May 21, 2010
Postal Regulatory Update	GSA Federal Mail Education Forum	June 9, 2010

Current Regulatory Comments	American Catalog Makers Assoc.	April 13, 2010
Remarks	National Postal Policy Coun Center for Research in	May 13, 2008
Delivering Change	Regulatory Industries	May 16, 2007

9. Criminal History

Since (and including) your 18th birthday, has any of the following happened?

- Have you been issued a summons, citation, or ticket to appear in court in a criminal proceeding against you? (Exclude citations involving traffic infractions where the fine was less than \$300 and did not include alcohol or drugs.) **NO**
- Have you been arrested by any police officer, sheriff, marshal or any other type of law enforcement official? **NO**
- Have you been charged, convicted, or sentenced of a crime in any court? **NO**
- Have you been or are you currently on probation or parole? **NO**
- Are you currently on trial or awaiting a trial on criminal charges? **NO**
- To your knowledge, have you ever been the subject or target of a federal, state or local criminal investigation? **NO**

If the answer to any of the questions above is yes, please answer the questions below for each criminal event (citation, arrest, investigation, etc.). If the event was an investigation, where the question below asks for information about the offense, please offer information about the offense under investigation (if known).

A) Date of offense:

- a. Is this an estimate (Yes/No):

B) Description of the specific nature of the offense:

C) Did the offense involve any of the following?

- 1) Domestic violence or a crime of violence (such as battery or assault) against your child, dependent, cohabitant, spouse, former spouse, or someone with whom you share a child in common: Yes / No
- 2) Firearms or explosives: Yes / No
- 3) Alcohol or drugs: Yes / No

D) Location where the offense occurred (city, county, state, zip code, country):

E) Were you arrested, summoned, cited or did you receive a ticket to appear as a result of this offense by any police officer, sheriff, marshal or any other type of law enforcement official: Yes / No

- 1) Name of the law enforcement agency that arrested/cited/summoned you:
- 2) Location of the law enforcement agency (city, county, state, zip code, country):

- F) As a result of this offense were you charged, convicted, currently awaiting trial, and/or ordered to appear in court in a criminal proceeding against you: **Yes / No**
- 1) If yes, provide the name of the court and the location of the court (city, county, state, zip code, country):
 - 2) If yes, provide all the charges brought against you for this offense, and the outcome of each charged offense (such as found guilty, found not-guilty, charge dropped or "nolle pros," etc). If you were found guilty of or pleaded guilty to a lesser offense, list separately both the original charge and the lesser offense:
 - 3) If no, provide explanation:
- G) Were you sentenced as a result of this offense: **Yes / No**
- H) Provide a description of the sentence:
- I) Were you sentenced to imprisonment for a term exceeding one year: **Yes / No**
- J) Were you incarcerated as a result of that sentence for not less than one year: **Yes / No**
- K) If the conviction resulted in imprisonment, provide the dates that you actually were incarcerated:
- L) If conviction resulted in probation or parole, provide the dates of probation or parole:
- M) Are you currently on trial, awaiting a trial, or awaiting sentencing on criminal charges for this offense: **Yes / No**
- N) Provide explanation:

10. Civil Litigation and Administrative or Legislative Proceedings

(A) Since (and including) your 18th birthday, have you been a party to any public record civil court action or administrative or legislative proceeding of any kind that resulted in (1) a finding of wrongdoing against you, or (2) a settlement agreement for you, or some other person or entity, to make a payment to settle allegations against you, or for you to take, or refrain from taking, some action. Do NOT include small claims proceedings. **NO**

<u>Date Claim/Suit Was Filed or Legislative Proceedings Began</u>	<u>Court Name</u>	<u>Name(s) of Principal Parties Involved in Action/Proceeding</u>	<u>Nature of Action/Proceeding</u>	<u>Results of Action/Proceeding</u>

(B) In addition to those listed above, have you or any business of which you were an officer, director or owner ever been involved as a party of interest in any administrative agency proceeding or civil litigation? 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. **NO**

<u>Date Claim/Suit Was Filed</u>	<u>Court Name</u>	<u>Name(s) of Principal Parties Involved in Action/Proceeding</u>	<u>Nature of Action/Proceeding</u>	<u>Results of Action/Proceeding</u>

--	--	--	--	--

(C) For responses to the previous question, 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.

11. Breach of Professional Ethics

(A) 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? Exclude cases and proceedings already listed. **NO**

<u>Name of Agency/Association/Committee/Group</u>	<u>Date Citation/Disciplinary Action/Complaint Issued/Initiated</u>	<u>Describe Citation/Disciplinary Action/Complaint</u>	<u>Results of Disciplinary Action/Complaint</u>

(B) Have you ever been fired from a job, quit a job after being told you would be fired, left a job by mutual agreement following charges or allegations of misconduct, left a job by mutual agreement following notice of unsatisfactory performance, or received a written warning, been officially reprimanded, suspended, or disciplined for misconduct in the workplace, such as violation of a security policy? **NO**

12. Tax Compliance

(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.)

REDACTED

13. Lobbying

In the past ten years, have you registered as a lobbyist? If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State). *NO*

14. Outside Positions

See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

For the preceding ten calendar years and the current calendar year, report any positions held, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature. *None*

<u>Name of Organization</u>	<u>Address of Organization</u>	<u>Type of Organization</u> (corporation, firm, partnership, other business enterprise, other non-profit organization, educational institution)	<u>Position Held</u>	<u>Position Held From</u> (month/year)	<u>Position Held To</u> (month/year)

15. Agreements or Arrangements

See OGE Form 278. (If, for your nomination, you have completed an OGE Form 278 Executive Branch Personnel Public Financial Disclosure Report, you may check the box here to complete this section and then proceed to the next section.)

As of the date of filing your OGE Form 278, report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment.

Provide information regarding any agreements or arrangements you have concerning (1) future employment; (2) a leave of absence during your period of Government service; (3) continuation of payments by a former employer other than the United States Government; and (4) continuing participation in an employee welfare or benefit plan maintained by a former employer other than United States Government retirement benefits.

<u>Status and Terms of Any Agreement or Arrangement</u>	<u>Parties</u>	<u>Date</u> (month/year)

16. Additional Financial Data

All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing

on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

REDACTED

SIGNATURE AND DATE

I hereby state that I have read the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

MO Alosi

This 29th day of June, 2016

UNITED STATES OFFICE OF
GOVERNMENT ETHICS**REDACTED**

JUN 27 2016

The Honorable Ron Johnson
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510

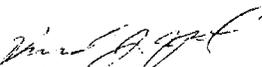
Dear Mr. Chairman:

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

We have reviewed the report and have 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,



David J. Apol
General Counsel

Enclosures **REDACTED**

May 19, 2016

David A. Trissell
General Counsel and Designated Agency Ethics Official
Postal Regulatory Commission
901 New York Ave., NW, Suite 200
Washington, DC 20268

Dear Mr. Trissell:

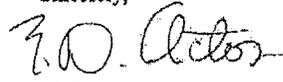
The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Commissioner of the Postal Regulatory Commission.

As required by 18 U.S.C. § 208(a), I will not participate personally and substantially in any particular matter in which I know that I have a financial interest directly and predictably affected by the matter, or in which I know that a person whose interests are imputed to me has a financial interest directly and predictably affected by the matter, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

I understand that as an appointee I must continue to abide by the Ethics Pledge (Exec. Order No. 13490) that I previously signed and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this ethics agreement.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with ethics agreements of other Presidential nominees who file public financial disclosure reports.

Sincerely,



Mark D. Acton

**U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire
For the Nomination of Mark Acton to be
Commissioner, Postal Regulatory Commission**

I. Nomination Process and Conflicts of Interest

1. Why do you believe the President nominated you to serve as a Commissioner of the Postal Regulatory Commission (“PRC” or “the Commission”)?

