

# NOMINATIONS OF PETER V. NEFFENGER AND DAVID S. SHAPIRA

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## HEARING

BEFORE THE

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

FIRST SESSION

NOMINATIONS OF PETER V. NEFFENGER TO BE ASSISTANT SECRETARY,  
U.S. DEPARTMENT OF HOMELAND SECURITY, AND DAVID S. SHAPIRA  
TO BE A GOVERNOR, U.S. POSTAL SERVICE BOARD OF GOVERNORS

JUNE 10, 2015

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**NOMINATIONS OF PETER V. NEFFENGER AND  
DAVID S. SHAPIRA  
WEDNESDAY, JUNE 10, 2015**

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

The Committee met, pursuant to notice, at 9:06 a.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ayotte, Ernst, Sasse, Carper, Heitkamp, and Peters.

**OPENING STATEMENT OF CHAIRMAN JOHNSON**

Chairman JOHNSON. This hearing will come to order.

Good morning. I would like to welcome Admiral Peter Neffenger. I appreciate your willingness to serve. The hearing is obviously called to consider your nomination for the position as the next Administrator of the Transportation Security Administration (TSA). We held a pretty interesting hearing yesterday, and I think you come into this position understanding that you have some significant challenges ahead of you, and we are obviously looking forward to the hearing today and appreciate your thoughtful testimony, and I will be looking forward to your oral testimony and answers to our questions. I think I will hold off on further comments until we get into the question phase.

The hearing today will also consider the nomination of David S. Shapira to be a Governor of the United States Postal Service (USPS), another agency that is going to require some out-of-the-box thinking, another agency that has significant problems. So I just want to thank both nominees for your willingness to serve and, again, your willingness to appear here today.

And with that, I will turn it over to our Ranking Member.

**OPENING STATEMENT OF SENATOR CARPER**

Senator CARPER. Thanks, Mr. Chairman.

Admiral, welcome. Thank you for serving us for all these years—what, 34 years? Anybody in your family here today? OK. All right.

Some brief comments, if I could. Thank you for joining us yesterday, too, and our staffs have enjoyed meeting with you and having a chance to “take the measure of the man,” as we say in Delaware.

But as we know, TSA has been without a Senate-confirmed leader since the highly regarded John Pistole departed the agency at the end of last year. And as we have learned from press reports of late, as well as from numerous briefings and our hearing yesterday, TSA faces serious challenges that demand strong, permanent,

Senate-confirmed leadership. Thankfully, the President has nominated in you, Admiral Neffenger, someone whom I believe, I think we believe, can provide TSA with the kind of leader that it needs right now.

Our Admiral has served as a commissioned officer, as we know, in the Coast Guard since 1982, assuming the position of Vice Commandant in May 2014. Throughout his 34-year career in the Coast Guard, Admiral Neffenger has displayed exceptional leadership skills and the will to confront difficult challenges head-on. In fact, Admiral Neffenger is no stranger to crisis, having served as the Deputy National Incident Commander for the Deepwater Horizon oil spill. And if you can handle that, you can handle a lot of things.

As the Department of Homeland Security (DHS) Inspector General (IG) John Roth said to this Committee just yesterday, he said what TSA needs is someone willing to acknowledge and confront the many challenges facing this agency. And I would add that the agency also needs someone who will strive for perfection, realizing that it is hard to achieve, it may be impossible to achieve, but while addressing at the same time the competing priorities of security and expedited travel. We want to make sure that we are flying in planes that are safe, people get where they need to go safely. We also want to make sure that we can expedite their movement through the security checkpoints, and they are not always in sync with it. In fact, they are of oftentimes in conflict. So it is not an easy job. We are grateful for the people who do this work. We want to make sure that they are meeting their challenges and that we are providing this kind of support that they need and the kind of leadership that they need.

I had the opportunity to meet with Admiral Neffenger recently to discuss his desire to lead TSA and his vision for the agency. I came away from our meeting confident that he is the right person for the job at this time.

Following our discussion with Admiral Neffenger, we will consider our second nominee today, David Shapira, who is sitting here in the front row on our left, your right, to serve as a Governor on the Postal Service's Board of Governors. We are considering this nomination at what is a very challenging time for the Postal Service. But as Albert Einstein once said—and we talked about this yesterday—“in adversity lies opportunity.” Plenty of adversity for both positions, but by the same token, a lot of opportunity.

The Postal Service operates at the center of a massive printing, delivery, and logistics industry that employs millions of people. Even as First Class mail is lost to other forms of communication, I think the future is more promising than some would believe for the Postal Service in a number of other ways, several of which we discussed yesterday.

Advertising mail is still a popular and effective option for thousands of mailers. Millions of people still like to receive their magazines in the mail every week. They like the printed copy, even the Millennials like the printed copy, not just the stuff on the Internet. 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. Federal Express

(FedEx), the United Parcel Service (UPS), they want to deliver a lot of stuff. They do not always want to go the last mile, the last 5 miles, or the last 10 miles, and the Postal Service is happy to do that because they are going anyway.

I look forward to talking to Mr. Shapira, I think we look forward to talking with you, Mr. Shapira, today about what you think needs to be done in order to address the ongoing challenges that face the Postal Service and to hear about the skills and experience that he will bring, you will bring to the Board. As a leader of a \$10 billion company with nearly 40,000 employees, Mr. Shapira will bring a unique business perspective to the Board of Governors that is very much needed, I think very much welcome.

If confirmed, Mr. Shapira and the four other Board nominees pending before the Senate would double the size or at least the membership of the Board, and we need that. I see a real opportunity here with this new injection of talent to make significant progress toward strengthening our Postal Service.

In closing, I want to thank both of our nominees, Admiral, and hopefully we will be able to call him "Governor Shapira." It is a great job—Governor. I love that one. You will, too.

So thank you all, and we look forward to hearing from you and getting to know you better. Thanks so much.

Chairman JOHNSON. Thank you, Senator Carper.

Admiral, it is the tradition of this Committee to swear witnesses in, so if you would please rise and raise your right hand. Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Admiral NEFFENGER. I do.

Chairman JOHNSON. Thank you. Please be seated.

Vice Admiral Peter Neffenger currently serves as the Vice Commandant of the United States Coast Guard (USCG). During his 34 years of service, he has held various key leadership positions. From 2003 to 2006, he served as the Sector Commander in Los Angeles, California, home to the largest port complex in the United States. From 2008 to 2010, he served as the Commander of the Ninth Coast Guard District, where he was responsible for Coast Guard operations throughout the five Great Lakes and helped secure over 1,500 miles of the U.S.-Canada border. In addition, he served as Deputy National Incident Commander during the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. Admiral.

**TESTIMONY OF VICE ADMIRAL PETER V. NEFFENGER,<sup>1</sup> TO BE ASSISTANT SECRETARY (TRANSPORTATION SECURITY ADMINISTRATION), U.S. DEPARTMENT OF HOMELAND SECURITY**

Admiral NEFFENGER. Thank you, Mr. Chairman. I have submitted my written statement for the record, and I have a brief opening statement.

Good morning, Chairman Johnson, Ranking Member Carper, and distinguished Members of the Committee. I am deeply privileged to appear before you today as the President's nominee to head the

<sup>1</sup> The prepared statement of Admiral Neffenger appears in the Appendix on page 51.

Transportation Security Administration. I am honored by the President's call to service in this important position and by the support of Secretary Jeh Johnson, who has provided strong leadership for our Department.

I would also like to thank the 50,000 men and women of the United States Coast Guard and the 30,000 members of the volunteer Coast Guard Auxiliary with whom I have been privileged to serve for more than three decades and from whom I have learned important lessons about leadership and about service to the Nation, commitment to excellence, and duty to people.

And to the dedicated men and women of TSA, I want you to know that I am deeply honored to potentially join your ranks and to serve along with you and the American people in securing our transportation systems. You perform an incredibly important and difficult mission, one that demands constant attention to detail and vigilance while sustaining a high level of professionalism and respect. I have confidence in them, and I will be honored to lead them.

As TSA pursues solutions to the challenges presented by recent covert testing, there are several critical concepts that must be in place to address the vulnerabilities noted. TSA must ensure the appropriate measures of effectiveness are in place to drive a focus on the primary mission across the agency, in this case, securing aviation. There must be a culture of operational evolution, one that constantly questions assumptions, plans, and processes, and is able to rapidly field new concepts of operation, new performance standards, and new capabilities.

Finally, delivering an effective system and earning the confidence of the public will come only through competence, disciplined performance, and professionalism. If confirmed, I will bring this perspective, and I will relentlessly pursue these objectives, to address the immediate challenges, and more broadly, to accomplish the important mission entrusted to TSA.

In addition, in my view, striking a balance between the demands of security and the imperatives of liberty is critical. If confirmed, I will take on this challenge with a leadership perspective that has been at the core of my approach as a Coast Guard leader and one that has been proven in the crucible of the real world: a well-defined statement of mission, clear and unequivocal standards of performance, training and resourcing that enable the workforce to achieve success, and a relentless pursuit of accountability.

During my nearly 34 years of active service, I have been assigned to a broad variety of operational, staff, and leadership positions culminating in my current duties as Vice Commandant and second in command of the Coast Guard—the Nation's fifth armed service and its premier maritime law enforcement agency. Each assignment has brought greater and more complex responsibilities and challenges, and, if confirmed, I will apply the leadership skills I have gained as well as my extensive experience in law enforcement, maritime transportation security, and management of large complex agencies to ensure the protection of our Nation's transportation systems?

Nearly 14 years after 9/11, we must recognize that the global terrorist threat has evolved. Today this threat is more decentralized,



more diffuse, and more complex. Certain terrorist groups remain intent on striking the United States and the West, and we know that some of these groups are focused on commercial aviation. Moreover, we see an emerging threat from lone wolf actors. The threats are persistent and evolving, and they are TSA's most pressing challenge.

Workforce training, retention, and accountability are a second challenge facing TSA. If confirmed, I will pay close attention to the development of the TSA workforce. I will examine how to use the TSA Academy established by John Pistole to further improve performance and to instill an ever greater sense of pride in the agency and its critically important mission. I will continue the focus on customer service. Travelers expect efficient and effectiveness screening, and they deserve to be treated with respect.

A third challenge is ensuring that TSA continually fields the tools it needs to address the persistent and evolving terrorist threat. We must question ourselves; we must evolve our capabilities; we must adapt faster than those who wish to harm us. We must envision what comes next and direct investments appropriately.

As such, if confirmed, I will commit myself to ensuring that TSA remains a high-performing, highly capable counterterrorism organization guided by a risk-based strategy; that TSA employs multi-layered, intelligence-driven operations; that TSA recruits and retains a skilled and highly trained work force, while placing a premium on professional values and individual accountability; that TSA pursues advanced capabilities with adaptation central to its acquisition strategy; and that TSA continues to strengthen its integration in the intelligence community, in the private sector, with its stakeholders, and among Federal, State, and local partners. If confirmed, I will follow this strategy, engage and lead the work force, and adapt and invest appropriately.

I believe I have a proven record of leading people and carrying out complex missions. I have an extensive background in applying security principles to port operations and maritime threats, principles that translate effectively to other transportation modes, and I have a proven record of leading through crises.

Finally, throughout my career, I have remained aware of the need to balance desires for greater security with the protection of the liberties and the rights we cherish. If confirmed, safeguarding the civil liberties and privacy interests of all Americans will remain a top priority. I look forward to partnering with this Committee on a range of initiatives to enhance the safety of the traveling public and to achieve this balance.

In closing, I again thank President Obama and Secretary Johnson for their confidence. Mr. Chairman, Ranking Member Carper, thank you for the opportunity to appear before you today, and I look forward to your questions.

Chairman JOHNSON. Thank you, Admiral.

Before I begin my round of questions, it is also the tradition of this Committee to ask all nominees a series of three questions, so I will start with those.

Is there anything 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?

Admiral NEFFENGER. No, sir.

Chairman JOHNSON. 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?

Admiral NEFFENGER. No, sir.

Chairman JOHNSON. 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?

Admiral NEFFENGER. Yes, sir.

Chairman JOHNSON. Thank you.

Admiral, the hearing we had yesterday I thought was pretty revealing, and I think one of the things both in my preparation for the hearing and during the hearing that was pretty stark is the dual goal, the dual mission of TSA. On the one hand, you have the need for efficiency, that we move passengers through the security check zone so that nobody misses their flight, so nobody is inconvenienced, that the public does not get impatient. On the other hand, we are looking for 100 percent security.

Can you just speak to the conflicting nature of those two goals and how you evaluated where you place priority?

Admiral NEFFENGER. Well, thank you, Senator. I would be happy to speak to that.

The priority is always the mission, from my perspective. I think in terms of my career in the Coast Guard, I have never lost sight of the fact that it is about the safety and security of the people using the maritime transportation system and the safety and the security of the system itself.

That said, you still need to move goods and services through those systems. The aviation system is no different, and it is critical that you move people through that system effectively and efficiently.

It is always a balancing act between getting those right, but I think if you focus on security, if you are transparent with the need for that security—by definition, a security system creates inefficiencies. We know that. The port environment was a good example of that. Before September 11, 2001, most of the ports of the United States were wide open, and they were wide open for a reason: because you needed to move a lot of stuff in and out those ports, whether they be containers or bulk cargo or the like. And there are a lot of access points to the port because you wanted to be able to get trucks and rail and other services in and out as necessary to move that.

After September 11, 2001, when we started looking at some of the first attempts to secure the maritime port environment, it was a real challenge to figure out how you do that without clogging up the system. I think the way you do that is you work very closely with your private sector partners. Believe it or not, they have a lot of good ideas out there, and I think that we can benefit from their ideas. I think it is, again, no different in the aviation sector.

So as you look at—and there may be some need to introduce a few inefficiencies in order to address some of these recent findings of the Inspector General. In the process of doing that, you have to do that very carefully with the airports, the people who are running the major airlines, the people who operate the airport environment, as well as the traveling public to explain why, as you are looking for those factors that mitigate.

And in the long term, you have to think about what the security system looks like in the future. I know you talked about out-of-the-box thinking. Well, it is going to take out-of-the-box thinking to think about what would the security system look like if we designed it for tomorrow versus the one we have today? And I think that it will always be a balance between those two, but I do not think it is an impossible task. I just think it is a very difficult task.

Chairman JOHNSON. Were you surprised by the revelation of the Inspector General's report that said that there was a 95-percent failure rate to detect metal weapons and fake explosives? Did that surprise you?

Admiral NEFFENGER. Yes, sir, it did, and it disturbs me, and, if confirmed, it is the immediate priority to address those findings, to close those gaps immediately, but then to look systemically at what the issues are that brought that forth in the first place.

Chairman JOHNSON. But do you acknowledge that reality? I mean, those are not my words, but other people have termed what TSA does as "security theater," which let me first say there is some deterrent effect and positive effect for those checkpoints for that theater. But do you know the fact that it is simply not working?

Admiral NEFFENGER. Well, if I can take a step back from that and talk first in terms of how I view a security system—and it really is a system of security. If I think about entering into that system, from the moment I put my name into a reservation system, I want to know that I am being looked at in some way. So I hope that—some of that is behind the scenes. I want my name to be scrutinized, and I want it to be bounced against all the right databases. And I want to ensure that the people who are doing that have access to the intelligence that they need and the databases that they need. I know that that has been some questions that have been raised.

Second, I want that to be continuous as I am moving through the system, and from the time I put my name in that system to the time I exit my destination airport on the other end, I want to be looked at. So I want things happening behind the scenes.

I want some other things to be happening as well, and there are other ways that you can scrutinize an individual. I want to know as much as I can about the travelers moving through. So I am a big fan of Known Traveler Programs. I am a big fan of Trusted Traveler Programs. I am a member of Global Entry myself. I did that for a good reason, partly to move myself through the system, but to participate in the system in the way that I thought the system needed me to.

Following that, when I get to the airport, I would like to know that there are a number of things that might happen. So if I am a bad guy and I am trying to make my way through the system, I do not want to see a path through, or every path I take I want

to be unpredictable on the other end. So I like the idea of layers in a system, but I want to be sure that those layers are effective.

So as I look at what TSA is doing—and they have layers that have been described to me, whether they be Behavior Detection Officers or bomb-sniffing dogs or other methods that they use, I would like to understand what is the effectiveness behind that, how do we ensure that those are being effective, and then how do they overlap with one another.