My professional record of active and ongoing involvement in postal policy, regulatory and legislative matters.

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

- Professional expertise in postal industry issues and concerns, as well as familiarity with key stakeholders, through 14 years of public administration and postal rate setting experience: 3 years on staff assisting the former Postal Rate Commission Chairman in managing all aspects of agency operations and (for the past 11 years) as a Commissioner of the Postal Rate Commission and Postal Regulatory Commission.
- Nine years of significant experience with legal concepts, including regulatory and legislative issues as Staff Director for the Republican National Committee Counsel’s Office.
- Direct mail marketing management experience as an Assistant Director for Republican National Committee Major Donor Finance Programs.
- Masters in Business Administration including applicable graduate level technical training: managerial economics and public policy, managerial accounting, financial accounting, business and product marketing strategy, data analysis/statistics and decision modeling, information systems management and executive skills mastery.

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

No.

4. Have you made any commitments with respect to the policies and principles you will attempt to implement as Commissioner of the PRC? If so, what are they, and to whom were the commitments made?
- No.
5. If confirmed, are there any issues from which you would 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 and/or criteria you will use to carry out such a recusal or disqualification.
- No.

II. Role of the Postal Rate Commission and its Commissioners

6. What do you believe are the most important responsibilities of the PRC, and what is your opinion of how those responsibilities have been fulfilled during your tenure as Commissioner?

As an independent agency that exercises regulatory oversight over the Postal Service since its creation by the Postal Reorganization Act of 1970 (PRA) and strengthened by enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), the most important responsibilities of the Commission are to ensure transparency and accountability of the United States Postal Service, foster a vital and efficient universal mail system, fair and expeditious review of matters before the Commission, and to cooperatively work with the Postal Service and mailing community to achieve the best possible service at fair prices.

During my tenure, the Commission has provided greater transparency into Postal Service matters through the Commission's Annual Compliance Determination, its annual Financial Analysis of United States Postal Service Financial Results and 10-K Statement, its annual Analysis of the Postal Service's FY 2015 Annual Performance Report and FY 2016 Performance Plan, and the special reports it has issued, such as the Commission's Report on Universal Postal Service and the Postal Monopoly.

The Commission brings much-needed transparency to the Postal Service, allowing Congress, ratepayers and the general public to examine the Postal Service's cost structures, expenditures and revenues. In each of our proceedings, the Commission invites public participation in matters before it and appoints a public representative who represents the interest of the general public. More recent Commission actions include the issuance of Order No. 3506 that addresses a rulemaking petition by United Parcel Service, Inc., and Order No. 2960 that established procedures for providing the Department of State with the

Commission's views regarding certain international proposals being considered at the upcoming 26th Congress of the Universal Postal Union.

7. Given your years of experience as a Commissioner, what kind of role do you believe the PRC should play in overseeing the Postal Service? What is your view of the role of each Commissioner of the PRC? How has this view changed over the course of your tenure as a Commissioner?

It is important for the Commission to continue its role in regulating the Postal Service's efforts to improve its financial conditions. In that regard, the Commission should continue satisfying its statutory responsibility to manage ongoing, systematic reports and assessments of the financial and operational performance of the Postal Service, which requires the Postal Service to file certain annual reports with the Commission, including an Annual Compliance Report (ACR) and for the Commission to review such report and issue an Annual Compliance Determination (ACD). The ACD is the Commission's most potent regulatory tool – providing a comprehensive review of Postal Service operations and finances over the previous year. It indicates if the past year's rates were in compliance with applicable provisions of Title 39 and if any service standards were not met during the same period. In the event rates are not in compliance as was the case in March 2010 when the Commission found the rates for Standard Mail Flats neither recovered attributable cost nor made a reasonable contribution to institutional cost, the Commission requires the Postal Service to devise a remedial plan to improve the cost coverage.

Each Commissioner brings a unique background and perspective to decision making and it is imperative that each Commissioner provide his or her independent assessment of domestic and international postal policy issues that takes into consideration the vitality of postal operations while also protecting the public interest as set forth in Title 39. These independent assessments typically become the basis for the consensus that the Commission reaches in most cases.

I continue to believe that this is an effective and appropriate approach to Commission decision making.

8. What do you believe have been your principal accomplishments during your tenure at the PRC? What contributions do you hope to make if confirmed for another term?

During my tenure, the Commission has initiated and continues to implement of our reform responsibilities under the Postal Accountability and Enhancement Act. It established, eight months before the statutory deadline, a new rate setting system under PAEA and has employed the Annual Compliance Determination to heighten transparency of the Postal Service's finances and operations so that the postal community at large is better informed.

If confirmed for another term, I will continue to promote the Commission's mission of ensuring a vital and efficient Postal Service wherein postal products remain relevant, affordable and sustainable now and into the future. In addition, I will provide timely and accurate Commission assistance to Congress as it enacts meaningful postal reform.

9. 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?

One of the major internal challenges facing the Commission is the challenge of ensuring that adequate resources are available to fulfill key upcoming statutory responsibilities like the 10-year rate review while still fulfilling the Commission's other lawful duties. *See* 39 § 3622(d)(3).

Externally, the common challenges facing the postal community at large are the declining volumes in a digital age and what that means for the future of the Postal Service. Digital diversion was an emergent trend early in my service at the Commission and has evolved into a central driver of the Postal Service's challenges, priorities and outcomes. Keeping the Postal Service a relevant and valued entity in the modern context is a primary goal.

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

There are several ways in which I have addressed the challenges facing the Commission.

- (1) Staying in close touch with a diverse cross-section of stakeholders
- (2) Keeping informed of the shifting postal landscape both operational and legislative
- (3) Working with Congress as a resource for expert legal and technical postal expertise
- (4) Working closely with my colleagues and our staff to ensure there are adequate agency resources to meet our responsibilities in a dutiful and timely fashion

11. What do you believe should be the PRC's top three priorities over the next six years?

The top three priorities should be --

- (1) Working with Congress to provide accurate and timely technical assistance as Congress seeks to enact meaningful postal service legislative reform that puts the Postal Service back on solid fiscal footing
- (2) Working with the community to promote mutual understanding of key concerns between the Postal Service and its customers
- (3) The proper and timely completion of the 10-year rate review

12. If confirmed, how would you coordinate and communicate with PRC staff to accomplish the PRC's goals? How have you coordinated and communicated with PRC staff in the past to ensure goals were met?

If confirmed, I will maintain close contact with key staff members' individual cases through regular staff briefings and meetings, as well as through close coordination with my colleagues on the panel and our senior management team to accomplish the goals of the Commission. In the past, I have coordinated and communicated with my colleagues and Commission staff in the same ways I propose to engage with staff and senior management if I am confirmed.

13. Does the PRC have the appropriate number of staff needed to accomplish its mission? Please explain.

The Commission is regularly reallocating its appropriated funds to address shifting priorities at hand. A limited additional complement of expert counsel and analysts would improve the Commission's ability to complete our lawful duties. This is a particular priority in light of the upcoming 10-year rate review.

14. Since your first term as commissioner, how has the PRC improved the management and timeliness of its docket while also maintaining or improving the quality of decision-making? In your opinion, in what ways do you believe the PRC could still improve in this area?

The Commission has improved the management and timeliness of its docket system by –

- (1) Revising Commission rules to streamline administration of dockets such as our Advisory Opinion process
- (2) Revising Commission rules to permit automatic closure of inactive dockets
- (3) Regular updating of Commissioners by senior management staff regarding current, pending, or changing priorities and work schedules

The Commission now employs better use of proven business administration techniques – such as dynamic critical path assessments – in aiding the

Commission in better tracking key pending concerns and addressing each in a more efficient, timely manner. Another area that Commission staff is utilizing is executive management training, resources permitting; I would continue to encourage greater use of staff development opportunities. Further application of both helps ensure better docket management.

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?

I understand the obligation of independence in that I am beholding to no power or outcome other than my best-faithed interpretation of the Commission's lawful responsibilities based on 14 years as a postal regulator. The Commission's independent nature advances fair and just administrative judicial review.

16. How can the PRC effectively and efficiently fulfill the statutory mandate for the PRC to provide its views to the State Department regarding international postal arrangements?

As we did recently in opening a public inquiry docket to solicit community input for Commission consideration prior to submitting our comments to the Department of State under Section 407(c). Via maintenance of a significant Commission staff component to engage the global community and advise the Commission regarding international postal concerns. In addition, Commission involvement through regular attendance of the Department of State Federal Advisory Committee Act (FACA) meetings and at other gatherings such as with the Postal Operations Council, assists the Commission fulfill its statutory responsibilities related to international mail. As with all Commission concerns, having a full complement of Commissioners also helps in fulfilling our statutory mandate.

III. Policy Questions

Previous Postal Service Reforms

17. It has been nearly ten years since the Postal Accountability and Enhancement Act of 2006 (PAEA) (P.L. 109-435) changed postal pricing to provide the United States Postal Service (USPS or Postal Service) with more flexibility as well as improve the rate-making process.
- a. Do you believe the Postal Service has effectively utilized the pricing flexibility provided by the PAEA? If yes why, if no why not?

At the class level, prices are not allowed to increase above the price cap taking into account any available banked authority. However, within

classes, the Postal Service has the flexibility to give products above-average and below-average price adjustments. In general, the Postal Service has struggled in utilizing its pricing flexibility to ensure that many of its products and services cover its costs. In Docket No. R2015-4, a case involving a Postal Service request for Market Dominant rate adjustment, the Postal Service has managed to utilize its flexibility to offer new annual promotional products such as the Earned Value Reply Mail Promotion, which provides a per-piece rebate on Business Reply Mail and Courtesy Reply Mail pieces that are returned to the registered customer during the promotional period, and Advanced and Emerging Technology Promotion, which continues the Postal Service's strategy of encouraging mailers to integrate direct mail with mobile technology and advances in print. In addition, the Postal Service has used its pricing flexibility to increase Competitive Products prices, and, when received and approved by the Commission, transfer Market Dominant products to the Competitive Product list.

For "underwater" products, the Postal Service has not, in my view, always been able to give these products adequate rate adjustments to move closer toward making institutional contributions or breaking even. Part of the Postal service's financial problem lies in pricing imbalances. In our FY 2010 Annual Compliance Determination, the Commission identified 10 Market Dominant products and services with revenue that did not cover attributable costs, including flats, periodicals, and non-profit mail, totaling \$1.7 billion in losses. For the first time ever, the Commission found rates not in compliance with the statute, and directed the Postal Service to take action to end the intra-class cross subsidy for Standard Mail Flats as soon as practicable.

In our FY 2015 Annual Compliance Determination, the Commission again found minimal progress being made to reduce the cost coverage deficit for Standard Mail Flats and required the Postal Service to provide a report on flats issues to better understand what can be done to improve cost and service efficiency for flats. The Postal Service filed its report on July 26, 2016. The Commission is currently reviewing this report to determine compliance with the Commission's directives.

- b. Do you believe that the goal of increased flexibility was met? If yes why, if no why not?

Generally speaking, yes. The former adversarial shared cost of service business model has been replaced through the PAEA, with a system that permits the Postal Service limited pricing flexibility within mail class beneath a moving Consumer Price Index rate cap. It is understandably a

difficult balance to strike: the Postal Service wants still more pricing authority, while mailers prefer the more predictable, CPI-based rate approach under the PAEA.

- c. Should “flexibility” include the ability of the Postal Service to have different price increases for one class of mail versus another class? If yes why, if no why not?

This is a question that the Commission may likely take up in our upcoming 10-year review of the Market Dominant rate system and I am therefore reserving judgment until an opportunity for public comment has been provided.

On December 20, 2016, the Commission intends to issue an Order to begin its 10-year review of the Market Dominant rate system. The Order will describe the approximate structure and timeframe within which the Commission will complete its review, as well as define the opportunities for public comment within the review. The deadline for comments is expected to be in early spring of 2017 and by early autumn of 2017, the Commission plans to issue an Order which will include its findings and, if necessary, preparatory rule-making information for any proposed changes to the system.

- d. Do the workshare provisions of the Commission rules, all else equal, foster flexibility? If yes why, if no why not?

Yes, the workshare provisions provide the Postal Service with flexibility to leverage private business provider services when appropriate to maximize service and minimize cost. It is the regulator’s role to review workshare arrangements to ensure that discounts provided do not exceed costs avoided.

18. The PAEA substantially changed the relative responsibilities of the Postal Service Board of Governors and the Commission.

- a. What do you believe are the most important decisions the Commission has made since the PAEA?

I must preface this response by noting that I fully appreciate that most every Commission decision or advisory opinion has potentially important consequences for the Postal Service, users of the mail, the mailing industry and the American public. I would identify several key decisions that the Commission has taken since the enactment of PAEA, as of particular consequence:

- The promulgation of rules and regulations, months ahead of schedule, for a new CPI-based rate making system. This required much deliberation, after considering public and Postal Service comments to fine-tune and develop in accordance with Congress's direction in the PAEA.
- The approval of a temporary exigent rate request of a 4.3 percent surcharge increase that was removed on April 10, 2016. (A Postal Service appeal of the most recent Commission order in the exigent rate proceeding is currently pending before the United States Court of Appeals for the District of Columbia Circuit.)
- The IMb rate cap decision the set forth a standard to determine whether a change to a mail preparation requirement has rate effects requiring compliance with the price cap rules. The Postal Service has appealed this decision with the United States Court of Appeals for the District of Columbia Circuit.
- The Commission's Advisory Opinions regarding the Postal Service Station and Branch Optimization and Consolidation Initiative and the Postal Service's plan to eliminate Saturday delivery, provide informative insight regarding these proposals.

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

The Commission's second Section 701 Review of the PAEA and its 10-year review of the present system for regulating rates and classes of service for Market Dominant products.

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

Generally speaking and in my personal professional experience, the most productive approach that the Commission can take in executing our lawful responsibilities is to do so while working to ensure a healthy level of proper dialogue between the operator and the regulator and the postal community. The mandate included by Congress in the PAEA calling for consultation between the agencies when addressing specific reform directives (such as the development of modern service standards for instance) has proven critically important. I believe that this statutory requirement has permitted, encouraged and indeed forced a more productive exchange of ideas and thought, and driven an environment of shared information that I am not convinced would otherwise have developed to the same degree.

Since the enactment of the PAEA, the Commission has endeavored steadfastly to abide by the legislative mandate granting greater Postal Service pricing flexibilities in exchange for more predictable rates in concert with enhanced disclosure and transparency. At the same time it has been my consistent view that in any rate cap regulatory program, guarding the integrity of the rate cap is a paramount regulatory concern. In evaluating the Postal Service's performance, the Commission has adhered to the *ex post facto* regulatory model, employing our most important regulatory tool – the Annual Compliance Determination – in advising Postal Service management how the Postal Service activities comport with the provisions of the PAEA. The Commission has consistently encouraged Postal Service management to craft approaches balancing compliance and regulatory concerns with costs and operations. This record of involvement within the lawful bounds, and spirit of the provisions, of the PAEA is generally expressive of my regulatory approach which is to regulate in a manner in strict compliance with our lawful duties – nothing more, nothing less.

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

In some key respects the PAEA has been and is working as Congress intended, with the price-cap provision effectively driving greater Postal Service cost efficiencies. Despite the success of the price cap in forcing savings, cost cuts and other actions revenue has not kept pace with obligations. Going forward, it is imperative that the Postal Service avoid financial insolvency due to a large and increasing debt load and a statutory limit on its borrowing authority.