If you can devise a system that has a number of layers that overlap in such a way that you close to the maximum extent possible the gaps that exist in that and you evolve that system over time, because you still have to keep in mind what the threat is, so you are always looking at the threat, you are plugged into the intelligence community (IC), you understand how that threat is evolving, read *Inspire* magazine, look at the things that are being recommended by those who would do harm to the system, and then go back immediately and question whether your layers are effective.

So although disturbing and of great concern, the IG's findings are exactly what you need to find out to determine whether your system is effective.

Chairman JOHNSON. Another vulnerability are really the employees of the airports and the airlines that are working behind the scenes and their security clearances, again, another IG report showing that we are not necessarily matching up everybody to all the potential watchlists. Is that something you will make a commitment to make sure that the TSA enters into the interagency agreements so that every possible watchlist is utilized for those checks?

Admiral NEFFENGER. Yes, sir, I think that is an imperative, and, in the Coast Guard, we are a full member of the intelligence community. I have been working within the intelligence community for quite a few years now. As we know, one of the findings of the 9/11 Commission was the failure of the intelligence community to link itself together and to provide information to the people who need it. So it is absolutely imperative that TSA has information to those same databases, to all the information that is potentially available out there. So I would absolutely commit to that.

Chairman JOHNSON. OK. Thank you. Senator Carper.

Senator CARPER. Somewhere in one of my questions is a statement that Secretary Jeh Johnson says you are the smartest flag officer that he has ever met, and I asked him how many he has met. He said, "Two." [Laughter.]

But you are one of the two. No, he has met a lot of them.

But the answer that you just gave to our Chairman's question, which led you to go through the various layers and so forth, I thought that was excellent.

When you look at the IG's report of the 95-percent failure rate at TSA in, I think, 70 attempts to try to pierce the system and the success of the so-called Red Team—they are not really a Red Team, but we will call them the Red Team folks from the IG's office. But if you go back over the last 10 years or however long TSA has been around—it has been about a decade—we measure success with a lot of metrics, but for me one of the key metrics here is how many of our airplanes were taken down and how many people died in

flights because of explosions or crashes. And that we need to keep in mind.

There was an old Methodist minister in southern Delaware who used to say to me, he used to say, "Just remember this, Tom," he would say. "The main thing is to keep the main thing the main thing." And for us, the main thing is to try to make sure that people can get where they need to go safely and expeditiously.

I want to talk a little bit about agency morale. My colleagues here have heard me say more than they want to remember: Find out what works; do more of that. And when I was Governor, I used to say to my Cabinet, if we were trying to work out a particular issue or problem or challenge we faced in Delaware, and I would say some other Governor in some other State has dealt with this, figured out how to do it, done it successfully. We need to find him or her, find out who did this for them, and see if that is transferable for us from that State to Delaware.

When you look at agency morale, the Coast Guard, as I recall, has very high morale as measured by comment metrics. As we know, TSA does not. There have to be some lessons learned, and the question is: Just like we tried to move ideas from one State to our State to see if they were transferable and would work, what can we learn from the Coast Guard with respect to high morale and help improve that morale of the folks who work at TSA?

Admiral NEFFENGER. Well, thanks for that question, Senator, and you are right, I think the Coast Guard does have a very high morale. And to me, morale begins with a clear sense of mission and a clear sense of importance, and then a leadership that invests in the mission and the people who are performing that mission.

You have to have alignment throughout your organization, because if you say the mission is the most important but then you start measuring other things, then the mission is not the most important, and that begins to affect morale.

So a clear sense of mission, a mission that is important. I think TSA has a great mission, and it is a very important mission. And I see no problem making that a clear statement.

Then you have to train your workforce to accomplish that mission, and it cannot just be a one-time training. It is a continuous process, because if you want a learning organization and a continuously improving organization, you have to continuously train that organization and then take advantage of what those front-line people can tell you.

Some of the things, some of the best innovations in the Coast Guard have come from the people on the front lines doing the work. I tell people today I am not the United States Coast Guard. I represent the United States Coast Guard, but the United States Coast Guard are those men and women out on the small boats and out at the stations and out in those remote units doing the work. That is no different than for the TSA itself. I think the Transportation Security Officers (TSOs) at those airports, that is the face of TSA, and it is also the mission of TSA, and they are the ones who accomplish it.

So you need to train them, and you need to empower them to accomplish that mission, and then you need to listen to them when they are telling you where the mission is not—where they are fail-

ing or where procedures or equipment or the like are not allowing them to meet the mission. And so you have to value that workforce, and you have to support that workforce. You really need to have their backs.

I had a great opportunity to sit down with about a dozen TSOs over at Reagan Airport as part of my briefings in preparing for the potential of this position. And they were very frank and clear. They understand the mission. I always remember that they are still among the very few who have raised their hands and said, "I swear to support and defend the Constitution of the United States against all enemies, foreign and domestic."

That is a pretty powerful statement, and I have always found that when you remind people of that and you connect it to a mission, that begins the upward movement.

But then you also have to have accountability across your workforce, because the people who are performing well know the people who are not performing well. And if you allow that inconsistency to exist in an organization, then it is not long before people feel like, again, you do not have their back and you are not really serious about it.

So I think you invest in the people. You train them. You set and communicate clear standards. You engage with the workforce. One of the things that you grow up with in the military is an understanding that you have to be out and you have to talk to your workforce. Again, they are the people who do the work. My job is to support them, to provide them with the resources and the training and the standards and the capabilities to do it, to have their back when they have got challenges, and, more importantly, to look for ways to empower them to do their job most effectively.

Senator CARPER. Good. You said in your testimony that from the Coast Guard you have learned a number of important lessons about leadership, and I was going to ask you to talk about some of them. But you have already talked about them. But think about that question, the important lessons of leaders. The most important element in any organization I have ever been a part of or observed, the most important element for their success is leadership. It is one, two, and three. And talk to us about why you think you have been successful as a leader.

Admiral NEFFENGER. As I said in my opening statement, I have been really——

Senator CARPER. You picked the right parents.

Admiral NEFFENGER. That was luck, and I did have great parents. But I have been really fortunate to work alongside some very dedicated people. Again, it is a privilege when you serve alongside people who say, "I want to do the best I can. I want to take on the hard jobs of this Nation, and I want to try to do them to the best of my ability." And I do not even know how to get those done, but we are going to figure it out together. So that is challenging.

And growing up in an organization helps you learn about leadership, and there are good examples of leadership, and there are bad examples of leadership. But the best leadership is the side-to-side leadership, what you learn from the people who are working with you.

And so what I have learned is that it starts with being trained to do the mission and knowing that the people around you are trained to do the mission, and that if somebody is not performing to their standards, that they will be held to account. That is important because that is part of good leadership.

It is a leader with a strong vision as to where you are going. What is the job, boss? And what are we trying to do here? And how do we get it done? And somebody who understands how to organize teams, how to take the best of people's strengths, combine them in a way that presents the best opportunities to succeed at whatever the current task is, and then evaluates how that task was conducted when it is done, and relentlessly pursues that perfection that you talked about in your opening comments—knowing that you might not get there, but you just might find excellence in the process.

So I think that it is engaging with the workforce, it is listening to what the workforce has to say, and then carrying that through at every level of the organization as you move up.

Senator CARPER. Well, my time has expired, but I would just say to my colleagues I think we have just received an excellent tutorial on leadership. Thank you.

Admiral NEFFENGER. Thank you, Senator Carper.

Chairman JOHNSON. Thank you, Senator Carper. Senator Ernst.

Senator CARPER. Can I just say one—I am going to be in and out. We have a markup going on in one of my other committees, and I need to be there as well as here. We have not figured out how to do this cloning thing yet, but when we do, I will be at both places.

Chairman JOHNSON. OK.

#### **OPENING STATEMENT OF SENATOR ERNST**

Senator ERNST. Thank you, Chairman Johnson, and thank you, Ranking Member Carper.

Admiral, thank you for being here today, and thank you very much for your service. I am very impressed. You have done an excellent job of laying out your vision.

I want to address something that Senator Carper brought up yesterday during our hearing on TSA. He asked the witnesses to provide advice to Congress in addressing the recent problems that were discussed earlier. And in response, TSA employee Becky Roering raised concerns about the lack of oversight with respect to TSA's numerous contracts. And she suggested that the results of these numerous contracts are that there are difficulties measuring performance and ensuring efficient use of taxpayer dollars. And this is an important issue for me and for many of us, and so I am going to be hopefully introducing some legislation. I have been working on legislation to promote the importance of program management, and that is all throughout the Federal Government.

But if you are confirmed, sir, how would you address the issues that are raised by Ms. Roering in regards to the numerous contracts and obligations of TSA?

Admiral NEFFENGER. Well, thank you, Senator Ernst. I have had a lot of experience with overseeing contracts and looking at how those contracts were put in place in the Coast Guard. In my cur-

rent role as Vice Commandant, I am what is called “the component acquisition executive”——

Senator ERNST. Very good.

Admiral NEFFENGER [continuing]. Which is a horrible title, but what it really means is I am responsible for all of the ways in which we spend money to buy things or to hire people to help us do things. So in the Coast Guard, our contracting is mostly in the area of information technology (IT) services and financial management services.

I will tell you, you have to look at those very carefully. Contracting can be a very useful tool if it is used appropriately, but what I found is you have to have strong controls in place, and those controls are not just at the program management level, so you have to have people who are trained and qualified to understand what they are looking at, but you have to have a process. And, I used to tell people I am a substance guy, but I have discovered that unless you have good process, substance does not occur.

And so first of all, how do I generate the requirements for why I am hiring a contractor in the first place? And then how do I review those requirements on a regular basis to determine if they are correct? And then how well do I explain those requirements to the potential contractors that are going to bid on the contract? Are they tight enough that they can be overseen and controlled? And what is my ongoing oversight of the management of that contract so that I understand that contract, when laid against those requirements, is meeting my requirement? And then what is my exit strategy if it is not working? Because you have to have that on the other end.

And there is a lot more to that process, as you well know, but you really have to look from front to end. It is not just a matter of whatever exists right now. So, if confirmed, one of the things that I need to do and that I intend to do is to look very carefully at not just the way the resources are currently expended, but how effective the expenditure of those resources has been, particularly with respect to contracting, because it can be an invisible world if you are not careful.

Senator ERNST. Very good. Well, I appreciate the fact that you do have some experience with contracting, with program management, and, of course, logistics, an important bottom line. So thank you.

One other question as well. I know that TSA has committed to supporting a number of our veterans and hiring veterans, and veterans do make up a large portion of positions within TSA, such as Transportation Security Officers. And as they are uniquely qualified, I believe, of course, for these civilian positions in the security space, is there even more that can be done at TSA to recruit more of our veterans into TSA?

Admiral NEFFENGER. That is a wonderful question. I do not have an answer for you right now, but I will tell you, I agree with you that our veterans provide a wonderful potential source of employment. These are people who know what it means to serve an important mission and who know how to accomplish that mission. So I think that there is room for that.



If confirmed, I will look at how that is currently being done, and I will look for opportunities to take advantage of that and to increase it where potentially possible.

Senator ERNST. Very good. Thank you.

And just last, very briefly, we did have some questions about the PreCheck Program that came out from yesterday's hearing, and we heard a lot from a number of the different witnesses that expressed concerns about the PreCheck program and maybe how it is being expanded too much and the corresponding security risks with that. Could you address some of the PreCheck ideas that you might have to make sure that we are properly vetting those passengers or those travelers, just to make sure we are not just handing PreChecks out like candy as Ms. Roering had stated?

Admiral NEFFENGER. Well, I think the properly vetting piece is the important part of your question. I believe in a trusted population. As I mentioned before, I think that the more you can know about a population, the more comfortable I am about that population moving through a system. So I am a fan of vetting people going into PreCheck, and I think the goal should be to have a fully vetted population in PreCheck.

I understand that there have been some challenges with respect to enrollment centers. If confirmed, that is one of the things I want to look at, is how can those be expanded in a way that could make that entry into that system, for those who want to, more accessible and more available. But I think the goal should be to move toward a PreCheck population that is a known population, that is a vetted population, and that, to the extent possible, is one that is expanded based upon that rule set.

Senator ERNST. Very good. Well, I appreciate your answers today, your testimony, and I look forward to working with you in the future. Thank you, Admiral.

Admiral NEFFENGER. Thank you, Senator. Same here.

Senator ERNST. Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Ernst. Senator Sasse.

#### **OPENING STATEMENT OF SENATOR SASSE**

Senator SASSE. Thank you, Mr. Chairman.

Admiral, thank you for being here, and thank you for your past service. In your prehearing questions, the Committee asked you if you believe that TSA is fulfilling its aviation security responsibilities. You did not directly answer the question, but you said that you "would ensure that TSA remains laser focused on its core mission." Do you believe that TSA is today laser focused on its core mission?

Admiral NEFFENGER. Well, Senator, I think that is the question given the results of the Inspector General's investigation. I believe that there are still good layers of security within TSA, but clearly there are some challenges, particularly with respect to the equipment that was tested by the Inspector General. So I want to be able to provide you with a true and a complete answer to that question, if confirmed. And my immediate task is to, first of all, get the full results of the IG's investigation as well as the GAO investigation and any internal work that has been done by the TSA itself, because they have their own inspection team internally.

What are they finding? Are they finding the same kinds of things? And then how much has that been linked up? And then what is the extent of the gaps that have been found? And then what can be done immediately to mitigate those gaps as we look for what the systemic issues are across the organization? And then going back to a comment I made previously—and then I want to look at how that fits into the entire system and whether there are any gaps in the other layers that TSA currently has in place for that security system, because the system as it works as a whole is what determines its effectiveness, in addition to those individual components of the system, such as the equipment that the IG found deficient?

Senator SASSE. I appreciate the layering piece of your answer, but I guess I will ask you more directly. Do you think that TSA is succeeding at its mission?

Admiral NEFFENGER. Well, I travel a lot, and I traveled to the west coast this past weekend. I felt safe. But I want to know if that feeling was a good feeling to have, and based upon the findings, clearly there is a problem with the way in which people are being screened because the screening equipment did not work in the instances in which I had done, and it occurred at a number of airports.

I will need to look at how that is being done across the system, and, more importantly, what have we done to mitigate that? What has TSA currently done to mitigate it? And can it be safe?

Senator SASSE. I appreciate that we were in a classified briefing together yesterday, so I know you are trying to do your homework as well. But for those of us who have been pushing on these issues, I will be honest that I am not that surprised by this 96-percent issue in this report, because there are other classified reports that we cannot reveal the particulars of in this setting. But I think you are not answering the question of whether or not you think today TSA is succeeding or failing at its mission.

Admiral NEFFENGER. Well, I appreciate where you are going, Senator, and I think the reason that I am not giving a direct answer is because I think that there are aspects of the system that do work. And what I want to know is how well do they work, and I think some of the Secure Flight checking, some of the name-based checking is working. I do not know how effective it is.

So what I will tell you is that, if confirmed, I need really to dig into it deeper. I have had a number of briefings about the way in which they do their business. I think that some of what I have heard is reassuring; some of what I have heard is deeply disturbing, not the least of which were the IG reports.

Senator SASSE. Without revealing any details that would give the terrorists a road map to our particular vulnerabilities, do you believe the public has a right to know more of what the administration knows about TSA's failings?

Admiral NEFFENGER. Senator, I am a fan of transparency in government. I am a fan of making clear to people how effective their government is, how its performance is, and, more importantly, what we do about it when we find the performance has not lived up to the standards or has failed. So I am a fan of that.

I am not a fan of giving away secrets to our enemies, and I am certainly not a fan of exposing vulnerabilities that we know exist. And so I think that is a delicate line that has to be walked, but I do not want to give any comfort to those who would harm us, nor do I want to give any help to those who would harm us.

Senator SASSE. I do not either, and so my calls to the administration to declassify more of the information and for the President to come clean with the American people about how badly TSA is failing clearly include the caveat that we should not reveal any details that would give the terrorists a road map. But Chairman Johnson's point about security theater, clearly one of the main benefits of TSA has been the deterrent benefit of people who believed it was functioning much more effectively than we know it to be functioning at this point. Politico yesterday said you would be leading a Herculean turnaround at TSA. Do you think a Herculean turnaround is what is required?

Admiral NEFFENGER. I think, first of all, a refocus, as I said, on the basic mission and an understanding that this organization has got to be one that continually changes and adapts. The day you think you have the security system right is the day that you are going to be defeated in that security system.

One of the things you learn in the military is that you question every assumption that you have about your performance, and you question it because you know that somebody is going to be questioning you if you do not do it yourself. And so if you do not question yourself, then you are not staying ahead of the people who are already questioning you. And it does not surprise me that there are people out there that have found ways to defeat the system. The question is: What do you do about it internally?

So I do think that there is a huge effort to do that.

Senator SASSE. If you are going to fix a broken institution, I think that requires us admitting that the institution is broken. Secretary Johnson at this hearing last month said that TSA is the best model of risk-based security at DHS, and he specifically highlighted the PreCheck system. However, we now know that TSA failed to catch weapons 96 percent of the time and that we have 73 airport workers that have links to terrorism.

I am curious, your sense of the institutional history, how can we have these kinds of security lapses 14 years after 9/11?

Admiral NEFFENGER. Well, I think that is the question, Senator, and it is the question that made me say yes to taking this job, because I travel and my family travels, and I want that to be safe for my family to travel, and I want it to be safe for Americans to travel. I care very deeply about the safety and security of this Nation, and I want to be able to answer that question in an affirmative way. I want to be able to say yes, it is safe to do so.

I do not know if it is right now, but if confirmed, that is going to be my focus. And what I promise you and commit to you is I will come back to this Committee and other oversight committees. And I will lay out what I find, and I will lay out the challenges I find, and I will do so in a transparent way; and where it requires doing so in a classified setting, we will do so in a classified setting.

Senator SASSE. But I think that the turnaround is going to require admitting the magnitude of the challenge, so I am curious as

to what letter grade you would give DHS and TSA in particular as you begin this mission.

Admiral NEFFENGER. Well, it may be premature for me to assign a letter grade to it. I will come back to you with that if I get confirmed. But I will tell you that they are not where they need to be.

Senator SASSE. As a former college president, I do not know any institution where a 4-percent success rate could be anything other than an F. I think we need to admit the magnitude of this problem, and I think the American people have a right to understand the issue more clearly.

Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Sasse.

I do want to underscore your point. Coming from a manufacturing background, I solved a lot of problems. The first step in solving a problem is fully admitting that you have the problem and properly defining it. And, Admiral, I just have to say I feel safe flying as well, but only because of the odds. 25,000 flights, what are the odds? So, I mean, I think the line of questioning Senator Sasse was undertaking there is exactly right, and we have to admit the problem, and we have to properly define it. Senator Ayotte.

#### **OPENING STATEMENT OF SENATOR AYOTTE**

Senator AYOTTE. Thank you, Chairman.

Admiral, I appreciate your being here and for your willingness to take on this position. And you are a nominee for this very important position, as has been outlined today, with the failures that we have seen that the American people can expect so much better from TSA. And so I appreciate your willingness to take this on, and as you have heard all of this testimony yesterday before this Committee, both in open and classified settings, what would you prioritize as the first thing that you are going to do if you are confirmed for this position?

Admiral NEFFENGER. Well, thanks, Senator. I think that, as you know, Secretary Johnson laid out a pretty clear set of directions to address the immediate challenges, and I think that my first priority is to ensure that those are carried out, that the answers that he has demanded are found, but, more importantly, that they are extended as necessary to address the immediate crisis. That is the most important thing right now, to restore confidence in the system to the extent possible, to close the gaps, and to mitigate the vulnerabilities to the extent possible, but then, more importantly, to look systemically across the organization to see how much will it take to do this over time. Some of these things can be fixed right away, and some of these things are going to take some time to fix.

Senator AYOTTE. Let me ask you, the testimony that we heard yesterday that was quite disturbing with respect to the 73 airport workers that the IG found links to terrorism, and then we were told that, in fact, TSA was not fully vetting those employees against all the information that the Federal Bureau of Investigation (FBI) had in terms of those that we might have based on intelligence, on our terror watchlist.

So here is the question that I have for you: When I heard it yesterday before the Committee, I heard, yes, we identified this problem in 2014, but then we went over to the FBI and asked for infor-

mation, and here we are in 2015, when we think about something that urgent, that there was not an immediate fix to that is pretty disturbing.

And so what I would ask of you is this Committee and our oversight function, you find something like that, you do not wait for the bureaucracy to answer, that you let us know and that we make sure that a fix like that that is so obvious and so immediate so that we do not have 73 airport workers with ties to terrorism, that we find right away that we are vetting people fully, that we fix something that is so obvious immediately and do not let the bureaucracy bog us down.

Will you commit to us that if you find something like that, you are not waiting for an answer from some other agency, but, in fact, you will engage us to help you be effective in protecting the American public?

Admiral NEFFENDER. Senator, I could not agree with you more on that issue. Absolutely, if there are legislative fixes that need to be there, I will be the first one to come back to Congress and request those fixes. In the meantime, if confirmed, the first thing I am going to do is ensure that we are connected to all of those databases. As a member of the intelligence community now, as a full member, I understand the importance of connection. And, in fact, as we said earlier, that was one of the key findings out of the 9/11 Commission report.

Senator AYOTTE. September 11, 2001 was all about connection and communication—

Admiral NEFFENDER. Yes, ma'am.

Senator AYOTTE [continuing]. And knowing the information and sharing it with each other.

Admiral NEFFENDER. That is right. So I am in full agreement with you and absolutely commit to that.

Senator AYOTTE. Well, I appreciate that, and I would say that you take on this very important task of leadership right now, but understand that this Committee is very committed to having your back. If you find things that need to be fixed right away, if you find things that are wrong, that you need legislation, you need us to say to the administration this has to be a priority, we want to work with you to make sure that we get this right.

And one thing that I wanted to ask about as well, we yesterday had testimony before our Committee from whistleblowers, and I think they were compelling. But, clearly, what they went through individually to be able to tell their story is something that we do not want to have happen in an agency where we have a culture where, if you bring forward bad information, that you are either punished or you are swept aside.

So I would like a commitment from you that as you engage with the employees in the organization and you have those that come forward as whistleblowers or with information as to deficiencies in the agency, that you will fully support them and make sure that they have the support so that we can make sure that we understand all the problems and can address them.

Admiral NEFFENDER. I do commit to that, Senator. I believe strongly in listening to your workforce. I believe in finding mechanisms for the workforce to express their concerns with problems. If

they see a problem, I want to hear about it. And I will tell you, if they do not feel that there is any other way than to go outside the organization to provide that information, that is still important to get that information, and I do not believe that there should be any punishment against an individual who finds that—because, again, these are people who raised their hand and took an oath, and they are finding something. It takes a lot of courage to speak out, and it takes a lot of courage to go outside your organization to do it. We should commend them for the courage. We should listen to what it says, and then we should not be afraid to tackle the challenges.

Senator AYOTTE. I was glad to hear you say in answer to Senator Ernst that you think that, in terms of PreCheck, we need to ensure a fully vetted program. I think that is a priority. And also the other issue I would ask you to look at is the Security Identification Display Area (SIDA) badge issue, because that issue has popped up in other contexts where we know those badges, behind the scenes, the access that is given with one of those badges in the airport, and that, in fact, the system is one where the airports are controlling that, but we cannot account for where all the badges are. So I would ask you to take a very careful look at those badges to make sure we are not giving people access that we should not be.

Admiral NEFFENGER. I will do that.

Senator AYOTTE. Thank you.

And one final thing that I would say is the other thing that I took from the testimony yesterday, both classified and unclassified, was we have seen that there are many standard operating procedures (SOPs), as Director Roering mentioned, but there seems a disconnect in consistent application of those SOPs. So looking at whether it is a checklist or more consistent application of SOPs, because it only takes, as you know, Admiral, one instance of an SOP not being followed in terms of the checks that need to be in place to protect the country to allow a terrorist through. So I wanted to get your perspective on that and what you think we should be doing to make sure there is consistency.

Admiral NEFFENGER. Well, that is a great question, and that is fundamental to how people perform the mission. And so, as you know, in the military it is all about standard operating procedures, and the reason you do that is so that you can ensure that you are focused on the mission. And, of course, those get refined over time. It is important, first of all, that they be straightforward, clear, and understandable; that you have a consistent way of training to those standards, whether that be through resident training or through teams that train, individual teams or individual units.

And then there has to be an oversight function, too. You have to have a way to determine whether those standards are being adhered to.

And so, again, in the Coast Guard, my experience has been you have standardization teams. We just call them “stan teams,” and these are standardization teams that then go around and they test that people are living up to the standards. It can be up to and including things like the Inspector General or others have done, but it is usually just a matter of walking people through the procedures

and say, all right, you are going to confront this situation, what is the procedure and how do you do that?

And, again, checklists can help. Those are very important where a checklist is appropriate. But it is also an understanding of the process that you are trying—again, you focus on the mission, and you say: What do I need to do to accomplish that mission? What are the standards that I need to have in place to do that? What is the process for doing that? And what parts of that can be done in a checklist fashion? And then how do I ensure that it is being done? And then I go back and do that whole process over again.

So I concur with you, and I think that it is important to look at the current SOPs. Are they appropriate? Listen to the people that are using them. How effective are they? From your perspective, can you understand what you are reading? And if you can understand what you are reading, does it make sense to you? Or are you seeing things that we ought to add that we are not doing?

The other thing that I have discovered over time is that you can become a slave to your standard operating procedures and not be aware of what the real process is. So you have to be careful not to just go through the motions. You have to have a thinking population that says, “Wait a second, this does not make any sense.” And we get that all the time in the military. Somebody will say, “Why in the world are we doing X?” And you look at it, and you go, “I have no idea why we are doing that. It does not make any sense. Let us do something else.”

Senator AYOTTE. Thank you.

Chairman JOHNSON. Thank you, Senator Ayotte. Senator Lankford.

#### **OPENING STATEMENT OF SENATOR LANKFORD**

Senator LANKFORD. Thank you, quite frankly, for your past service and for taking this on as a consideration. You have been asked to consider leading an agency right now that has very low morale, that has had systemic procurement problems, that has some recent very bad evaluations and, quite frankly, uses wrong metrics in some of the ways that they are evaluating some of their own performance. So you have a task to do that is not an easy thing to step into. It is not an easy assignment regardless, so I want to tell you thank you for your consideration for walking through this, and I want to just bounce a couple issues off you, some of your perspective on things for you personally.

Some of the metrics of evaluating the issue of conduct versus performance metrics and evaluations here, whether the goal is to quickly get people through the line or to be able to evaluate for safety checks and such. I think we can do both, but right now we seem to be pushing on the speed side of it rather than on the safety side, and it is almost like we are lulling ourselves back to sleep again on some critical issues.

So I want to talk about how you will adjust that as far as evaluation, and then I want to move from there, and if you want to go ahead and move to it, to the morale issue of how you reengage some really great folks. When I interact with the Oklahoma City TSA folks, there are some great folks that serve there and are really terrific servants of the Nation. But the morale issues are terrible

as we deal with it nationwide. So if you want to talk about some of those. Then we will move on to some other issues.

Admiral NEFFENGER. Yes, sir. Thank you. I think you have hit on one of the key concerns: the care of the workforce and the training of the workforce and the morale of the workforce. I mentioned in an earlier question that was about this very same issue, I said to me morale starts with an important mission, so we already have that. This is an important mission, a clear sense of that mission and a dedication of the leadership of the agency to performing that mission.

And so when you talk about the potential disconnect between what is being measured and what is most important, I think that is key to one fundamental aspect of morale. If I am being told the most important thing I can do is protect the American public and to protect the traveling public, but I am not being measured as to how I do that, then that is a disconnect right there. And my fear is that that starts to breed cynicism in the workforce, and cynicism leads to low morale. So I get that completely.

So the first thing you do is you focus back and you say, look, what is the most important thing we are doing out there? Why did you raise your hand, take an oath of office? These are great Americans. Not many people do that in this country. So they are still among the one percent that say, I want to serve my Nation, and you deserve to support them in doing that.

Next comes training. You have to train them, and you have to continually train them and get them in that continual learning process so that they can do the mission.

Senator LANKFORD. If I can interrupt, how is that different than what is happening now? What is the change that has to happen? Because all those things are occurring now.

Admiral NEFFENGER. Well, I think that over time it is very easy for an organization to shift focus, to think they have the mission right, and then to work on other things. So I think you can never stop referring back to it. What I have found in my service in the Coast Guard is that you can have—even in a high-morale organization like the Coast Guard, we can have pockets of low morale, and what causes it? It is the day you get even a little complacent at the leadership level and you think you have it right.

No one gets tired of being reminded how important their job is, and no one gets tired of being trained to do that job, and no one gets tired of feeling good and learning how to use equipment. And no one gets tired of engaging with their organization and telling you where they think they can do it better.

So I think it is engagement with the workforce. That is an ongoing, it cannot just be a one-time thing. You cannot think you got it right because you held a meeting with them and you moved on. Annual surveys are good places to figure out where you need to start engaging more effectively, but they do not answer the question for you. They raise all the questions.

Senator LANKFORD. Both your hiring and your training there makes a big difference, because they work in very close quarters with each other.

Admiral NEFFENGER. That is right.



Senator LANKFORD. And if there are a couple bad apples in a group, it is really difficult for everyone in the group. So just managing personnel and placement and attitudes there on the line make an enormous difference.

Can we talk a little bit about procurement? This has been an ongoing issue. TSA has millions of dollars worth of equipment stored in warehouses, trying to figure out where to move old equipment, wrong equipment, determining the efficiency of equipment, when they are going to purchase something different. If it has a 2-percent gain in efficiency, is that enough? So there are lots of issues that involve billions of dollars in procurement nationwide. So talk to me as far as a changing attitude for you on that.

Admiral NEFFENGER. Well, in my current role, I serve as what is called "the component acquisition executive" for the Coast Guard, so I oversee all—the whole acquisition process for the Coast Guard, and that starts with the basic requirements—first of all, it starts with the mission and how that mission can be accomplished against what the threats are that keep us from accomplishing the mission. And then you begin to build the requirements that you need to accomplish that mission. Some of those are human requirements. Some of those are equipment requirements. And those are interactive as you go through.

Then you have to have an ability to translate those requirements into the actual thing that you need to buy. So there is a process that has to be in place, and what I have learned in the Coast Guard is—we completely rebuilt our acquisition program over the past decade. We did not have one of the best acquisition processes in the government. I think we do have one of the best acquisition programs in the government now, and it is because we looked at it from start to finish. You cannot simply walk out to industry and say, "Give me something that will do something." I do not blame industry for providing you things that do not work. They will provide you what they have. But you need to really examine what do I actually need to know. So if you are looking at a piece of detection equipment, what do I need that thing to find? And then what are the limitations of the technology in order to find that so that I can figure out what the other requirements that go on top of it are? So it is not just enough to have requirements for the equipment. You have to have the requirements for the things the equipment cannot do, and those are combined. So all of that feeds into the procurement process, and then you need a rigorous process. So you have to adhere to the oversight, the controls, and the various program—you have to separate the person who is writing the requirements from the person who is implementing the requirements to the person who is overseeing the program to the person who is contracting for the program. And the more separation you can have amongst those, the more rigorous you can hold that process. Otherwise, you are going to run into schedule breaches; you will run into cost overruns.

Senator LANKFORD. And I would encourage you to evaluate the effectiveness of this equipment, not based on how it functioned in the laboratory in a sterile environment—

Admiral NEFFENGER. It has to be a real-world test.

Senator LANKFORD [continuing]. But how it actually functions in the real world. That has been a problem, that we have to have that real-world involvement.

With the Chairman's indulgence, one quick comment as well. The PreCheck issue, we have a lot of people coming through PreCheck that are not really prechecked. We are either going to have to change the name, because we have millions of people going through that are really not prechecked, or really focus on PreCheck. And I am not talking about other people, Trusted Traveler and all these other programs where they really have gone through a process. But it seems to me that we are increasing the number of people through it to get throughput and get efficiency, and we are losing some of the focus of what it is designed to do and what the actual security is designed to do at the airport and the other lanes here.

So we are trying to increase efficiency and are losing our focus on security. I think that is a recipe for disaster. So PreCheck should be PreCheck and should have some kind of background on them rather than just it is random or we think—or they meet some sort of profile.

So thank you, Mr. Chairman, for that. I yield back.

Chairman JOHNSON. Thank you, Senator Lankford. Senator Heitkamp.

#### **OPENING STATEMENT OF SENATOR HEITKAMP**

Senator HEITKAMP. Thank you, Mr. Chairman, and I just want to add my voice to what Senator Lankford just said. It has got to mean something, and it cannot just be, "Oh, you flew a lot of miles and nothing bad happened on that plane, so now we are going to hand you the pass." We have to actually know who we are dealing with.