In performing its statutory oversight functions, the Commission can provide independent analysis of the costs and benefits of various Postal Service initiatives to adjust its products or service levels to improve its balance sheet. This type of independent review can assist the Postal Service and Congress in determining which initiatives to pursue. For example, the Commission, responding to a Postal Service request pursuant to section 802(c) of the PAEA, retained an independent actuarial firm to assess the Office of Personnel Management's (OPM) calculation of the Postal Service's share of the Civil Service Retirement System (CSRS) pension assets and liabilities, which also included a review of the methodology proposed in a Postal Service Office of Inspector General study. After a thorough review, the Commission issued the report prepared by Segal on June 29, 2010. The report suggested that the methodology used to determine the Postal Service's share of the CSRS pension fund does not follow current private sector accounting standards. If it did, it would reflect Postal Service overpayments of \$50-55 billion. While OPM concedes some principle findings of the Segal report, it will

not release any of the CSRS funding in question – absent a legislative directive to do so.

Responsible adjustments to one or both of these obligations, as recommended by bona fide independent experts, could provide some financial stability as the Postal Service restructures its operations and as Congress considers possible changes to the Postal Service’s business model.

In addition, there are specific provisions that I believe need attention. Two primary goals of the PAEA were to offer mailers greater predictability of rates and planned rate adjustments, while affording the Postal Service a higher level of pricing flexibility. I believe that the PAEA has been most successful in terms of achieving the former, while pursuing the latter is more challenging. Going forward, the Commission should continue to work with the Postal Service and the postal community in exploring additional approaches which could encourage the Postal Service to exercise greater pricing flexibility, in keeping with the spirit of the PAEA.

20. The PAEA set forth a new process for resolving complaints against the Postal Service. What do you believe must be done to ensure that the PRC will review and resolve any complaints promptly and fairly?

In FY 2009, the Commission finalized rules outlining a reformed complaint mechanism. These rules consist of a two-tiered process for resolving complaints. One provides for an informal resolution that usually addresses service and rate inquiries that do not require more formalized procedures applicable to complaints, such as the location of one’s mailbox. The other provides more formal procedures for broader more complex complaints.

The first complaint filed under these rules was C2009-1, Complaint of GameFly, Inc., and the Commission found that the Postal Service had discriminated in rates regarding the mailing of DVDs and directed it to offer mailing customers a more level playing field. In this docket, the Commission encountered and resolved a number of first-time procedural and administrative issues and was required to review an extensive record. Based, in part, on this experience the Commission issued an order on October 6, 2014, that listed elements that a person must show in order to bring a section 404a complaint along with what affirmative defenses are available to the Postal Service and defined terms.

The Commission stands ready to review and resolve promptly and fairly any complaints properly brought before the agency.

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

Aside from advisory opinion guidance [39 U.S.C. 3661(b) and (c)], the Commission should not have a role in Postal Service operational decisions. Postal managers must have the flexibility to make decisions on the day-to-day operations of the Postal Service network, while executive oversight of Postal Service management is one job of the Postal Board of Governors.

As stated earlier, the Commission's role is to ensure that Postal Service products and service conform to title 39 as amended by the PAEA; that activities in furtherance of its business comply with the spirit of the PAEA. Beyond such regulatory guidance, the Commission's involvement with Postal Service operational decisions would appear to go beyond the scope of title 39.

That said, the consultations between Postal Service officers and Commissioners regarding service standards does have a value in Commission/Postal Service communications by permitting the Commission to become better informed regarding broad operational decisions. These discussions, I believe, also afford top Postal Service management with a first-hand view of the regulators priorities. I look forward to continuing discussions, whenever possible, that lead to better understanding.

22. Should Congress modify or repeal the requirement for USPS to seek advisory opinions from the PRC, as some have proposed? Why or why not?

Congress should not repeal the requirement for the Postal Service to seek advisory opinions from the Commission. The Advisory Opinion process provides a needed forum for public input. In particular, the Commission's Advisory Opinions regarding the Postal Service Station and Branch Optimization and Consolidation Initiative and the Postal Service's plan to eliminate Saturday delivery provided informative insight to the Postal Service regarding these proposals.

In N2011-1 (Retail Access Optimization Initiative), the Commission advised the Postal Service to ensure access to postal services in rural communities, explore more robust modeling techniques, and improve data collection efforts.

In N2012-1 (Mail Processing Network Rationalization), the Commission found that the Postal Service could realize substantial cost savings while preserving most overnight mail delivery.

In N2012-2 (Post Office Structure Plan), the Commission concluded that if implemented properly, the realignment of retail hours should help balance service and cost savings in a manner consistent with the law.

During 2014, the Commission amended its procedural rules for advisory opinions in an effort to ensure more expedited consideration of Postal Service proposals.

Congress may want to consider adding language to 39 U.S.C. 3661 requiring the Postal Service to provide a written response to Commission advisory opinions and submit its response to Congress prior to implementing such changes in service.

23. 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 quality and timeliness of Postal Service data is vital to the Commission and interested parties in reviewing various cases before the Commission. The Commission has conducted public rulemaking proceedings to establish reporting requirements designed to ensure the timely availability of necessary data. As is currently the case, the Commission should have final review authority in determining how to measure the adequacy of the data and methodologies used in determining the overall financial and operational impact of various rate adjustments or negotiated service agreements.

In individual cases, the Commission reviews the Postal Service's data and determines if the information is accurate and if necessary requests additional information. For example, in Docket No. R2015-4, a case involving a Postal Service request for Market Dominant rate adjustment, the Commission issued 17 separate information requests, containing 114 individual questions, and returned the Postal Service's proposed price adjustments twice for correction or more information.

24. The USPS continues to experience volume and revenue losses, ending Fiscal Year (FY) 2015 with a net loss of \$5.1 billion. Costs are continuing to outpace revenue, with operating expenses for FY 16 Q2 growing 2.7% faster than operating revenue for the same period in FY 15.
- 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 principal regulatory review of Postal Service operations is the Annual Compliance Determination (ACD). The ACD provides a comprehensive review of Postal Service operations and finances over the previous year. The Commission notifies Postal Service management when there is insufficient cost coverage for a product and, when appropriate, requires corrective actions. The Postal Service can also use the findings to identify and promote profitable products and reduce costs.

The Commission can offer valuable guidance when asked, through the Advisory Opinion process, regarding operational changes that could generally affect service on a substantially nationwide basis, concerning affiliated financial impacts and related considerations.

In performing its statutory oversight functions, the Commission can provide independent analysis of the costs and benefits of various Postal Service initiatives to adjust its products or service levels to improve its balance sheet. This type of independent review can assist the Postal Service and Congress in determining which initiatives to pursue.

For example, the Commission, responding to a Postal Service request pursuant to section 802(c) of the PAEA, retained an independent actuarial firm to assess the Office of Personnel Management's (OPM) calculation of the Postal Service's share of the Civil Service Retirement System (CSRS) pension assets and liabilities, which also included a review of the methodology proposed in a Postal Service Office of Inspector General study. After a thorough review, the Commission issued the report prepared by Segal on June 29, 2010. The report suggested that the methodology used to determine the Postal Service's share of the CSRS pension fund does not follow current private sector accounting standards. If it did, it would reflect Postal Service overpayments of \$50-55 billion. While OPM concedes some principle findings of the Segal report, it will not release any of the CSRS funding in question – absent a legislative directive to do so.

The Commission has also approved Market Tests of experimental Postal Service products, and encourages the Postal Service to exercise its pricing flexibility wherever prudent.

In short – the Commission – with all due diligence – should fulfill its lawful oversight responsibilities outlined in the PAEA, including reviewing the Postal Service's universal service obligation and other statutory requirements, in a manner that does not compromise the flexibilities afforded to the Postal Service by law.