I want to add my voice to what I surely hope has been the sense of the Committee here, how grateful we are that you are stepping up to take on this enormous challenge. I think too often we do not say thank you to the folks who go through what is sometimes a very onerous and difficult process, but we are extraordinarily grateful, and we find that more and more people who put on the uniform of our country in our armed services and serving us tend to step up and continue their service, and so thank you so much, Admiral, for what you are doing and your willingness to take this on. At least I am excited about the changes that I know you are going to make and the things you are going to do having been in such important leadership positions in the past.

The one thing I do want to talk about is something that Senator Lankford and I have focused a lot on in our Subcommittee, which is how do you engage everyone, regardless of whether they are, the person collecting the trays at the end of the scanning line to the person at the very top, how do you engage them in the overall, overarching mission so they have a sense of purpose and they have a sense of what they are doing every day? What strategies do you think you can deploy to improve morale by giving people a sense of importance?

Admiral NEFFENGER. Well, I talked about in my opening statement the need to look at—first of all, what do we teach people when they come into the organization? I think back to my experi-

ence coming into the Coast Guard, and you are taught the base culture of the organization. And in our case, everyone is read this wonderful letter that came from the first Treasury Secretary, Alexander Hamilton, and it was his first instructions to the very first 10 commanding officers of the Revenue Cutter Service, which was the precursor to the United States Coast Guard. And this was a challenging mission because they were told to go do something that had never been done before, which is to collect tariffs from merchant vessels trading with the brand-new United States of America, something that merchant vessels were not really pleased about and did not really want to encounter this new government attempting to exert its power.

And so in the process of writing this letter, he lays out all their requirements and their duties and obligations and the law that they have and the expectations. But he says something very interesting in the letter, and it is the thing that begins this cultural indoctrination in the Coast Guard, and he says, "Always keep in mind that your countrymen are freemen and, as such, as impatient of everything that bears the least mark of a domineering spirit." And it is wonderful 18th Century prose, and it goes on and on. The letter is multiple pages long. But that one line is repeated over and over and over again throughout your career in the Coast Guard. We use it when we advance people in rank. We use it when we promote them in rank. We use it when they swear in a new oath of office and remind them that you are going to do things that by nature interfere with the free movement of people. And sometimes you are going to do things that interfere with their individual rights because they would like to go do something and you are going to get in their way. You do not have to do that in a way that offends them, and you do not have to do that in a way that does not respect them.

How does TSA do that? One of the things I would like to examine is what is the way in which TSA provides a culture. There is a TSA Academy. I do not know how well attended it is. I would like to look at that opportunity. And then over time, what are the ways in which you can continue to engage with the workforce? We live in an age in which it is very easy to communicate with people. I do not accept the premise that because you have a widely dispersed and geographically distributed workforce that you cannot find a way to talk to them? We do this all the time. I mean, I have a widely dispersed and geographically distributed workforce that works in small unit teams. I cannot touch every single member of the Coast Guard every day, but I can assure myself that they are plugged into the organization.

So I am going to look for ways to do that, if confirmed, in the TSA. I am going to find a way to connect leadership to the front-line operation. In my experience, one of the other big factors of morale is how distant is your leadership from the actual people doing the work. I do not do the work of the Coast Guard anymore. The Coast Guard does that work, those front-line men and women out there. So how do they know that I have their back? And how do they know that I am paying attention to them, that I am providing them with the tools and the training that they need, if I do not listen to them and if I do not find a way to engage with them?

So those are the things I think about as I look to connecting with the workforce, to listening to what they have to say, to learning from them. I meant what I said in my opening statement that I have learned about duty to people, I have learned about commitment to excellence, I have learned about service to this Nation from the people who are doing that on a daily basis. I continue to learn today. I am always astonished at the new things I learn about those things.

Senator HEITKAMP. I know it has been said already here, but I think improving the morale of TSA, reducing the turnover, really having an appreciation by everyone how important their work is and how much their country is counting on them. And as we saw in California, their work can be dangerous, and they need to be appreciated for that, for standing on the front line trying to stop—being that visible signal.

The other thing I would say that the public gets frustrated with is when they do not see value added to some of the things that TSA does. They go, “Well, why would we need to do that? And why would we need to do this?” And I think it is really important that your communication, as you are focusing on communicating why they need to do that, is also turning it outwards and talking about the challenges that you have so that people who are like us, who are at airports all the time, better understand what that goal is. And so I would just offer that suggestion that that communication not just be internal, that we spend a lot of time talking to the traveling public about the importance of what you do. I mean, I just think we have great hope for you, and if there is something that we can do and ideas that you have where laws restrict you, I hope that you come back to this Committee, come back to us individually and say, “This is something that makes no sense. Please change it.”

Admiral NEFFENGER. Thank you, Senator. I will do that.

Senator HEITKAMP. Thank you, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Heitkamp.

I think we have pretty well covered most of the issues. I know our Ranking Member has another question or two.

I will just make this statement, though: Regardless of the fact that we have not had additional airplanes used as a weapon, I would first say that is because we did take a look at the priority solutions, and we hardened the cockpit doors. Again, very cost-effective, but also very effective from the standpoint of security.

I do believe that the TSA has been in somewhat of a state of denial, that what processes and procedures and equipment we have in place—again, it will catch the water bottles. It will catch my little Boy Scout pocket knife that I was given and did not realize I had it in my briefcase. We will do that. But for determined people that want to defeat that system, I think the IG’s report is pretty telling. So it is a matter of recognizing reality and being we have those problems.

I guess until the Ranking Member comes back, in testimony yesterday, one of the whistleblowers, Ms. Roering, claimed that—we were talking about the morale issue—there is a feeling of fear and mistrust within the TSA. And Senator Ayotte talked about retaliation—which, by the way, we are going to have a hearing tomorrow on whistleblowers and the kind of retaliation they have faced. It is

disturbing across the government how prevalent that really is. Apparently, there is that kind of problem within the TSA as well.

So I guess I am just asking, you have a significant management challenge, the low morale, if it is true—and I want to ask your opinion. Do you believe there really is, is it possible that there really is a prevalent feeling of fear and mistrust? But, just from a standpoint of the tedious nature of the task, it is just prone to complacency. We are human beings. How do you manage that? How do you rotate shifts? How do you provide incentives to keep people alert? But really speak to the fear and mistrust statement of our witness from yesterday.

Admiral NEFFENGER. I hope that it is not a pervasive fear and mistrust. But I will tell you that I start from the premise of trusting my organization. I want the people who work for the organization to feel free to bring problems to the organization. That is where you learn the most about what you are doing.

I will commit to you that this is one of the most important things for me. It speaks right to the fundamentals of morale. If I work for an organization that I do not trust and that I am afraid is going to take action against me if I bring problems to light, then that is a real problem. That is a real morale killer. So you have to address that right up front.

So what I will commit to you is that that is not the way I do business. It is not acceptable in any of the people with whom I am working or the people who report to me. And I will take a hard look at the current climate in the TSA.

Chairman JOHNSON. I appreciate that.

Senator Carper, do you have a question or two?

Senator CARPER. Yes. Admiral, over Memorial Day weekend and I think again last week, threats were made against international flights that were bound for the United States, and while those threats were deemed ultimately not to be credible, we know that passenger screening overseas presents a significant risk to our aviation security.

If confirmed, how would you work with our international partners to improve passenger and baggage screening standards in foreign countries?

Admiral NEFFENGER. Well, I think it is important to have agreed-upon international standards, and those have to be rigorous, and they have to be at a level that assures that you are doing the absolute best you can to stop any potential threat.

I have had a lot of experience with that in the maritime sector. As you know, the Coast Guard represents the United States to various international bodies that deal with international maritime security, international maritime safety. And what I have found is that, first of all, those other countries want their systems to be safe as well. But if you have a patchwork of approaches, then you are going to have gaps in your security.

So it is important to work with the international bodies in the aviation world, such as the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO), to ensure that you have clear and well-defined and consistent standards, that you have a mechanism for enforcing the adherence to those standards. In the case of the world in which I work, that

includes spot checks and verifying teams. So we send teams all over the world to foreign ports from the U.S. Coast Guard, and we inspect to make sure that they actually are doing what they claim to be doing on paper. And when we find evidence that they are not, then we apply sanctions up to and including the refusal to allow a vessel from that port to arrive in U.S. ports, and we do that.

I think the same standards need to be even more imperative that you do that in the aviation world because we know that we have significant concerns with foreign fighters, we have significant concerns with increasing radicalization of terrorist groups, and we know that they are continuing to focus on the aviation system.

So I intend to work, if confirmed, with counterparts around the world, particularly those countries that have last points of departure bound for the United States, and, more importantly, to work with the international associations to ensure that the standards that are set are appropriate and that there is an oversight mechanism for enforcing those standards.

Senator CARPER. All right. Thanks.

In our closed session yesterday, which you were good enough to join us for, one of the things we discussed was the role of patdowns in better ensuring our security. These flights—and it is a sensitive, awkward situation. It is important for our security, but it is difficult for those that are trying to ensure security and, frankly, for the passengers who endure this.

I am sure that some other countries may have figured out a better way to do this. I am not sure who it is or if they have. But I would just ask if, as one of the things when you get settled in, one of the things that we do is look around the world and say everybody has to—all kinds of nations, dozens of nations deal with these issues, and maybe somebody has come up with a better mousetrap and we can learn from them.

The last thing I want to ask is a variation of what I asked at the end of our session yesterday with the IG and the others on TSA. Give us a short to-do list for us on this side of the dais. One of the things that Chairman Johnson and I—and Tom Coburn for that matter—and our Committee, one of the things we always looked to the Government Accountability Office (GAO), every 2 years, beginning each Congress, they would give us a to-do list—not just us specifically but its high-risk list, high-risk ways of wasting money, and we almost use it as a to-do list. But just give us a short to-do list, if by some small chance you are confirmed, have the opportunity to serve in this role, what would be a couple things that we could do that you think would be especially helpful to you as the leader but, more importantly, the folks you would lead and to the people of our country, what could be helpful? Just a couple of items.

Admiral NEFFENDER. Senator, thank you for that.

First, thank you for the offer to help. I believe strongly in working with the Congress because you have an important role to play not only in oversight but in ensuring that the right laws, the right legislation is in place to allow a mission like the security of our transportation system to succeed. And I promise to work with you on that.

What I would like to do, if confirmed, is to bring you a list of those things that I think can be most effective for this Committee to attend to. I really do appreciate the willingness of every member of this Committee with whom I have met to work with me. I promise you that it will be just as much coming from my side as it is from your side. And what I would like to do is bring to you in a very open manner the challenges that I find, where those challenges need to be addressed by work that this Committee can do, and where those challenges are something that the agency has the ability to do but you need to be aware of before it is put into place.

Senator CARPER. All right. Thank you.

Mr. Chairman, I would just close by saying Jeh Johnson, our Secretary of DHS, is not one given to hyperbole, and when he told me a couple of months ago, he said, "We have our leader for TSA." And I said, "Well, who is it?" And he said, "It is an admiral. His name is Pete. He is in the Coast Guard, and he wears a lot of stars." And he said, "You are going to really like him." And I must say I am impressed. Thank you for your willingness to serve, and hopefully we will get you confirmed and you can go to work.

Admiral NEFFENGER. Thank you.

Senator CARPER. Thank you.

Chairman JOHNSON. Senator Sasse, you had an extra question.

Senator SASSE. You bet. Thank you, Mr. Chairman and Ranking Member Carper.

They need to get to another nominee, so I will flag two questions, one of which I will submit in my letter and one I will ask you here.

The first is: I appreciate many of your statements about your desire to skate to where the puck is going to be and ultimately be dealing with the security threats we face in the homeland and the jihadi opponents from abroad over the course of the coming decades and to be forward-looking on that.

I also appreciate your clear care and concern for the workforce and for the morale issues inside the organization. There are lots of good and freedom-loving Americans inside TSA. And my worry about the magnitude of the challenges we face does not start chiefly with workforce issues. Obviously, you have flagged some technology failures, but I think we have big leadership problems inside the organization, and I think we are at a gap as far as strategic priorities and measurement of our performance against those priorities.

You mentioned and yesterday Director Roering talked about the fact that there is this tension between a couple of different TSA missions, but almost none of the metrics actually go to the success at interdicting prohibited weapons and materials and explosives.

I am curious—and we will submit this by letter—about what your familiarity is with what briefings and performance metrics Secretary Johnson from the Department receives at least on a weekly basis. Some of us who have been pushing on these issues for a number of months have not gotten adequate answers from the Department about the frequency and the quality of the performance metrics inside the key components and agencies inside DHS. And so I would like to understand what familiarity you have had with the briefings that the leadership team of DHS gets on a regular basis when you have been at the Coast Guard and what you

expect to be included on as far as these performance metrics are in your potential new role at TSA. So we will submit that by letter today.

The final question I will ask in person is—I have had a chance to meet with Inspector General John Roth three times in the last week and really appreciated the work of his organization, and he has said directly to us, sometimes in classified settings but he also said at a public hearing the other day, that he does not believe that the leadership of TSA “truly understands the nature of the risks that they face.” He does not believe that TSA truly understands the nature of the risks that they face.

I am curious which camp you would put yourself in. Do you believe that he is right that TSA does not understand the nature of the risks they face? Or do you think that the leadership has understood the nature of these risks?

Admiral NEFFENGER. I had a chance to sit down with Inspector General Roth as well, as part of my preparation for this. I understand the risks, the nature of the risks that we face. I think there are people in TSA who do understand the risks. What I want to understand is how effective are those voices and how well can those voices be heard. And, more importantly, what are the reasons why that information appears to be challenging to make it to the right levels of the organization?

So I think it is tied directly to your previous question. I look forward to answering that question, and, more importantly, I look forward to engaging with this Committee in the future as we look to ensure that the things that we do measure are the right things and that you continue to question whether they are the right measures.

Again, just like security, the measures you put in place might be appropriate today, but they might not be appropriate for tomorrow. So you have to continually refine those, and you have to be relentless in your examination of those measures to ensure that you do keep focused on the right things.

Senator SASSE. Thank you, sir.

Chairman JOHNSON. Thank you, Senator Sasse.

Admiral Neffenger, I just have to commend the President and the Secretary for finding such a quality individual as yourself, somebody who is, I think, very well qualified, very well suited for this position, this enormous challenge. And so I certainly want to tell you and voice my appreciation for your past service and for your willingness to serve, and I will certainly make the commitment, I think, of this Committee and for myself. A number of us have already voted for your confirmation out of the Commerce Committee. We will try and move this confirmation as quickly through this Committee as well as through the Senate so you can get on the job.

But, again, we are just so thankful for your willingness to serve, and the further commitment, too, is to have this Committee here to have your back, to do everything we can. We will commit ourselves to helping you succeed in your mission of keeping this Nation safe.

Admiral NEFFENGER. Thank you.

Chairman JOHNSON. Thank you again, and we look forward to working with you in the future.



Admiral NEFFENGER. Thank you, Senator.

Chairman JOHNSON. Thank you. We will seat Mr. Shapira now.  
[Pause.]

We are going to move on to the second part of our hearing here. Mr. David Shapira has been nominated to be a Governor for the United States Postal Service. Mr. Shapira is the chairman of the board of directors of Giant Eagle. Under his leadership, Giant Eagle saw huge growth, expanding from the Pittsburgh area to Ohio, Indiana, West Virginia, and Maryland. By comparison, the United States Postal Service continues to see huge losses and decreasing volume, ending fiscal year (FY) 2014 with a net loss of \$5.5 billion.

The United States Postal Service needs smart, creative solutions to counter the loss in revenue created by changing consumer behavior. The ability to expand and adapt to customer preference that Giant Eagle has shown is something that the Postal Service vitally needs.

Mr. Shapira, welcome. We look forward to your testimony. We have Senator Bob Casey from Pennsylvania here who would like to say a few words prior to Mr. Shapira's testimony.

Senator CARPER. Before he speaks, let me just say, Mr. Shapira, we do not trust Senator Casey. His word means— [Laughter.]

Chairman JOHNSON. That is why you were hoping Senator Toomey would be here. He might come.

Senator CARPER. That is right. Maybe if we wait, maybe Pat will show up, too. Seriously, great to see you, Bob. Thanks for coming. This is great.

**TESTIMONY OF THE HONORABLE ROBERT P. CASEY, JR.,  
A UNITED STATES SENATOR FROM THE STATE OF  
PENNSYLVANIA**

Senator CASEY. Well, I want to thank the Chairman and the Ranking Member for giving me this opportunity to introduce David Shapira.

Mr. Chairman, you highlighted, I should say, some of his business background, and that is, I think, one of the most significant parts of his record and resume. I will not dwell on the details of his background, but I do want to say something about his character, and I think that is what I will start with.

We all know the challenges of being in elected public service. Appointed public service comes with a lot of challenges as well. The process itself is a substantial challenge, and I am always amazed and gratified that we have people willing to put themselves forward for public service even though the process to get there to be confirmed or even to be considered is challenging. And I think the fact that David is willing to do this is an indication not just of his character but also his commitment to our country.

He has been, as you mentioned, Mr. Chairman, the chief executive officer (CEO) and chairman, from 1980 until 2012 of Giant Eagle. Since 2012, he has served as executive chairman of Giant Eagle, one of the most successful businesses that I know in Pennsylvania. He graduated from Oberlin College, received his M.A. in economics from Stanford. We do not have a lot of that around here. We could use more of that with degrees in economics.

He is on the board of directors of the Allegheny Conference on Community Development, Equitable Resources Incorporated, Extra Mile Education Foundation, Hillel Academy of Pittsburgh, the Pittsburgh Cultural Trust, the Pittsburgh Symphony, United Jewish Federation, the United Way of Allegheny County, and I could go on and on, but I will not. He is also a member of the Carnegie-Mellon University Board of Trustees.

I believe his experience and his success will be of great benefit to the Postal Service, serving as a member of the Board of Governors. But, again, I come back to his character. This is a person of integrity and someone who truly believes that what he is doing, if he were to be confirmed, would be public service. As I have often quoted, we have an inscription on the Finance Building in our State capital. It reads as follows: "All public service is a trust, given in faith and accepted in honor." I think David understands that, that if he is given this opportunity, he accepts it with honor, and the best way to demonstrate that you have accepted it in that fashion is to do quality public service with integrity. He will do that, I have no doubt about that.

So, David, we are grateful you are willing to serve, and I am honored to be part of this nomination process for you.

Chairman JOHNSON. Thank you, Senator Casey. We appreciate those words of support.

I know Senator Toomey also wanted to come here, and I am not sure if he will make it. If he does, we will certainly offer him that opportunity. If not, I would ask unanimous consent that his statement of support be entered in the record.

Senator CARPER. I will not object if Mr. Casey will repeat one time those words inscribed in Harrisburg. What was it? "All public service?"

Senator CASEY. ". . . is a trust, given in faith and accepted in honor."

Senator CARPER. I do not object. Thank you.

Senator CASEY. I wish they were my words, but they are inscribed on a building in Harrisburg.

Senator CARPER. Those are great words.

Chairman JOHNSON. Again, thank you, Senator Casey.

Mr. Shapira, it is the tradition of this Committee to swear witnesses in, so if you will please rise and raise your right hand. Do you swear that the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. SHAPIRA. I do.

Chairman JOHNSON. Thank you very much.

I could read your introduction, but we have already read it before, so we will just listen to your testimony.

**TESTIMONY OF DAVID S. SHAPIRA,<sup>1</sup> TO BE A GOVERNOR, U.S.  
POSTAL SERVICE BOARD OF GOVERNORS**

Mr. SHAPIRA. Thank you very much, Chairman Johnson. If I can just say I am blown away by Senator Casey coming and saying what he did, and I really thank you for that.

<sup>1</sup> The prepared statement of Mr. Shapira appears in the Appendix on page 145.

Chairman Johnson, Ranking Member Carper and Members of the Committee, thank you for the honor of appearing today and for the privilege to be considered for nomination to the United States Postal Service's Board of Governors. I want to thank President Obama for this honor and for the vote of confidence that it represents. It is truly humbling, and if confirmed, I will work diligently to show that this confidence and your consent is well deserved.

I also want to thank my wife, Cindy, and my family for supporting this undertaking. The responsibility and opportunity for national public service will require sacrifice, and if I am confirmed, they will be my partners.

My family is truly my greatest gift, and nothing I have accomplished would have been possible or even desirable without them.

Senator CARPER. Is she the young woman sitting behind you over your left shoulder?

Mr. SHAPIRA. She is this very young, beautiful woman, yes.

Senator CARPER. We thank you for your willingness to share your husband with our country.

Mr. SHAPIRA. Though my written testimony provides details, for more than 30 years I was the chairman, CEO, and president of Giant Eagle markets.

Senator CARPER. This is what we call the walk-on. This is the walk-on.

Mr. SHAPIRA. I really am now completely blown away.

During that time our chain of stores grew from about 50 stores to over 400 stores, was doing a little bit under \$10 billion in volume and employees, about 36,000 Americans.

I do not want to take credit for this. I was always surrounded by smart, capable people, and the achievement is theirs, not mine. Large organizations like Giant Eagle only succeed when they tap and inspire the talents of a diverse workforce, and I am immensely proud of the team that I helped to lead.

When I stepped away from the day-to-day operations in 2013, I left the company in very capable hands—actually, the hands of my daughter, Laura, who is now the CEO, and her executive and extended team. I have always had an interest in giving back to my community and have served on boards and in lay leadership positions in a number of civic organizations over the years. However, since my retirement as CEO of Giant Eagle, I have been able to more fully pursue what I hope will be a second career in community service and philanthropy. I believe that such service is a foundation of our great country and is a major component of our democratic society.

A colleague of my father's used to hand out business cards that said, "The more I give, the more I get." Every citizen, to the extent that he or she is able, should look for opportunities to serve.

Now President Obama has offered me a new opportunity, one with a truly national and international scope. The United States Postal Service epitomizes a key tenet that underlies our unique government of the people: the right of everyone—rich or poor, rural or urban, of every creed, faith, and race—to efficient, affordable, and reliable communications. So critically important to the Founding Fathers was this concept that they established the U.S. Post

Office at the Second Continental Congress of 1775, a year before signing the Declaration of Independence. The U.S. Postal Service is a conduit of commerce, political thought, and messaging. Perhaps most importantly, it is a bedrock to people everywhere to remain connected to family, friends, community, and the greater world around them. Though other communications have come—disrupting the paradigm and creating new challenges and opportunities—the mail still remains and has a significant place as an essential government service.

Today, however, the institution is struggling. For years now, its expenses have exceeded its revenue. Looking deeper, its most profitable product—First Class mail—is in decline, but it is achieving growth in the delivery of packages. The Post Office has undertaken an ambitious effort to cut costs, but it faces the real risk of degrading service, which could leave it worse off in the long run. Its recent losses have forced it to delay needed capital investments, and like any well-managed enterprise, it needs to address its long-term liabilities, particularly retiree health benefits.

To address these challenges, my business experience tells me that given the Postal Service's size, the answer is multifaceted. It must preserve and enhance its current products while seeking out new opportunities to expand. It must look for ways to be more efficient, but also must preserve those assets which will enable it to have long-term growth. It needs a solid plan to address its long-term liabilities, but also must make near-term capital investments.

If confirmed, I look forward to exploring these issues in much greater depth, and I believe that my business background, experience, and commitment to public service can help push this work forward.

Thank you, Members of the Committee, for your attention, and I look forward to answering your questions.

Chairman JOHNSON. Thank you, Mr. Shapira.

We welcome Senator Pat Toomey, and Senator Toomey has got a few words of support as well. Senator Toomey.

**TESTIMONY OF THE HONORABLE PATRICK J. TOOMEY,  
A UNITED STATES SENATOR FROM THE STATE OF  
PENNSYLVANIA**

Senator TOOMEY. I do. Thank you very much, Chairman Johnson and Ranking Member Carper. I appreciate your giving me this chance. I apologize that I was not here at the beginning, but you know there is a rule in the Senate that requires conflicting simultaneously scheduled meetings. But it is a pleasure for me to be here and to just say a few words on behalf of Mr. Shapira with respect to his nomination to be a Governor of the U.S. Postal Service.

I will be brief, but, first of all, let me just say the Postal Service and the United States are very fortunate that a man of his accomplishments and his capabilities is willing to serve in this capacity. I am delighted that he is willing to do this. We will benefit enormously from his wisdom, his experience, and the very hard work that I know he will do here.

I think Mr. Shapira was far too modest in describing his accomplishments in guiding Giant Eagle from what started as a very small chain with several other families and has become a very

large business, employing tens of thousands of people and really doing great work.

In addition, David has served on numerous corporate and university boards from which he has developed a terrific range of experiences and really acquired great knowledge about so many different business activities and models.

His philanthropic work with his wife, Cindy, has been absolutely terrific and very important, especially in western Pennsylvania and beyond. So I just think that David Shapira just represents the best that Pennsylvania and Pittsburgh has to offer this country. He is an extremely talented and accomplished business and philanthropic leader, and we are just very fortunate to have his services, and I fully support his confirmation.

Chairman JOHNSON. Well, thank you, Senator Toomey and Senator Casey, again for taking time to offer those words of support to the nominee.

Mr. Shapira, it is also the tradition of this Committee to ask a series of questions prior to my questions. We will allow the Senators to retreat.

Let me start with: Is there anything 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. SHAPIRA. No, and if anything should arise, I would recuse myself from any possible decisions about that.

Chairman JOHNSON. 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. SHAPIRA. No.

Chairman JOHNSON. 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. SHAPIRA. Yes.

Chairman JOHNSON. OK. Thank you.

So, Mr. Shapira, I am obviously intrigued by your business background. I started my business in 1979. You started a year later. You just did a whole lot better than I did. So obviously you have some real talents.

You talked about new opportunities for the post office. Can you tell me your concern—or whether you are concerned or not concerned about the postal system competing with the private sector and how you would try and set up guidelines if you have concerns?

Mr. SHAPIRA. Let me answer that question with a little bit of background. As I was getting prepared for this hearing, I realized that during my career at Giant Eagle, we faced a situation which I think is very—we faced then and continue to face, actually, a situation which is very similar to what the post office does, and that is, the rise of new competitors and new technologies which threatened various parts of our business. In the Giant Eagle case, something that most people would not think about, but there has been an enormous lifestyle shift from eating at home to eating out, and in the supermarket business, we serve food to eat at home. So every meal that switches from the home to a restaurant takes business away from us.

So the way we adapted to that was to continue to do what we did, but also to begin to diversify what we sold. And as I was saying at the staff hearing yesterday, or Monday, we started going into new businesses but within our stores, so that not only did the new business bring in revenue, but the fact that we had the new business reinforced the old business.

Some examples of that are getting into the business like pharmacy. When I started in the supermarket business, there really was no such thing as pharmacies in supermarkets, and today, well, Giant Eagle in particular, but really all good supermarkets have very successful pharmacies.

A second example of that is gasoline. Who ever would have imagined that you would get your gas at the same place you get your groceries?

I think the post office has the same kind of problem. It has a severe technological threat and competitive threat to its best product, which is First Class mail. I think the way to defend that is to continuously try to improve First Class mail, but also to develop other products which can bring in revenue and hopefully reinforce the use of First Class mail at the same time.

Actually, as I look at what the post office has been doing, it actually has been doing those things, so I do not think it needs a radical change. I think it needs an emphasis on continuing to change its format over time.

In terms of competing with private businesses, or at least non-governmental businesses, I guess is the right word, which I think is the essence of your question, it is a very interesting question. The post office has a mission; it needs to carry out the mission. Its competitors have a different mission. That gives them certain advantages and certain disadvantages. And, clearly, the post office competes against them as they compete against the post office, and, frankly, I think competition is a good thing. So I am in favor of seeing new products and being aggressive about building the business model.

Chairman JOHNSON. OK. Having been in the business world, I imagine you have done a lot of strategic planning. I certainly have and found great value in business, we call it strengths, weaknesses, opportunities, and threats "(SWOT) analysis." People are not really familiar with that here in Washington, D.C. I am pretty sure you are: strengths, weaknesses, opportunities, and threats.

Can you just kind of go through in your mind a quick SWOT analysis of the postal system? Let us start with strengths. What are the primary strengths of the Postal Service?

Mr. SHAPIRA. Well, the primary strengths are the system and the employees and the history. The post office has a system which calls on every single address every day. That is an enormous strength.

A second strength is brand equity. Everyone understands the post office. Everyone understands how to mail a letter, how you go about getting a stamp, putting it on. In this case, brand equity is sort of an institutional memory, not only of the post office but the whole population of the country.

Well, the weaknesses are several things. One is I think the post office is constrained from operating as efficiently as it might by law. So an example of that is the necessity to pre-fund the retiree

health benefits, which is something that I am not aware of any other company or institution that does.

And a second weakness is it is in some ways constrained from introducing new products. My understanding is that the law says that the post office cannot introduce a new product that does not use the post box, the mailbox. In days like today where technology is changing so quickly, the inability to adapt to changing technology is a big weakness. And, of course, it is a huge threat. The threat of the Internet in terms of First Class mail or even actually Second Class, bulk mail, is enormous. And I know as a company like Giant Eagle, we are trying to move as fast as we can to sending out our communications with the public over the Internet because it is so much cheaper.

Now, it is not so easy to do, which is a big strength of the post office. So while it is nice to dream about it, it cannot just carry it off.

I am sure I am leaving some out, but those are the strengths and weaknesses.

The threat is, I think, a number of things. Clearly, technology is an enormous threat. Actually, it is a threat to any kind of business at any time. So one reason I am happy I am retired these days is because technology is changing so fast, it is very hard to keep up with.

And I think the other threat is the constraints that are put on by law and by the political system.

The opportunities are enormous. The need to get information from one place to another is only going to grow. We are an increasingly interconnected world, and the question is: How can the post office adapt to the changes in the need to accomplish that task?

My experience says that whenever there is disruption like there is today, it is an enormous threat, and it is also an enormous opportunity, and the question is: Can the post office figure out how to take advantage of that?

Chairman JOHNSON. OK. Thank you. Senator Carper.

Senator CARPER. Thanks, Mr. Chairman.

Again, very nice to have a chance to meet with you and to meet Cindy as well. I used a basketball term yesterday, Mr. Chairman, talking with Mr. Shapira about the role that his wife played in encouraging him to let his name be put forward by the President, and I described her role as "getting an assist on the play." So we thank you for your encouragement, Cindy, and for your willingness to let Mr. Shapira serve.

I was born in Beckley, West Virginia, a coal mining town in southern West Virginia, south of Charleston, and I was back there a couple of months ago for a funeral of my 98-year-old Aunt Hazel, and she was married to my mother's oldest brother. And back in about 1950, he started a little supermarket in Beckley, West Virginia, on Harper Road, right off the turnpike. It is called Patton's Market. And they sold groceries and gasoline. Sounds familiar, huh? They were ahead of their time.

Mr. SHAPIRA. Everything that goes around comes around.

Senator CARPER. There you go. And as I grew up in Virginia, in Danville, and Roanoke. But I would go back in the summers with my sister just to be with our grandparents, our cousins, and I

would work at—a little bit, not a lot, but summers at that Mom-and-Pop supermarket. My uncle died, sadly, early. But his brother, my Uncle Jim, and his wife, Nell, took it over. And down the road from them on Harper Road, a Kroger opened up. People said, “Patton’s Market is doomed.” But they were not. And then later on, I think an A&P opened up, and people said, “Patton’s Market is doomed.” But they were not. And they continued to do reasonably well right up until my aunt and uncle reached retirement age. They worked hard. It was not easy. They did not have a chain of Mom-and-Pop supermarkets, but they had theirs.

Over time they changed the way they did business to adjust to the competition that they had just down the road. They offered people the chance to buy food on credit. Folks wanted to have groceries delivered. They delivered. My grandfather was a butcher. He had Parkinson’s disease. His hands would shake just like this. And he drove those mountain roads until he was 81 to go into that butcher shop and cutting meat. When he was in the shop, his hands were steady like a rock. It was an amazing transformation that he would go through. But if people wanted a special cut of meat, they got it. If folks wanted produce, they got it. The folks who walked in that store, the staff knew the names of the people that were coming in, even their children.

They continued to be a little supermarket, but over time they became a catering service as well. And you mentioned people changed the way that they eat, and they decided, well, if you want to have somebody prepare your food, we will help with that.

I learned so much from my aunt and uncle and from their business in terms of customer service and being a servant. Our job is to serve. Our job here is to serve. Talk about the lessons, the life lessons that you have learned from starting and growing your business that might be appropriate or applicable to the post that you have been nominated for. And thank you for letting me tell my life story through my aunt and uncle.