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

The Postal Board of Governors, akin to a corporate board of directors, sets organizational goals and policy. They broadly direct Postal Service activities managed by Postal Service executive leadership. The Commission on the other hand is responsible for developing an independent, primarily after-the-

fact, review of Postal Service finances, operations and activities as provided in title 39.

Through legislation, Congress established the framework for the relative roles of both the Commission and the Postal Board of Governors. Congress's authority over both is paramount.

25. In the PRC's Financial Analysis Report for FY 2015, the Commission stated that the Postal Service has "made significant efforts to reduce operating expenses and improve efficiency to ensure that expenses are better aligned with mail volumes."

- 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 should consider further review of its performance standards for all classes of delivery to explore changes in the existing modern service standards to help better capture savings and control costs while still meeting community and business expectations.

In addition, in the Commission's FY 2014 Annual Compliance Determination (ACD), the Commission issued directives to the Postal Service for products comprised of flats to improve service performance results during FY 2015 or explain why efforts to improve performance were ineffective and identify further planned changes to improve those results. In its FY 2015 ACD, the Commission found flats products remained substantially below their targets, and in all but one case, the performance results declined. In FY 2015, the attributable costs of two products consisting of flats, Outside County Periodicals and Standard Mail Flats, combined to exceed revenues by over \$1 billion. The ACD further notes that the Postal Service's related efforts to improve flats performance and profitability are ongoing. As a result, the Commission required the Postal Service to provide a report on flats issues within 120 days that quantifies what the Commission understands to be the main drivers of these significant and ongoing service failures and cost issues. The Commission is currently evaluating the report and may use the information provided to form the basis for establishing a new proceeding or other appropriate action.

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

Both the Senate and House of Representatives have postal reform legislation pending before it that include several provisions worthy of careful consideration.

The PAEA set a unique, and what appears to be an overly-ambitious, timeframe for the Postal Service to prefund its Retiree Health Benefit Fund obligations. This view is supported by independent findings developed, as authorized by statute, by Commission consultant The Mercer Group in its expert review of the Postal Service's health benefit funding methodology. Also, at the Postal Service's request and as authorized by law, the Commission retained an independent actuarial firm to assess the Office of Personnel Management's (OPM) calculation of the Postal Service's share of the Civil Service Retirement System (CSRS) pension assets and liabilities, which also included a review of the methodology proposed in a Postal Service Office of Inspector General study. After a thorough review, the Commission issued the report prepared by Segal on June 29, 2010. The report suggested that the methodology used to determine the Postal Service's share of the CSRS pension fund does not follow current private sector accounting standards. If it did, it would reflect Postal Service overpayments of \$50-55 billion.

Responsible adjustments to one or both of these obligations could provide the short term financial stability the Postal Service needs to restructure its operations as Congress considers possible changes to the Postal Service's business model.

In facilitating long term change, Congress may wish to consider:

- Although the Commission will be conducting its review of its system for regulating rates and classes of service for Market Dominant pricing, Congress may wish to consider further changes to the PAEA postal pricing model – providing active input from the postal community.
- Removal of the requirement for six-day delivery remains on the table, yet only in light of the Commission's Advisory Opinion findings concerning costs and services impacts of such a change, any such change must be tempered by ensuring that rural, remote and non-contiguous areas of the Nation continue to have adequate service.

26. In your view, how can the Postal Service return to viability in a market in which 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?

Despite an environment where new and emerging technologies offer faster, often cheaper communication alternatives, the need for postal service products remain

significant, especially in delivery of mail for the last mile. In even a resized market segment, the Postal Service still delivered 154.1 billion pieces of mail in FY 2015. In a broad sense, the Postal Service is in the midst of a challenging right-sizing period wherein its legacy “supply” capabilities are coming to terms with a new “demand” model. Adjusting Postal Service institutional resources to meet its modern niche will help ensure sustainability. As the Postal Service makes critically needed operational, infrastructural market presence and product pricing adjustments, the call for active Commission engagement is perhaps more crucial now than ever before.

As one example, it is imperative for the Postal Service to take appropriate action to end the growing Standard Mail intra-class cross subsidy as the Commission has directed every year since its 2010 Annual Compliance Determination. The Postal Service has the flexibility to achieve this through cost-cutting, price adjusting (or both), or the introduction of proven new methodologies, but meaningful progress toward improved cost coverage is needed. In addition, the Commission continues to monitor Postal Service pricing and encourage the development of new core products and strategies to maximize profit while maintaining adequate service to the Nation.

27. 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. Do you believe the Postal Service should be allowed to compete with the private sector? If so, under what circumstances?

Under current law, the PAEA limits the Postal Service’s authority to provide “nonpostal services” to those that it offered as of January 1, 2006. 39 U.S.C. § 404(e)(2). The PAEA defines “postal service” to mean “the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other functions ancillary thereto[.]” *Id.* § 102(5). “Nonpostal service” is defined as “any service that is not a postal service defined under section 102(5).” *Id.* § 404(e)(1). The PAEA requires the Commission to “review each nonpostal service offered by the Postal Service” on the date that the PAEA was enacted (December 20, 2006) to determine whether it should continue. *Id.* § 404(e)(3). In its analysis, the Commission must take into account “(A) the public need for the service; and (B) the ability of the private sector to meet the public need for the service.” *Id.* On April 12, 2012, the Commission resolving remaining inconsistencies identified by the United States Court of Appeals for the District of Columbia Circuit. As such, any new non-postal products would be prohibited under current law.

Competitive products offered by the Postal Service compete with the private sector, but must comply with 39 U.S.C. 3633, where Market Dominant products are prohibited from subsidizing Competitive products, each Competitive product must cover its costs, and ensure that Competitive products as a whole contribute an appropriate share of the institutional costs of the Postal Service. The Commission has determined that 5.5 percent is the appropriate share for the Postal Service and will be conducting another review to determine whether the institutional costs contribution requirement should be retained in its current form, modified, or eliminated.

These requirements imposed on Competitive products help to provide some assurance that the Postal Service does not have an unfair competitive advantage over the private sector.

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

If the Postal Service is allowed to offer new non-postal services, a powerful regulatory presence is needed to guard against misuse of monopoly status to promote unfair competition, and to prevent the Postal Service from "poaching" private sector business initiatives.

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

It is Postal Service management's role to develop, price, and request regulatory review new postal products.

As the regulatory, the role the Commission should play in the introduction or pricing of new products has been established by 39 U.S.C. 3642, and depending on whether or not the product is Market Dominant or Competitive determines what other requirements must be met.

For Market Dominant products –

- Ensure the price cap is not pierced
- Rates cover attributable costs
- If any workshare discounts are offered, that these discounts do not exceed avoided costs

For Competitive products –

- Ensure costs are covered
- No cross subsidy from Market Dominant product to Competitive product

28. During consideration of the PAEA, there was debate about the impact of a strict consumer-inflation-based rate cap. In your opinion, how has the rate cap helped the Postal Service, the mailing community, and postal customers? How has the rate cap hurt these groups?

My overall impression is that the rate cap has effectively driven greater Postal Service cost efficiencies. Yet, despite the success of the price cap in driving savings, cost cuts and other actions have not kept pace with Postal Service obligations such as prefunding its Retiree Health Benefits Fund.

I have previously stated that there are specific provisions that I believe need attention. Two primary goals of the PAEA were to offer mailers greater predictability of rates and planned rate adjustments, while affording the Postal Service a higher level of pricing flexibility. The PAEA has been most successful in terms of achieving the former, while pursuing the latter is more challenging. Going forward, the Commission should continue to work with the Postal Service and the postal community in exploring additional approaches which could encourage the Postal Service to exercise greater pricing flexibility, in keeping with the spirit of the PAEA.