Mr. SHAPIRA. Thank you for the question. That is a great question. At Giant Eagle, we believe that we serve four constituencies, and the four constituencies are: our customers, our team members or employees, the communities we live in, and our shareholders. And when I talk about this, I like to say that those four are not in any particular order except for the last one. That does not mean that we do not think our shareholders are important. Obviously, they are important, and we know that we have to make money and we have to grow the business and we have to pay dividends. Otherwise, the shareholders will say, “We do not need you.”

So why do I say the other three are more important? The reason is we take a long-run view of our business, and we think if we serve those other three constituencies well and that we are good, financially responsible business people, that in the long run the shareholders will be better off. And, of course, so will everybody else in all those constituencies.

I think in an organization like the post office, which is a little different because in this case the customers actually are the shareholders—we are all the shareholders—but I think if we concentrate on serving our customers, taking care of the workforce and making sure that the workforce is well trained, well motivated, under-



stands why they are here—it was interesting listening to the Admiral, who I thought spoke beautifully on this subject. If we remember that part of our mission is to serve communities, big or small, near or far, and if we are free from some of the constraints that we operate under, the post office can be very successful and adapt over time and change.

Senator CARPER. I should know the answer to this question, but I do not, so I will ask it. In the Postal Service, there are four labor unions that are organized and represent different employees and employee groups within the Postal Service. And we have the opportunity to work with them, and the Board of Governors, the folks who are leaders at the Postal Service have the opportunity to work with them as well. And I find them to be more often than not constructive and trying to be helpful to enable the Postal Service to survive and thrive and go on to serve us for hundreds more years in this country.

I do not know to what extent you in your business have had a chance to work with collective bargaining units, but if you have, could you share with us some of what you have learned from that that might be helpful for the Postal Service? And if you have not, then just any observations you might have with that in mind.

Mr. SHAPIRA. Well, we have. Giant Eagle is a union company. We have some small non-union operations, but basically we are union company. We have dozens of different union contracts. I think dealing with—assuming that the unions have reasonably good leadership, then in many ways it is better to be a union company. It gives you an ability to communicate with people that you do not necessarily have if you are non-union.

If the union has bad leadership, it is a different—but my view on dealing with employees is you have to respect them, you have to listen to them, you have to get feedback from them. You have to include them in the process. You have to train them. I will parrot some of the things that the Admiral said. You have to have a clear mission. You have to explain it to people. When there is a problem, you have to be open and honest about what the problem is. You have to make people understand what the problem is. And my experience is that in most cases—not all, but in most cases, you can—unions are cooperative and can help solve the problem. But, of course, you have to respect their point of view, too.

It takes me back to when I talked about our constituencies. One of the most important constituency is the employees, and the union represents the employees, and so you should respect it, just like you would if they were not in the union, actually.

Senator CARPER. Thanks.

Chairman JOHNSON. Thank you, Senator Carper.

Mr. Shapira, have you really studied the financial situation of the post office? Are you pretty well versed in that?

Mr. SHAPIRA. When you use the words “really studied,” I would say no.

Chairman JOHNSON. Casually studied?

Mr. SHAPIRA. Well, more than casually. I did prepare for this, and so I would say I am reasonably familiar with it.

Chairman JOHNSON. So I am an accountant with a business background. I find it rather confusing. Do you find what prepara-

tion you had for this or what you have looked at as relatively confusing? Or do you think it is pretty straightforward?

Mr. SHAPIRA. Both. But, when you look at the pre-funding requirement of the retirement health benefits, that seems to me to be very straightforward. And, in fact, it is, what essentially goes on is we put a debit against our earnings for the amount. We put it in our debit balance, and then we do not pay.

Chairman JOHNSON. Right.

Mr. SHAPIRA. And so it is like a joke.

Chairman JOHNSON. So it is a debt that is owed to the Federal Government. It is really not pre-funded. It is pre-funded only to the extent that now you have a liability of the post office to the Federal Government. It is just one of the liabilities.

Mr. SHAPIRA. It is just one of the liabilities, right. There are pension liabilities. I mean, there are all kinds of liabilities. But the pre-funding of the retirement benefits and the connection of it to whether the employees have to use Medicare seems to me that that should be an obvious and very easy fix. And in looking at the financial statement, the pre-funding is just very slightly smaller than the loss, the total loss to the system. So if the pre-funding were eliminated, we would not be losing money—well, we would still be losing money, but not very much.

Chairman JOHNSON. But we still would have this overhang of about \$100 billion of unfunded liability. I have looked at the balance sheet as best I can reconstruct it in something close to the Generally Accepted Accounting Principles (GAAP) versus other large bankruptcies, and it looks like a bankrupt entity to me. Do you have a similar type of conclusion?

Mr. SHAPIRA. If you just took a straight up and down look, it seems like we are bankrupt. But the liabilities are actually paid out over many years. This is a discounted value of the future liabilities. So, bankruptcy, you can look at a balance sheet and say you are bankrupt, or you can look at a cash-flow statement and say you are bankrupt. In a cash-flow statement, I do not believe we are bankrupt. And so the question is—by the way, this is not just the post office question. This is a question for private industry. This is a question for the government. It is particularly true in pension liabilities. We have these enormous pension liabilities, and the question is: What are we going to do about it?

I do not think we are bankrupt in the sense that I think we still have time to deal with it. But we are bankrupt in the sense that if we do not deal with it, it is clear what the end is going to be. So I think it is a matter of definition of what your terms are, but it is clearly a serious problem and one that—I do not want to say all—I know Giant Eagle faces it. We are members of collective bargaining agreements that have employer joint pension funds where the funds are horribly underwater. They are on, I think it is called, a “red list.” And the question is: What are you going to do about it? We clearly have to face up to the problem.

Chairman JOHNSON. I think the problem is—and Senator Carper led the way with Senator Tom Coburn, trying to come to some political resolution to this, which was not successful. You spoke about all the constraints on the post office, constraints because Congress is trying to in some way, shape, or form manage and direct what

should be—I think the goal was to make the post office a more autonomous type of organization, but they do not have that autonomy, both operationally or financially. So the American taxpayer in the end is still on the hook for this.

If you read the Constitution—and I realize the post office is an enumerated power, but it is pretty basic—it says in Article I, Section 8, “to establish post offices and post roads.” Do you think it is really a governmental imperative or constitutional imperative that no matter what the post office is, we have to maintain a post office as opposed to we have to perform the constitutional duty of delivering mail? And when the delivery of mail becomes, less and less vital and becomes more and more obsolete because of technology, do we have to come up with different things for the post office to do just to have a post office, even if it is way outside the mission of delivering mail?

Mr. SHAPIRA. That is a wonderful question, which I am not sure I know the answer to. But I would say this: There is a big question within your question, which is: What is the definition of delivering the mail? It does not say you have to deliver the mail two times a day, seven times a week. It says you have to deliver the mail. Does that mean every day? Does it mean every other day? Does it mean two times a day?

The function is important. The question of how we define the function is also very important. So it seems to me that the answer to your question, you would really have to define what it is we want to maintain, and general terms are not very helpful in doing that, which I think is what causes the controversy.

Chairman JOHNSON. Well, and I completely agree with you. We need to define what the post office should do. What is the constitutional enumerated power of it? And we really need to ask ourselves a serious question with a bankrupt organization. Do we need to maintain this organization at all cost and have it expand into different areas that just might compete with the private sector companies with an implicit taxpayer guarantee, with the taxpayers on the hook for growing liabilities? I think these are very serious questions that the Board of Governors is going to have to be asking themselves, and Congress, we have to ask ourselves the same questions. But, again, I appreciate your answer.

Mr. SHAPIRA. Senator, can I just add to that? This is the first time I have ever been in a hearing like this. I have seen them on television, but I was fascinated by the questions of the Admiral, who was sitting here before me, and it was obvious to me you were all impressed, and I was equally impressed with the kind of answers he gave.

One of the things I really liked about the questions and answers was the willingness of the Committee to have his back and at least what appeared to be the desire on both sides, his side and the Committee’s side, to cooperate on helping to solve the problem.

My view of the post office is that the post office cannot solve these problems itself. It needs you, it needs the Congress. There are laws established here. You have to follow the laws. And there needs to be a cooperative solution to the problem. That is obviously difficult because different people have different political views, but I like to take the attitude that there are no problems that are

unsolvable if you have good people with common objectives who are trying to solve it, although it would not—I do not think it would be me who would be interacting with the Committee, although maybe it would be. I think the cooperation of this Committee and the post office is crucial to solving these problems.

Chairman JOHNSON. First of all, I completely agree. And, again, coming from a manufacturing background, I have solved a lot of problems, and there is a process you go through. And it starts with the definition of the problem, defining what it is you are trying to accomplish, laying out the reality of the situation, which is why I was asking your understanding of the financial situation of the post office, which, trust me, in the political environment gets all jumbled up and people do not really, I do not think, completely understand. I am having a hard time, and, again, I am a trained accountant. I have been in business a long time. I have looked at a lot of balance sheets, and it is still confusing to me. I am getting a little bit better handle on it, but, again, it starts with the reality of the situation, then based on that defining the problem, defining exactly what the achievable goal is. Then you start setting strategies. I think we oftentimes bypass that process, and I think that is what you are hearing in the earlier part of our Committee hearing, is we were really trying to get to what was the definition of the problem. Are we admitting we are having one? Are we looking at this honestly? And that is what we need to do in the post office as well.

So, again, I really appreciate the fact you have this business background, highly successful, I think you are going to have the right type of mind. You are answering the questions from my standpoint exactly correctly. What is the definition? But we have to ask the right questions.

So, again, I appreciate the input, and we absolutely want to cooperate with the Board of Governors and the Postmaster General. This is a big problem, and it has not been fixed. I have real questions whether or not we can resolve this through a political process because we have not been able to do that in the past.

But, again, I know Senator Carper is highly dedicated to this. He has done a lot of work on it, and I have certainly supported his efforts in the past and want to support his efforts in the future. Senator Carper.

Senator CARPER. Thanks. Thanks, Mr. Chairman. Thanks for your support and for what you just said.

In terms of what is the role of the Postal Service, what should it be, and what should our role be vis-a-vis the Postal Service, I look back to Abraham Lincoln, who was once asked, "What is the role of government in our lives?" And he said, "The role of government is to do for the people what they cannot do for themselves."

Now, there is actually a constitutional stipulation that we have a Postal Service, and one of the reasons why we have it is because our forefathers said, if we are going to have this experiment, this experiment called the United States of America, it might be helpful if we could communicate to the far reaches of the country, however large we grow to be, it might be important for us to be able to facilitate commerce, and maybe the Postal Service in other countries

has been helpful, and maybe we can find a helpful role for them in this country.

As you have said in your own business, over time the demand of your customers has changed, the needs of your customers have changed, and your business has changed to meet those. And I think the same is true with the Postal Service.

Some of the folks that we work with—we are an enabler. I think the Congress is an enabler. The Chairman has heard me talk about one of my last trips down to Honduras, a place that I soon hope to visit with him, and we are trying to figure out why are all these people coming up here to the United States trying to get into our country from Honduras, Guatemala, El Salvador, and it is because they live very difficult lives, which we contribute directly to making even more difficult.

But my last time down in Honduras, I was at a press conference, and at the end we were asked a bunch of questions by the press there, and one of the things I said to them, I told them, I said, “Do you guys in Honduras have Home Depots?” And they said, “We have them. Tenemos. We have them.” And I said, “We have them in America, too.” And their advertising, the way they advertise in America for years has been—here is Home Depot’s advertising: “You can do it. We can help.”

And I said to the folks in Honduras that day, I said, “You can do it. We can help.” Just like Colombia, Plan Colombia helped pull them back from the brink. I said, “You can do this.” We can help with the Alliance for Prosperity that they have adopted with three countries.

I think the same is true with the Postal Service. I think the Postal Service can do it. There is a need for the services to be offered. FedEx, UPS—they do not want to deliver packages to every door in America every day. They would lose their shirts. The Postal Service is already going to those doors, those mailboxes is a nice piece of business for the Postal Service, and they can work out a deal with FedEx and UPS to help fly and move some of the Postal Service’s products around the country. So one hand sort of washes the other.

The issue that a lot of people keep coming back to is the issue of the unfunded liability for retiree health care, and the question is: Is it a real liability? I think it is. And my last year as Governor, we were up in New York meeting with the folks from Moody’s, Standard & Poor, and Fitch trying to get a AAA credit rating. Our State had never had a AAA credit rating. And we had done 8 years of balanced budgets, 7 years we cut taxes, we paid down some of our debt, strong employment numbers. And we went and really made the case in my last year as Governor for a AAA credit rating. And lo and behold, all three of them across the board gave us AAA the first time, and we still have it.

But they said to us at the time, they said, “You have a liability that you are not addressing.” And I said, “What is that?” When I became State treasurer, when Pete du Pont was elected Governor, we had no money in our pension fund for our employees, for our retirees. None. We used to sell revenue anticipation of those taxes, and revenue anticipation to raise money to be able to make pension checks every payment every month. And we fixed that, fully fund-

ed, amortized, like in 10 years took care of it. But they said to us, they said, "You have all this big liability for your retiree health care, and you have not set aside any money." They said, "You need to do something about that." They still gave us a AAA credit rating, but they said, "You have got to address this." And we began to, and the State of Delaware continues to try to address that. So it is a real liability.

But in order to get President Bush to sign into law the 2007 postal legislation, the Postal Service not only had to recognize that liability, but they had to pay it off over like 10 years, which is—I do not know of any company in America that has been asked to do something that aggressively.

When you look at the liability, the money that the Postal Service pays into the Medicare Trust Fund is greater, I believe, than any other employer in America. They pay more money into the Medicare Trust Fund than any other employer. They do not get full value for what they pay. And most postal retirees 65 and over sign up for Medicare Part A. A majority sign up for Part B. I think almost none, maybe none, sign up for Medicare Part D, the prescription drug program. And so the Postal Service is—in effect, by overpaying into Medicare, they are actually subsidizing their competitors so that they can underpay.

My wife retired from DuPont when she turned 65. She still only looks 45, but when she turned 65, folks at Medicare reached out to her and said, "Martha, we love you, but by the way, you are going to have to sign up for Medicare Part A, Part B, Part D. We will provide wrap-around coverage for you." And not just DuPont did that, but all kinds of employers in the country do that when their retirees reach 65. The Postal Service cannot do that.

And one of the best things, the most important things that we can do is to fix this issue. We still have the liability. It still must be met. But we ought to level the playing field, and that is part of our enabling responsibility.

Let me ask a question after I have given that diatribe there. Let me ask a question about—the Postal Service continues to try and reduce costs while also maintaining fast and reliable service and growing its business, and here is the question: How would you as a member of the Board of Governors try to find the right balance on this challenge, maintaining fast and reliable service and growing your business? It is a little bit like some of the questions we asked the Admiral.

Mr. SHAPIRA. I think it is the responsibility of all businesses to keep their costs as low as possible, but I also have a very strong belief that you cannot cut costs and make yourself successful in the long run. You have to grow revenue. So the concept that we can cut our costs to become profitable, while I believe it is important to cut costs, to me it is a doomed strategy. You need to be able to look at a growing business to be successful, and if you cannot do that, then cutting costs works in the short run. But, you can only cut them so far, and what inevitably happens is you cut costs and it starts affecting the service, and the sales go down even more.

So my view is absolutely pay attention that costs be as efficient as you can, but it is not a successful business strategy in and of itself. You have to have a strategy that grows the top line.

Senator CARPER. Mr. Chairman, one of the things that Mr. Shapira and I talked about yesterday on the phone was one of the roundtables that we have held. One of the three roundtables we have held dealt with—and we invited a bunch of folks to come in, one from the Postal Service, others from different walks of life, customers and so forth of the Postal Service. And we just asked them, “Well, what are your ideas for growing business? Where are some opportunities out there?” I was delighted to hear how many creative ideas there are, and this was just scratching the surface.

So I think you cannot be just cut, cut, cut. The Postal Service has reduced I think by almost half the number of full-time employees that they have over the last dozen or so years. They reduced by half the number of mail processing centers that they have in this country. They want to trim that back further. They reduced by a third the number of full-time post offices around the country. They have done a lot of rightsizing, and part of—now it is—before, it was to help them in ways like the pre-retirement pension liability, make it more fair, and—but there are some great opportunities here. We are going to have fun fixing this. And I look forward to doing that.

Some of the best lessons I have learned in my life are from my failures, not so much from my successes. And I have had plenty of failures. I think probably if we are honest, we would all say that we have. But when you look back at some of the lessons you may have learned, for example, the dissolution and the bankruptcy of your company’s former subsidiary—was it Phar-Mor? Was that what it was called? Could you just maybe give us an idea or two what you learned from that and if there are any lessons from that experience that might be applicable here?

Mr. SHAPIRA. I learned so much from that it would take me an hour to—

Senator CARPER. Well, we do not have that long.

Mr. SHAPIRA. Right. I did not figure you did.

In the first place, I agree with you. I actually have come to the conclusion that if one is looking at success, however one might define it, the biggest successes come from having failures and then recovering from them. And one of the things I learned from the Phar-Mor debacle—I cannot call it anything other than that—was that you can recover. You have to keep your eye on the ball. You have to fight your way out of whatever problem you are in, and then you have to take the lessons that you have learned from that and apply them as you go forward in the future.

So just as an example, Phar-Mor’s failure, which not only bankrupted Phar-Mor but came very close to bankrupting Giant Eagle as well, caused Giant Eagle to be a much more focused manager on the bottom line, building assets, cutting debt, and being a much more secure and safe company. So I do not have any doubt that having gone through Phar-Mor, that changed the way we managed Giant Eagle.

The second thing I learned—which, as an accountant, Senator, you will know this—is that one of the things you are always looking for is fraud. And every accountant I have ever talked to, when you talk about fraud, they say, “If you get a conspiracy of just a few key people, it is very hard to detect.” And that is actually what

happened at Phar-Mor. The whole conspiracy was four people. And so one of the things that I have become much more vigilant about since then is looking at the financial statements, looking at how they pulled off the fraud at Phar-Mor, and asking, Is there anything that is going on in our current company that is anything like that?

And I have actually taken and applied that in a larger sense wherever I am, either as a director or as a chief executive. Whenever something goes wrong in a company that is like ours, the first thing I do is I call in the top executives, and I say, the first thing is, "Let us thank God it was not us. And in the second place, let us find out what happened and why it happened and if we are vulnerable to that."

The last thing I have learned is—well, I have learned lots of things, but I have often wondered to myself how did I survive that crisis. I mean, I was the chief executive. It was a very natural question to ask: Did he know? Should he have known? et cetera. And I know myself that when you read about one of these frauds, the first thing everyone assumes is the chief executive must have known. Well, I did not know. I was the one who discovered the fraud, actually, but what I learned is the most important thing is to really be totally honest and open all the time and to make sure that when there is bad news, you do not make any effort to hide it and that it comes from you.

I think taking that and applying it to the situation at the post office—there is a lot of bad news at the post office, and I think we ought to recognize the bad news, and we ought to try and figure out—I mean, you are never going to deal with it unless you recognize it. And then we ought to try and come up with plans that say, OK, this situation is bad, that situation I bad, how are we going to deal with it?

To me, if you identify what the problems are, no matter what people's going-in assumptions are, you can—if you can get them to understand the problems, you can generally get them to agree on solutions, assuming there are solutions. But the solutions are often very tough and require changes that a lot of people do not want to make. So if you want to accomplish those kinds of changes, people have to have a shared understanding of the problem.

Senator CARPER. Thank you very much.

Mr. Chairman, we have been blessed this morning by the testimony of two nominees who I think are exceptional, and I will close where I started off here. We are lucky that you are willing to do this and that Cindy is willing to give you up to serve the people of our country.

The last quick thing I would say, innovation, just to go back, the legislation that Dr. Coburn and I worked on had a big focus on innovation, trying to foster innovation, encourage innovation. And the other four people that have been nominated as Governors by the President to serve, a couple of them are really good on the innovation front as well. And my hope is that the legislation that we pass will have some thoughtful provisions that deal with innovation, fostering innovation, and hope that we will have a chance to work with you on that—and, frankly, a lot of other things.



I am way over my time. Thanks very much for your patience, Mr. Chairman.

Chairman JOHNSON. Thank you, Senator Carper.

Mr. Shapira, I will tell you one thing right off the bat. The solutions for the Postal Service and for the fiscal situation of this country will not be easy. So I just want to thank you for, again, coming here, for your testimony, your willingness to serve. I want to thank you for being an example of a great American, someone who is serving your community, your State, your Nation by doing what Americans do: aspiring, building something, building something successfully, obviously with some adversity.

Unfortunately, in today's society we too often demonize and demagogue people that are trying hard, building businesses, creating great jobs. We need to celebrate that success, and, I celebrate it with you, and I appreciate your willingness to serve in this capacity. And I thank your wife for being by your side here in this service.

Again, I look forward to moving this nomination through as quickly as possible so that we can get the Board of Governors operating under regular order.

The nominees have filed responses to biographical and financial questionnaires, answered prehearing questions submitted by the Committee, and had their financial statements reviewed by the Office of Government Ethics (OGE). Without objection, this information, together with my written opening statement, will be made part of the hearing record, with the exception of the financial data, which are on file and available for public inspection in the Committee offices.

This hearing record will remain open until noon tomorrow, June 11, at 12 p.m., for the submission of statements and questions for the record.

This hearing is adjourned.

Mr. SHAPIRA. Senator, thank you very much.

Chairman JOHNSON. You are welcome.

[Whereupon, at 11:30 a.m., the Committee was adjourned.]



## A P P E N D I X

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### **Opening Statement of Chairman Ron Johnson**

*"Nomination of Peter V. Neffenger to be Assistant Secretary (TSA),  
U.S. Department of Homeland Security, and David S. Shapira to be  
Governor, U.S. Postal Service"*

June 10, 2015

*As prepared for delivery:*

Good morning and welcome.

We have convened this hearing to consider the nomination of Vice Admiral Peter V. Neffenger to be the next administrator of the Transportation Security Administration (TSA).

Today's hearing will provide members of the committee an opportunity to address their concerns with recent TSA shortcomings and to ask the nominee how, if he is confirmed, he plans to address the challenges currently facing the TSA.

Just yesterday, this committee heard troubling testimony from current TSA employees and Department of Homeland Security Inspector General John Roth. The testimony of these witnesses coupled with recent reports produced by the Government Accountability Office and reporting by the news media have raised questions about the TSA's ability to execute its security mission.

In order to stay ahead of criminals and terrorists, the agency needs strong leadership capable of improving the TSA's security posture. The next TSA administrator will have the difficult task of addressing waste, low employee morale, and potential vulnerabilities that exist in programs and technologies.

Vice Admiral Neffenger currently serves as the vice commandant of the United States Coast Guard. During his 34 years of service, he has held various substantial leadership positions. For example, he served as commander of the Ninth Coast Guard District, where he was responsible for Coast Guard operations throughout the five Great Lakes and helped secure over 1,500 miles of the U.S.-Canada border. In addition, he served as deputy national incident commander during the 2010 Deepwater Horizon oil spill in the Gulf of Mexico.

I thank Vice Admiral Neffenger for his testimony and look forward to a frank discussion of his vision to improve TSA operations.

Today we will also consider the nomination of David S. Shapira to be a governor of the United States Postal Service. It is unfortunate that while the United States Postal Service is

suffering huge losses and decreasing volume, the Board of Governors has been operating without a quorum. Last month, this committee approved four other nominees to the board. I thank David Shapira for being here today and hope that we can get these nominees confirmed so the board can return to regular order.

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**Statement of Ranking Member Thomas R. Carper**

*"Nomination of Peter V. Neffenger to be Assistant Secretary (Transportation Security Administration), U.S. Department of Homeland Security and David S. Shapira to be a Governor, United States Postal Service Board of Governors"*

June 10, 2015

*As prepared for delivery:*

I thank the Chairman for scheduling this confirmation hearing for two important nominees.

The Transportation Security Administration (TSA) has been without a Senate-confirmed leader since the highly-regarded John Pistole departed the agency at the end of last year.

As we have learned from press reports, as well as from numerous briefings, and our hearing yesterday, TSA faces serious challenges that demand strong, permanent, Senate-confirmed leadership. Thankfully, the President has nominated in Vice Admiral Peter Neffenger – someone whom I believe can provide TSA with the kind of leader it needs right now.

Admiral Neffenger has served as a commissioned officer in the Coast Guard since 1982, assuming the position of Vice Commandant in May 2014. Throughout his thirty-four year career in the Coast Guard, Admiral Neffenger has displayed exceptional leadership skills and the will to confront difficult challenges head-on. In fact, Admiral Neffenger is no stranger to crisis, having served as the Deputy National Incident Commander for the Deepwater Horizon oil spill.

As DHS Inspector General John Roth said to this Committee yesterday, what TSA needs is someone willing to acknowledge and confront the many challenges facing the agency. And, I would add that the agency also needs someone who will strive for perfection, while addressing the competing priorities of security and expedited travel.

I had the opportunity to meet with Admiral Neffenger recently to discuss his desire to lead TSA and his vision for the agency. I came away from our meeting confident that he is the right person for the job.

Following our discussion with Admiral Neffenger, we'll consider our second nominee today, David Shapira, to serve as a Governor on the Postal Service's Board of Governors. We're considering this nomination at what is a very challenging time for the Postal Service. But as Albert Einstein said, 'in adversity, lies opportunity.'

The Postal Service operates at the center of a massive printing, delivery, and logistics industry that employs millions of people. Even as First Class mail is lost to other forms of communication, the future is promising for the Postal Service in a number of other ways. Advertising mail is still a popular and effective option for mailers. Millions of people still look forward to receiving a wide range of magazines in the mail every week. 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.

I look forward to talking to Mr. Shapira today about what he thinks needs to be done to address the ongoing challenges facing the Postal Service and to hear about the skills and experience that he will bring to the Board. As a leader of a \$10 billion company with nearly 40,000 employees, Mr. Shapira will bring a unique business perspective to the Board of Governors that is very much needed.

If confirmed, Mr. Shapira and the four other Board nominees pending before the Senate would double the size of the current Board. I see a real opportunity here with this new injection of talent to make significant progress towards strengthening our Postal Service.

In closing, I would like to thank both of our nominees today for agreeing to take on the positions for which they have been nominated. I would also like to thank their families for all of their support. Both Admiral Neffenger and Mr. Shapira are exceptionally qualified and I urge my colleagues to support their nominations.

**Statement of Vice Admiral Peter V. Neffenger**  
**Nominee for Administrator**  
**Transportation Security Administration**  
**U.S. Department of Homeland Security**  
**Before the**  
**Homeland Security and Governmental Affairs Committee**  
**United States Senate**  
**June 10, 2015**

Good Morning Chairman Johnson, Ranking Member Carper, and distinguished Members of the Committee. I am deeply privileged to appear before you today as the President's nominee to head the Transportation Security Administration (TSA). I am honored by the President's call to serve our Nation in this important leadership position and by the support of Secretary Jeh Johnson, who has provided strong and inspired leadership to the Department of Homeland Security.

First, I would like to express my sincere appreciation to my fellow members of the United States Coast Guard, with whom I served for more than three decades of my professional life and from whom I have learned many lessons on leadership. They were and are always ready -- to protect the maritime economy and the environment, to defend our maritime borders, and to save those in peril. They have inspired my service and I am eternally grateful for the opportunity to have worked alongside them and to have led them as they safeguard our maritime interests in the heartland, at the ports, at sea, and around the globe. And to the men and women of TSA, I want them to know how deeply honored I am to potentially join their ranks and to serve them and the American people in securing our Nation's transportation systems. They perform an incredibly important and difficult mission, one that demands constant attention to detail and vigilance while sustaining a high level of professionalism and respect. I have confidence in them and would be honored to lead them.

As TSA pursues solutions to the challenges presented by recent and on-going covert testing, there are several critical concepts that must be in place to address the vulnerabilities highlighted. TSA must ensure the appropriate measures of effectiveness are in place to drive an institutional focus on the primary mission, in this case, securing aviation. There must be a culture of operational evolution, one that constantly questions assumptions, plans, and processes, and is able to rapidly field new concepts of operation, performance standards and capabilities, particularly given the persistent and adaptive enemy we face. Finally, delivering an effective system and earning the confidence of the traveling public will only come through competence, disciplined performance, and professionalism. If confirmed, I will bring this perspective and I will relentlessly pursue these objectives, to address the immediate challenges, and more broadly, to accomplish the important mission entrusted to TSA.

In addition, in my view, striking a balance between the demands of security and the imperatives of liberty will be critical. Overall, if confirmed, I will take on this challenge with a leadership perspective that has been at the core of my approach for some time, and one that has been proven in the crucible of the real world: a well-defined statement of the mission, clear and unequivocal standards of performance, training and resourcing that enable the workforce to achieve success, and a relentless pursuit of accountability.

If confirmed it would be my privilege to follow in the footsteps of my longtime mentor and one of TSA's first Administrators, Admiral James Loy, who was the Coast Guard Commandant from 1998 to 2002 and TSA Administrator from 2002 to 2003. I have been similarly privileged to serve our Nation as a senior commissioned officer in the United States Coast Guard. During my nearly 34 years of active service, I have been assigned a broad variety of operational, staff and leadership positions culminating in my current duties as Vice Commandant and second in command of the Coast Guard; the Nation's fifth armed service and premier maritime law enforcement agency. Each successive assignment has brought greater and more complex responsibilities in executing the Coast Guard's mission to secure America's waters and to protect the country against maritime threats. If confirmed, I will have the opportunity to apply this leadership experience and my law enforcement and security skills to one of the most challenging jobs in our Nation; protecting our transportation systems – especially aviation – from terrorists.



Since its creation after the attacks of 9/11/01, TSA has played an invaluable and pivotal role in securing our transportation systems from these threats. Still, more than thirteen years since, we face threats from terrorist groups around the world and from homegrown terrorists who are not affiliated with a particular network, but who, nonetheless are inspired by a message of hatred and violence. A persistent number of terrorist groups remain intent on striking the United States and the West, and we know that some of these groups are focused on commercial aviation. And, we must recognize that we have evolved to a new phase in the global terrorist threat. Today the terrorist threat is more decentralized, more diffuse, and more complex. And today's terrorists no longer build bombs in secret; they have now publicized their instruction manual and are calling for people to use it.

These persistent threats are TSA's most pressing challenge. Our enemies will continually adapt, and so must we. TSA must leverage intelligence, technology, the experience of our front-line operators and our private sector partners to ensure we employ effective, efficient and ever-evolving procedures to stop those who would harm us. We should pay particular attention to the insider threat. I'm encouraged by the thoughtful recommendations provided by the Aviation Security Advisory Committee and, if confirmed, will commit to closely reviewing and pursuing the long-term enhancements recommended.

Retention, training and accountability are a second significant challenge facing TSA. Front-line managers and screeners are critical to the success of TSA, particularly in light of the screening operation vulnerabilities reported recently. As I stated above, a well-defined mission statement, clear performance standards, training and equipping that enable the workforce to achieve success, and a relentless pursuit of accountability are critical to address the recent operational challenges. Agency culture, morale and effectiveness are a direct result of consistent and career-long training, recognition and accountability. If confirmed, while we should further right-size our workforce consistent with the implementation of risk-based security principles, I will pay close attention to training and workforce development, to include how to leverage the TSA Academy to improve individual performance and to instill a greater sense of pride in the agency and its mission.

A related challenge to address is customer service, which is a critical success factor. TSA interacts with millions of travelers each day – travelers who expect efficient and effective screening with minimal delay, and who deserve to be treated with respect. Through my current career, I have routinely interacted with the public and have learned that an organization must continually reinforce this message of dignity and respect to embed it into an agency culture.

A third organizational challenge for TSA is ensuring it is continually fielding the tools and equipment the workforce needs to address this persistent and adaptive threat today, while envisioning longer term the investments necessary to recapitalize and modernize security of our Nation's transportation system.

As such, if confirmed, I will commit myself to ensuring that TSA remains a high-performing, highly-capable counterterrorism organization that is guided by a risk-based strategy to prevent attacks and safeguard legitimate travel and commerce; that TSA employs a multi-layered, intelligence-driven operation and one that discards a one-size fits-all approach; that TSA recruits and retains a highly-trained workforce, one that has the opportunity for career growth and development while placing a premium on professional values and individual accountability to high standards of performance and customer service; that TSA pursues advanced capabilities with innovation and adaptation central to its acquisition strategy to counter evolving threats; and that TSA will continue to invest in and strengthen its integration in the intelligence community, in the private sector, with its stakeholders, and among DHS, federal, state, and local partners. To protect aviation, mass transit, rail, highways, ports, and pipeline systems, I will follow this strategy, engage and lead the workforce, adapt and invest appropriately, and remain focused on these critical success factors.