In this pursuit, on December 20, 2016, the Commission intends to issue an Order that will institute the 10-year review of system for regulating rates and cases of service for Market Dominant products. The Order will establish a timeframe within which the Commission expects to complete its review, and will create opportunities for public comment. The deadline for comments is expected to be in early spring of 2017, and by early autumn of 2017, the Commission anticipates issuing an Order which will include its findings and, if necessary, preparatory rule-making information for any proposed changes to the system.

29. Current proposed postal reform legislation includes an increase in the base rate for market dominant products. In your view, what drawbacks and advantages exist to increasing postal rates through legislation, rather than through the existing ratemaking process?

Drawbacks: Congress may not have at hand the legal and technical resources needed to thoroughly assess rate base adjustments and consequences.

Advantages: Congress does control the full spectrum of fundamental business model changes that may be needed to enact balanced reform.

30. In December 2016, the PRC will begin the review of the rate-cap system, as required by the PAEA. What do you view is a reasonable time frame for completing this review? Does the PRC have the resources to complete the review? Please explain.

At the Commission's quarterly public meeting on September 1, 2016, the Commission outlined its preliminary plans for the upcoming review of the existing ratemaking system. On December 20, 2016, the Commission intends to issue an Order that will initiate the 10-year review of the system for regulating the rates and classes of service for Market Dominant products. The Order will establish a timeframe within which the Commission expects to complete its review, and will create opportunities for public comment. The deadline for comments is expected to be in early spring of 2017, and by early autumn of 2017, the Commission anticipates issuing an Order which will include its findings and, if necessary, preparatory rule-making information for any proposed changes to the system.

31. As Commissioner, how will you balance the objectives and factors of the review as required by 39 U.S.C. § 3622? Do you believe certain objectives or factors should be weighted above others?

I believe it would be premature for me to comment on such matters as my views in these matters will be informed and shaped by the comments and information provided to the Commission during the public proceedings to be instituted later this year.

32. The Postal Service lost \$1.2 billion from underwater products in 2015 despite the exigent increase in January 2014. Since 2008, it has lost \$3.9 billion in Standard Flats alone. How would you fix the cost coverage problem of underwater products?

For "underwater" products, the Postal Service has not always given these products adequate rate adjustments to move closer toward making institutional contributions or breaking even. Part of the Postal Service's financial problem lies in pricing imbalances. As the regulator, an important key element to crafting a workable solution is to learn more about the nature of the problem.

In our FY 2010 Annual Compliance Determination (ACD), the Commission identified 10 Market Dominant products and services with revenue that did not cover attributable costs, including flats, periodicals, and non-profit mail, totaling \$1.7 billion in losses. For the first time ever, the Commission found rates not in compliance with the statute, and directed the Postal Service to take action to end the intra-class cross subsidy for Standard Mail Flats as soon as practicable. In the Commission's FY 2014 ACD, the Commission issued directives to the Postal Service for products comprised of flats to improve service performance results during FY 2015 or explain why efforts to improve performance were ineffective and identify further planned changes to improve those results.

In its FY 2015 ACD, the Commission found flats products remained substantially below their targets, and in all but one case, the performance results declined. In

FY 2015, the attributable costs of two products consisting of flats, Outside County Periodicals and Standard Mail Flats, combined to exceed revenues by over \$1 billion. The ACD further notes that the Postal Service's related efforts to improve flats performance and profitability are ongoing. As a result, the Commission required the Postal Service to provide a report on flats issues within 120 days that quantifies what the Commission understands to be the main drivers of these significant and ongoing service failures and cost issues. The Commission is currently evaluating the report and may use the information provided to form the basis for establishing a new proceeding or other appropriate action.

Service Standards and Other Performance Obligations

33. Debates about postal reform legislation raise fundamental questions about the role of the Postal Service in our nation, including the nature of the Postal Service's universal service obligation.

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

As the Commission found in the 2008 Report on Universal Service and the Postal Monopoly, the USO is defined by a variety of core elements including geographic scope, access, delivery, pricing, quality and range of products. The Postal Service must provide an accessible communications channel for all U.S. and territorial residents at affordable, uniform pricing.

- b. Do you believe the concept of universal service has evolved since the 2008 report? If so, how? How do you believe USPS can adapt to meet that obligation?

Yes, the dynamic core elements of the USO – geographic scope, access, delivery, pricing, quality and range of products – develop, often independently as time and technology advance. The powerful emergence of the Internet and social media as factors in the USO consideration is primarily, at this point at least, one of access – most importantly uniformity (or prevalence) of access. The Commission's work on the USO provides a solid framework for future consideration of precisely how these changing components may be developing and interacting to impact the totality of the USO.

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

The Commission's role in preserving universal service is to ensure that the postal operator, in accommodating a changing postal landscape, endeavors to maintain a proper balance of the several central aspects of the universal service obligation.

- 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? Should the PRC encourage use of the complaint process?

Any person may file a complaint with the Commission, as its complaint process is open to all.

Given that the Commission has identified the core elements of the universal service obligation (USO) to include geographic scope, access, delivery, pricing, quality and range of products, nearly every important postal regulatory action or finding impacts some element of the USO. The exigent case, for example, affected pricing. The elimination of Saturday delivery Advisory Opinion would affect delivery. Post Office closing appeals affect access. The "postal" versus "nonpostal" products determination affects the range of products offered. This expression of comprehensive concern is the nature of universal service.

34. What do you believe should be the PRC's role in establishing performance standards for postal products and services and for monitoring the Postal Service's results in meeting these standards? Do you believe that the Postal Service has sufficient business incentives to provide good service? If yes why, if no why not?

As required by the PAEA, the Postal Service established modern service standards and has consulted closely and regularly with the Commission throughout the process. Reasonable service standards should be reflective of consumer needs. Since Market Dominant product customers have no alternate service provider, meaningful consultation with stakeholders is essential to accurately assess and meet their needs. The Commission conducted public outreach through field hearing and reviewed formal public filings in the Commission's docket. Additionally, the Commission through our observation at Mailers Technical Advisory Committee discussions, representation at public forums and meetings with individual mailers, has taken an active approach in the establishment of modern service standards (39 U.S.C. 3691) measurement.

Recently in the FY 2015 Annual Compliance Determination, the Commission found that the majority of products failed to meet their service performance targets for FY 2015. While the Postal Service met its service performance targets for High Density and Saturation Letters, Standard Mail Parcels, Bound Printed Matter Parcels, Media Mail/Library Mail, and most Special Services products, service performance results for all First-Class Mail products, both Periodicals products, most products in Standard Mail, and Bound Printed Matter Flats did not meet their targets despite Postal Service initiatives to improve performance. The

Commission found service performance results for flats products during FY 2015 remained substantially below their targets, and in all but one case, the performance results declined. The Commission also found that the Postal Service's plans to improve service performance results, where provided for certain products pursuant to the FY 2014 ACD directives, are not adequate to address the service performance issues.

As a result, with respect to First-Class Single-Piece Flats, First-Class Presort Flats, Periodicals In-County, Periodicals Outside County, Standard Mail Flats, Standard Mail Carrier Route, and Bound Printed Matter Flats, the Commission found that additional information regarding service performance is needed, and directed the Postal Service to provide a report.

Also, in the FY 2015 ACD, the Commission indicated its concern with the dramatic decline of service performance for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard and determined that First-Class Mail Single-Piece Letters/Postcards did not meet its service performance target and, therefore, was not in compliance. The Postal Service must provide an explanation in the FY 2016 ACR identifying specific efforts targeted to improve service performance results for First-Class Mail Single-Piece Letters/Postcards in FY 2016. It must also provide a detailed, comprehensive plan to improve service performance for First-Class Mail Single-Piece Letters/Postcards within 90 days of issuance of that ACD.

The Commission's role, monitoring the Postal Service results, suffers from insufficient data. Despite the Postal Service's assurance that Intelligent Mail barcode (IMb) data would provide robust data for analyses, the IMb platform has not yet achieved its anticipated potential.

Lastly, as a service provider it is incumbent upon the Postal Service to provide standards of service that meets customers' needs. If this does not happen, volume will fall with corresponding decrease in revenue.

35. The Postal Service continues to face the problem of reducing costs while also maintaining fast and reliable service. In your opinion, how can the PRC help the Postal Service try to find this balance?

The Commission can help the Postal Service find a balance between reducing costs and maintaining fast and reliable service by assisting the Postal Service in identifying needed metrics and developing relevant and robust data systems that help address costing questions and delivery delays.

36. The PRC found that in 2015 the Postal Service did not meet its service performance targets for all of First-Class Mail products, both Periodical Class products, most products in Standard Mail and Bound Printed Matter Flats. How concerned is the PRC with the current decline in service performance? How can the PRC make sure that a customer of the Postal Service receives the service it is paying for? How do you feel delays in service impact the price of postage?

The Commission is extremely concerned about the current decline in service performance.

In the Commission's FY 2015 Annual Compliance Determination (ACD), the Commission found that the majority of products failed to meet their service performance targets for FY 2015. While the Postal Service met its service performance targets for High Density and Saturation Letters, Standard Mail Parcels, Bound Printed Matter Parcels, Media Mail/Library Mail, and most Special Services products, service performance results for all First-Class Mail products, both Periodicals products, most products in Standard Mail, and Bound Printed Matter Flats did not meet their targets despite Postal Service initiatives to improve performance. The Commission found service performance results for flats products during FY 2015 remained substantially below their targets, and in all but one case, the performance results declined. The Commission also found that the Postal Service's plans to improve service performance results, where provided for certain products pursuant to the FY 2014 ACD directives, are not adequate to address the service performance issues.

As a result, with respect to First-Class Single-Piece Flats, First-Class Presort Flats, Periodicals In-County, Periodicals Outside County, Standard Mail Flats, Standard Mail Carrier Route, and Bound Printed Matter Flats, the Commission found that additional information regarding service performance is needed, and directed the Postal Service to provide a report.

In addition, in the FY 2015 ACD, the Commission indicated its concern with the dramatic decline of service performance for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard and determined that First-Class Mail Single-Piece Letters/Postcards did not meet its service performance target and, therefore, was not in compliance. The Postal Service must provide an explanation in the FY 2016 ACR identifying specific efforts targeted to improve service performance results for First-Class Mail Single-Piece Letters/Postcards in FY 2016. It must also provide a detailed, comprehensive plan to improve service performance for First-Class Mail Single-Piece Letters/Postcards within 90 days of issuance of that ACD.

37. Given the growing shortfalls in on-time performance for First-Class Mail Flats since 2011, in your opinion, what is the PRC's role in making sure the Postal Service meets the service performance standards it sets?

The Commission's role in making sure the Postal Service meets the service performance standards it sets is to ensure transparency and thereby foster accountability. In this respect, the Commission, for First-Class Single-Piece Flats, First-Class Presort Flats, Periodicals In-County, Periodicals Outside County, Standard Mail Flats, Standard Mail Carrier Route, and Bound Printed Matter Flats, found that additional information regarding service performance is needed, and directed the Postal Service to provide a report.

The Commission also indicated in its FY 2015 Annual Compliance Determination (ACD) that it is concerned with the dramatic decline of service performance for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard and determined that First-Class Mail Single-Piece Letters/Postcards did not meet its service performance target and, therefore, was not in compliance. The Postal Service must provide an explanation in the FY 2016 ACR identifying specific efforts targeted to improve service performance results for First-Class Mail Single-Piece Letters/Postcards in FY 2016. It must also provide a detailed, comprehensive plan to improve service performance for First-Class Mail Single-Piece Letters/Postcards within 90 days of issuance of that ACD.

38. The PAEA requires the Postal Service to consult with the PRC in establishing modern service standards, as well as in 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? If yes why, if no why not?

Generally speaking and in my personal experience, the mandate included by Congress in the PAEA calling for consultation between the agencies when addressing specific reform directives (such as the development of modern service standards for instance) has proven critically important. I believe that this statutory requirement has permitted, encouraged and indeed forced a more productive exchange of ideas and thought, and driven an environment of shared information that I am not convinced would otherwise have developed to the same degree.

In that regard, the consultations between Postal Service officers and Commissioners regarding service standards does have a value in Commission/Postal Service communications by permitting the Commission to become better informed regarding broad operational decisions. These discussions, I believe, also afford top Postal Service management with a first-hand view of the

regulators priorities. I look forward to continuing discussions, whenever possible, that lead to better understanding.

In addition, the Advisory Opinion process provides a needed forum for community input. In particular, the Commission's Advisory Opinions regarding the Postal Service Station and Branch Optimization and Consolidation Initiative and the Postal Service's plan to eliminate Saturday delivery, provided informative insight to the Postal Service regarding these proposals.

- In N2011-1 (Retail Access Optimization Initiative), the Commission advised the Postal Service to ensure access to postal services in rural communities, explore more robust modeling techniques, and improve data collection efforts.
 - In N2012-1 (Mail Processing Network Rationalization), the Commission found that the Postal Service could realize substantial cost savings while preserving most overnight mail delivery.
 - In N2012-2 (Post Office Structure Plan), the Commission concluded that if implemented properly, the realignment of retail hours should help balance service and cost savings in a manner consistent with the law.
39. In your view, what degree of transparency should the Postal Service 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?

The Commission's role in making sure the Postal Service meets the service performance standards it sets is to ensure transparency and thereby foster accountability. In this respect, the Commission, for First-Class Single-Piece Flats, First-Class Presort Flats, Periodicals In-County, Periodicals Outside County, Standard Mail Flats, Standard Mail Carrier Route, and Bound Printed Matter Flats, found that additional information regarding service performance is needed, and directed the Postal Service to provide a report.

The Commission also indicated in its FY 2015 Annual Compliance Determination (ACD) that it is concerned with the dramatic decline of service performance for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard and determined that First-Class Mail Single-Piece Letters/Postcards did not meet its service performance target and, therefore, was not in compliance. The Postal Service must provide an explanation in the FY 2016 ACR identifying specific efforts targeted to improve service performance results for First-Class Mail Single-Piece Letters/Postcards in FY 2016. It must also provide a detailed,

comprehensive plan to improve service performance for First-Class Mail Single-Piece Letters/Postcards within 90 days of issuance of that ACD.

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

The Commission's role in mail delivery service frequency determination should be to inform the decision makers in Congress concerning what the likely consequences of eliminating Saturday mail delivery would be throughout the Nation, including rural, remote and non-contiguous areas.

In the Commission's Advisory Opinion on the Postal Service's proposal to eliminate Saturday delivery, the Commission found that a likely outcome would be fewer savings and a greater impact on service than anticipated by the Postal Service. Most troubling for me, however, was the Commission's view that the Postal Service may not have adequately evaluated the impact of its proposal on customers who reside or conduct business in rural, remote, or non-contiguous areas. In addition, the Commission found that the Postal Service's contention that broadband Internet access would effectively fill the gap in serving this population was unrealistic at current penetration levels.

With that in mind, the Commission also found greater access to, and adoption of, new and emerging technologies should help bridge this gap over time. Accordingly, the circumstances under which I believe that Congress should allow the Postal Service more flexibility to reduce the frequency of mail delivery includes a greater availability and adoption of electronic or other alternative access capabilities throughout the Nation. I should note that the Postal Service, over the course of the development of its proposal for the elimination of Saturday delivery, demonstrated a willingness and capability to adapt its plan to address key business concerns. For example, the Postal Service has proposed accommodations for Saturday package delivery and remittance mail users. Perhaps an arrangement could be made to ensure that rural, remote and non-contiguous customers receive an appropriate, if not similar level of service.

- b. Do you believe the PRC's opinion on this matter should be binding rather than advisory? Please explain.

Given all of the above, a change in the frequency of the Nation's postal delivery from six days to five is in my view, certainly an issue of sufficient

magnitude to warrant Congressional determination. This is an instance, however, where I feel that, should Congress so decide, the Commission is the governmental agency most suited to render that binding judgment.

While the Postal Service elected to respond to the Commission's Advisory Opinion on the elimination of Saturday delivery, some have suggested that the Postal Service should be required to respond before initiating its proposals. I agree that this would provide greater transparency into Postal Service decisions.

41. Many postal stakeholders have raised concerns about the adequacy of the Service's financial transparency. The PAEA requires the Postal Service to meet the financial reporting requirements of the Sarbanes-Oxley legislation. What is your opinion of this mandate and do you believe the Postal Service has satisfied this mandate? Are further improvements necessary to make Postal Service finances more transparent? If yes, what additional improvements are needed?

The PAEA Sarbanes-Oxley reporting requirements have resulted in an improvement in transparency and substantial cost savings. The "SOX" requirements function in concert with PAEA policy driving the Postal Service to operate in a more business-like manner as well as ensuring greater transparency and accountability. The PAEA requires the Postal Service to report (for disclosure) to its regulator, financial and operational details in the same fashion as corporations report to the Securities and Exchange Commission.

I believe that the Postal Service has met the PAEA Sarbanes-Oxley reporting requirement. All indications are that the SOX protocols are in full compliance and Postal Service management reports that SOX practices has proven to be a useful diagnostic management tool in identifying new opportunities for increasing operational (cost) efficiencies.

Post Office Closings and Relocations

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

When the regulations and procedures established for the closing and relocating of post offices are properly thoroughly and consistently administered, yes. In my view, present protocol does afford postal customers and affected communities adequate opportunity to make their views and concerns known. The key here is in ensuring due process – that is the regulator’s concern upon appeal.

43. 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?

Access to facilities is one aspect of the universal service obligation and the availability of service through appropriate alternatives should be a central consideration for the Postal Service before closing or consolidating traditional retail facilities. In that regard, workable alternative postal services including locations should be a key consideration in any Post Office closing – particularly in regard to those in rural and remote areas of the country. As a native Kentuckian, born and raised, I appreciate the special place that the Post Office occupies in many smaller rural/remote communities. Even more so than in urban areas, the Post Office plays a pivotal role in keeping both individuals and businesses connected in smaller rural/remote communities. The Commission in our Advisory Opinion regarding the elimination of Saturday delivery highlighted the disparate impact of such a service change in rural and remote America, and I believe that that effect conveys likewise to Post Office closings. Such special consideration stresses the need for the ready availability of alternative service in those locations where Post Offices are closed or relocated.

44. 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 the USPS’s current retail network?

Although the Postal Service has the authority to manage its network, any changes to the manner in which individual post office operations are terminated must ensure that the Postal Service meets its legal obligation to properly observe the need protocols for informing and engaging communities before, during and after the closure consideration process. Key considerations should include proper public input as well as suitable alternative access arrangements that adequately accommodate the universal service obligation. Any needed facility realignments

made in accordance with present rules and regulations, should work to promote both the vitality and viability of its retail network.

45. 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?

If the Postal Service follows proper protocol, the process should be adequate. Indeed, it is the role of the Commission's "appeals" process to ensure that the Postal Service has administered a proper review.

46. 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.

As one of its statutory requirements, the Commission will be conducting its second Section 701 Review of the PAEA, at which time, this issue may be considered during this review.

47. In your opinion, does the existing process for closing and consolidating postal processing facilities adequately protect the interests of postal customers, especially those in small towns and rural areas? If not, what additional protections do you believe are necessary?

The existing process for closing and/or consolidating postal mail processing facilities is determined by the Postal Service as appeals do not apply to the closing and/or consolidating postal mail processing facilities. However, if the Postal Service is making operational changes that could generally affect service on a substantially nationwide basis that involves the closing and/or consolidating postal mail processing facilities, the Postal Service is statutorily required to file a request for an Advisory Opinion. That was the case in N2012-1 (Mail Processing Network Rationalization). Under the Postal Service's plan, 80 percent of all First-Class Mail would be delayed by at least one day and service standards would be modified for Periodicals, Standard Mail and Package Services. The plan included cost savings from the consolidation of 229 of its 461 processing plants. In its Advisory Opinion, the Commission found that the Postal Service could realize substantial cost savings while preserving most overnight mail delivery. It concluded that it was possible for the Postal Service to undertake significant network rationalization and realize substantial cost savings while preserving most current service levels. However, the Commission advised the Postal Service to consider alternatives that would preserve service levels before proceeding with full implementation.

In addition, the Commission found that the Postal Service did not take full advantage of its network modeling tools and that its modeling effort could be

improved by starting with a baseline model that is validated against known conditions, including actual plant productivities. The Commission found that the Postal Service should review its underlying assumption that larger plants process mail less expensively than smaller plants. The Commission also found that a network rationalization solution that shifts mail processing to plants that currently exhibit higher productivities than other plants should be considered.

The Commission concluded that in order to capture the anticipated \$1.6 billion net cost savings upon full implementation of the initiative, the Postal Service would have to improve average system-wide productivity by over 20 percent. The Commission cautioned that improvements of this magnitude are ambitious and involve some risk.

The Commission estimated that the initiative's cost savings may be as low as \$46 million annually assuming mail processing productivities remain at current levels, or as high as \$2 billion annually if all proposed assumptions prove correct, and that these cost savings may be offset by reduced contribution to the bottom line from volume loss by mailers who no longer believe the level of service provided meets their postal needs.

The Commission encouraged the Postal Service to study the effects of the service standard changes during the initial implementation phase to inform its decisions before going forward with full implementation. While these evaluations may not be cost free, given the magnitude of service changes contemplated, it is important for the Postal Service to proceed with accurate information.

48. Should the PRC have greater input over the closures or consolidations of post offices or postal processing facilities? Why or why not?

No. I do, however, believe that the Commission should hold responsibility to review, if requested by the community, post office closures to ensure proper adherence to relevant process and procedures.

Again, any needed facility readjustments made in accordance with present rules and regulations, should work to promote both the vitality and viability of its retail network. It is already the Commission's role to guard against Postal Service shortcuts in managing such changes either through a post office appeal or an advisory opinion. In the end, it is my impression that many of postal service facility changes and the stresses inherent with these changes are not a consequence of lack of regulatory involvement, but instead are one "side effect" of a postal service business model in need of legislative reform akin to that now pending. In other words, meaningful postal service reform should lessen

management's focus on aggressive cost containment measures such as proposed rural post office closures.

V. Assistance

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

Yes. I have consulted with the Commission and staff.

**Chairman Ron Johnson
Supplemental Pre-hearing Questionnaire
For the Nomination of Mark Acton to be
Commissioner, Postal Regulatory Commission**

1. Do you agree without reservation to comply with any request or summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Yes, I agree without reservation to comply with any request or summons to appear and testify before any duly constituted committee of Congress if I am confirmed.

2. Do you agree without reservation to comply fully, completely, and promptly to any request for documents, communications, or any other agency material or information from any duly constituted committee of the Congress if you are confirmed?

Yes, agree without reservation to comply fully, completely, and promptly to any request for documents, communications, or any other agency material or information from any duly constituted committee of the Congress if I am confirmed.

I, Mark Acton, hereby state that I have read the foregoing Pre-Hearing Questionnaire and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

Mark Acton
(Signature)

This 14th day of Sept., 2016