I have a proven record of leading people and carrying out complex missions and priorities. As Vice Commandant of the Coast Guard, I serve as the Vice Service Chief, Chief Operating Officer and Component Acquisition Executive responsible to train, equip and organize over 50,000 men and women who keep our Nation's waters safe, secure and protected. I approve and certify acquisition programs of record for the Service, and oversee compliance with the Chief Financial Officer and Federal Financial Reform Act of 1990, with the Coast Guard achieving a clean audit

opinion for two consecutive years. I currently serve as the senior authority for all resource requests and budget submissions for the Service.

I have an extensive background in applying the strategic principles of security to port operations and maritime threats, principles that translate effectively to other transportation modes. I served as Commander of the Ninth Coast Guard District overseeing all Coast Guard operations on the Great Lakes and St. Lawrence Seaway and along the Northern Border with Canada. I also commanded Sector Los Angeles-Long Beach and served as the Federal Maritime Security Coordinator and Captain of the Port for the Nation's largest port complex in addition to leading Coast Guard operations throughout approximately 300 miles of California coast and coastal waters. In both commands, I worked closely with interagency and international partners, industry and the private sector, citizens groups and non-governmental organizations, and federal, state and local law enforcement to develop risk-based methods for screening vessels, cargo and people operating in our ports and waterways. I focused on determining highest risk commerce while facilitating legitimate activities. I also established one of the nation's first interagency Area Maritime Security Committees which brought together leaders from industry, labor, government, first responder agencies and the local community to tackle the critical challenge of securing the vital Los Angeles and Long Beach ports and maritime approaches to the West Coast of the United States.

In addition, I have a proven record of leading through crises. I served as Deputy National Incident Commander for the BP Deepwater Horizon Oil Spill in 2010 following the tragic explosion, the loss of eleven lives, and the sinking of the Deepwater Horizon Mobile Offshore Drilling Unit which precipitated the largest and longest oil spill in U.S. history. At the national level, I helped to ensure a coordinated, unified, whole-of-government effort to respond to the massive spill. I led over 50,000 people from federal, state and local agencies; tribal representatives; non-governmental organizations; and the private sector throughout five Gulf Coast states. I regularly briefed the President, Members of Congress, Cabinet Secretaries, state Governors and regional elected officials on progress and milestones, including appearing before Congressional Committees on multiple occasions.

Finally, throughout my years of service I have remained aware of the need to balance desires for greater security with the protection of the liberties and rights we cherish as Americans. If confirmed, safeguarding the civil liberties and privacy interests of all Americans will remain a top priority. I look forward to partnering with this Committee on a range of initiatives to enhance the safety of the traveling public and to achieve this balance.

I applaud the work the men and women of TSA perform each and every day. It would be my great honor to join them and have the privilege of leading this team of committed patriots.

In closing, I again thank President Obama and Secretary Johnson for their confidence and faith in my ability to lead TSA. Mr. Chairman, Ranking Member Carper, I thank you for the opportunity to appear before you today and I look forward to answering your questions.

## 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>	
<u>Name of Position</u>	<u>Date of Nomination</u>
Assistant Secretary for Homeland Security, Transportation Security Administration	<u>April 28, 2015</u>

<i>Current Legal Name</i>			
<u>First Name</u>	<u>Middle Name</u>	<u>Last Name</u>	<u>Suffix</u>
Peter	Vance	Neffenger	

<i>Addresses</i>					
<u>Residential Address</u> (do not include street address)			<u>Office Address</u> (include street address)		
			Street: 2703 Martin Luther King Jr Ave SE		
City:	State:	Zip:	City:	State:	Zip:

Washington	DC	20032	Washington	DC	20593-7000
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<i>Other Names Used</i> N/A						
<u>First Name</u>	<u>Middle Name</u>	<u>Last Name</u>	<u>Suffix</u>	<u>Check if Maiden Name</u>	<u>Name Used From</u> (Month/Year) (Check box if estimate)	<u>Name Used To</u> (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
1955	Salem, OH

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

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

<i>Spouse's Other Names Used (current spouse only)</i>					
N/A					
<u>First Name</u>	<u>Middle Name</u>	<u>Last Name</u>	<u>Suffix</u>	<u>Name Used From</u> (Month/Year) (Check box if estimate)	<u>Name Used To</u> (Month/Year) (Check box if estimate)
				Est 12	Est 12
				Est 12	Est 12

<i>Children's Names (if over 18)</i>			
N/A			
<u>First Name</u>	<u>Middle Name</u>	<u>Last Name</u>	<u>Suffix</u>

## 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>
Baldwin Wallace University	University	Est Sep 1973	Est Present Jun 1977	BA	Jun 1977
Central Michigan University	University (extension campus)	Est X Aug 1982	Est Present Aug 1986	MA	Aug 1986



Harvard University Kennedy School of Gov't	University	Est Jun 1994	Est Present Jun 1995	MPA	Jun 1995
U.S. Naval War College	Military College	Est Aug 2002	Est Present Jun 2003	MA	Jun 2003

### 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)
Non-Profit	Betterway, Inc	Assistant to Director	Elyria, OH	Est X Sep 1977	Est X Dec 1978

Non-Profit	AFS International	Student Affairs Consultant	New York, NY	Est X Jan 1979	Est X Feb 1980
Non-Profit	English-in-Action	Director	New York, NY	Est X Mar 1980	Est X Sep 1981
Active Military Duty Station	US Coast Guard Officer Candidate School	Officer Candidate	Yorktown, VA	Est X Oct 1981	Est X Feb 1982
Active Military Duty Station	US Coast Guard Eighth CG District Office	Training Officer	New Orleans, LA	Est X Mar 1982	Est X Jul 1983
Active Military Duty Station	US Coast Guard Coast Guard Cutter GALLATIN	Student Engineer	Governors Island, NY	Est X Aug 1983	Est X Aug 1985
Active Military Duty Station	US Coast Guard Marine Safety Office	Marine Inspector/ Marine Investigator	New Orleans, LA	Est X Sep 1985	Est X May 1989
Active Military Duty Station	US Coast Guard USCG Liaison Office	Liaison Officer	Pago Pago, American Samoa	Est X Jun 1989	Est X Jul 1991
Active Military Duty Station	US Coast Guard Marine Safety Office	Chief of Marine Inspection and Port Operations	Mobile, AL	Est X Aug 1991	Est X May 1994
Active Military Duty Station	US Coast Guard, Harvard University	Student	Cambridge, MA	Est X Jun 1994	Est X Jun 1995

Active Military Duty Station	US Coast Guard Headquarters Office of Casualty Investigations	Program Analyst	Washington, DC	Est X Jul 1995	Est X Jul 1997
Active Military Duty Station	US Coast Guard Headquarters Office of Congressional Affairs	USCG Fellow to Senate Appropriations Cmte, Subcmte on Transportation	Washington, DC	Est X Aug 1997	Est X Aug 1999
Active Military Duty Station	US Coast Guard Marine Safety Office San Francisco Bay	Executive Officer	Alameda, CA	Est X Aug 1999	Est X Jul 2002
Active Military Duty Station	US Coast Guard, US Naval War College	Student	Newport, RI	Est X Aug 2002	Est X Jun 2003
Active Military Duty Station	US Coast Guard Sector Los Angeles-Long Beach	Sector Commander	Los Angeles, CA	Est X Jul 2003	Est X Apr 2006
Active Military Duty Station	US Coast Guard Headquarters Office of Budget and Programs	Office Chief	Washington, DC	Est X May 2006	Est X Apr 2008
Active Military Duty Station	US Coast Guard Ninth Coast Guard District Office	District Commander	Cleveland, OH	Est X Apr 2008	Est X Apr 2010
Active Military Duty Station	US Coast Guard, National Incident Command, BP Deepwater Horizon Oil Spill	Deputy National Incident Commander	Washington, DC	Est X May 2010	Est X Oct 2010

Active Military Duty Station	US Coast Guard Headquarters Office of Strategic Mgmt and Doctrine	Director	Washington, DC	Est X Nov 2010	Est X May 2012
Active Military Duty Station	US Coast Guard Headquarters Deputy Commandant for Operations	Deputy Commandant for Operations	Washington, DC	Est Jun 2012	Est May 2014
Active Military Duty Station	US Coast Guard Headquarters Office of the Vice Commandant	Vice Commandant	Washington, DC	Est May 2014	Est Present

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

None

<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	Est Present
		Est	Est Present
		Est	Est Present
		Est	Est Present

#### **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.**

In connection with the nomination process, I consulted with the U.S. Office of Government Ethics and the U.S. Department of Homeland Security's (DHS) 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 entered into with DHS's Designated Agency Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

**(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.**

##### **Academic Awards & Scholarships**

National Honor Society

F. E. Harris Scholarship, Baldwin Wallace College

Dayton C. Miller Honor Society, Baldwin Wallace College

U.S. Naval War College James F. Forrestal Award for Excellence in Strategy & Force Planning

##### **Military Awards**

Department of Homeland Security Distinguished Service Medal

USCG Distinguished Service Medal

Legion of Merit (4 awards)

Meritorious Service Medal (3 awards)

USCG Commendation Medal with Operational Distinguishing Device (3 awards)

**Transportation 9-11 Medal**  
**Presidential Unit Citation**  
**USCG Achievement Medal (2 awards)**  
**USCG Commandant Letter of Commendation with Operational Distinguishing Device**  
**Department of Transportation Outstanding Unit Award**  
**Coast Guard Unit Commendation with Operational Distinguishing Device (3 awards)**  
**Coast Guard Meritorious Unit Commendation (4 awards)**  
**Coast Guard Meritorious Team Commendation with Operational Distinguishing Device (5 awards)**  
**Coast Guard Bicentennial Unit Commendation**  
**National Defense Service Medal (2 awards)**  
**GWOT Service Medal**  
**Humanitarian Service Medal (2 awards)**  
**Coast Guard Special Operations Service Ribbon (2 awards)**  
**Coast Guard Sea Service Ribbon**  
**Coast Guard Overseas Service Ribbon**  
**Rifle Marksmanship Ribbon**  
**Pistol Sharpshooter Ribbon**

**Other Recognition**

**USCG Foundation, Admiral James S. Gracey Award for Professionalism**  
**U.S. Department of Justice Certificate of Appreciation for assistance in prosecuting environmental crimes**

**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>
WTS International	2002-2014	Member
Propeller Club of the United States, Port of Los Angeles-Long Beach	2003-2006	Member
Homeland Security Advisory Council, Los Angeles, CA	2003-2006	Member
International Trade Education Programs, Los Angeles, CA	2003-2006	Member of Advisory Board (non-voting, non-fiduciary)
Pacific Council on International Policy, Los Angeles, CA	2005-Present	Member
City Club of Cleveland, Cleveland, OH	2008-2010	Member
Cleveland Council on World Affairs, Cleveland, OH	2009-2010	Member
The Army and Navy Club, Washington, DC	2013-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</u> (if applicable)
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(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.

None

<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.



<u>Name of Recipient</u>	<u>Amount</u>	<u>Year of Contribution</u>
Juliette Kayyem (Massachusetts gubernatorial bid)	\$250	2013

#### **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>
Safeguarding our Hemisphere	U.S. Naval Institute Proceedings	October 2013
Merging the Missions: Ensuring Maritime Homeland Security and Defense Through Effective Command and Control	U.S. Naval War College, Newport, RI	June 2003

(B) List any formal speeches you have delivered during the last five years and provide the Committee with copies of those speeches relevant to the position for which you have been nominated. Include any testimony to Congress or any other legislative or administrative body. These items can be provided electronically via e-mail or other digital format.

<u>Title/Topic</u>	<u>Place/Audience</u>	<u>Date(s) of Speech</u>
Please see attached spreadsheet and enclosed CD-ROM for details and copies of relevant speeches, publications and testimony to Congress.		

(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>
Please see attached spreadsheet and enclosed CD-ROM for details and copies of speeches, publications and testimony to Congress.		

### 9. Criminal History

Since (and including) your 18<sup>th</sup> 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>
11 Feb 1999	District Court of Montgomery	Peter V. Neffenger  Patricia E.	Divorce	Divorce Granted

	County, TX 9 <sup>th</sup> Judicial District	Bridges		

(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



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.

<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

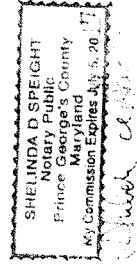
REDACTED

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.

*[Signature]*

This May day of 26, 2015



UNITED STATES OFFICE OF  
GOVERNMENT ETHICS

REDACTED

MAY - 5 2015

The Honorable John Thune  
Chairman  
Committee on Commerce, Science,  
and Transportation  
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 Peter V. Neffenger, who has been nominated by President Obama for the position of Assistant Secretary, Transportation Security Administration, Department of Homeland Security.

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

*27 April 2015*

Joseph B. Maher  
Designated Agency Ethics Official  
Department of Homeland Security  
Washington, D.C. 20528-0485

Dear Mr. Maher:

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 Assistant Secretary of Homeland Security, Transportation Security Administration, Department of Homeland Security.

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.

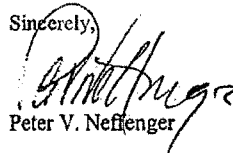
My spouse is employed by the National Academy of Sciences, from which she receives a fixed annual salary. For as long as my spouse continues to work for the National Academy of Sciences, I will not participate personally and substantially in any particular matter that to my knowledge has a direct and predictable effect on my spouse's compensation or employment with the National Academy of Sciences. I also will not participate personally and substantially in any particular matter involving specific parties in which I know the National Academy of Sciences is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

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.

Finally, I understand that as an appointee I am required to sign the Ethics Pledge (Exec. Order

No. 13490) and that I will be bound by the requirements and restrictions therein in addition to the commitments that I have made in this ethics agreement.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Neffenger", written over the printed name.

Peter V. Neffenger

**U.S. Senate Committee on Homeland Security and Governmental Affairs  
Pre-hearing Questionnaire For the Nomination of Peter Neffenger to be  
Administrator, Transportation Security Administration**

**I. Nomination Process and Conflicts of Interest**

1. **In your opinion, what specific background or experience affirmatively qualifies you to be the next Administrator of the Transportation Security Administration (TSA)?**

I have been privileged to serve our Nation for nearly 34 years as a commissioned officer in the United States Coast Guard. During these years I have been assigned to a broad variety of operational, staff and leadership positions culminating in my current duties as Vice Commandant and second in command of the Coast Guard; the Nation's fifth armed service and premier maritime law enforcement agency. Each successive assignment has brought greater and more complex responsibilities.

As Vice Commandant, I serve as the Vice Service Chief, Chief Operating Officer and Component Acquisition Executive responsible to train, equip and organize over 50,000 men and women who keep our Nation's waters safe, secure and protected. I approve and certify all acquisition programs of record for the Service. I oversee compliance with the Chief Financial Officer and Federal Financial Reform Act of 1990 (the Coast Guard is the first Armed Service to achieve a clean audit opinion – an achievement we have maintained for two consecutive years). I serve as the senior authority for all resource requests and budget submissions for the Service.

I have served as a senior DHS field commander. I commanded the Ninth Coast Guard District encompassing all operations on the Great Lakes and St Lawrence Seaway and the Northern Border with Canada. I commanded Sector Los Angeles-Long Beach and served as the Federal Maritime Security Coordinator and Captain of the Port for the Nation's largest port complex in addition to approximately 300 miles of California coast and coastal waters. In both commands, I worked closely with interagency and international partners, with industry and private sector, with citizens groups and with non-governmental organizations to develop risk-based methods for screening vessels, cargo and people operating in our ports and waterways. I focused on determining highest risk commerce while facilitating legitimate activities.

I also established one of the nation's first interagency Area Maritime Security Committees which brought together leaders from industry, labor, government, first responder agencies and the local community to tackle the critical challenge of securing the vital Los Angeles and Long Beach ports and maritime approaches to the West Coast of the United States.



I have earned three Masters Degrees: in Business Management, Public Administration, and National Security and Strategic Studies. I served as Detailee for two years to the Senate Appropriations Committee, Subcommittee on Transportation. I have extensive experience in budget formulation and program review, having served as the Coast Guard Budget Officer from 2006-2008. In this role I helped to establish the framework for new accounting controls and management policies to ensure they were sound, well-understood and practiced uniformly throughout the Coast Guard.

I served as Deputy National Incident Commander for the BP Deepwater Horizon Oil Spill in 2010 following the tragic explosion and sinking of the Deepwater Horizon Mobile Offshore Drilling Unit which precipitated the largest and longest oil spill in U.S. At the national level, I helped to ensure a coordinated, unified, whole-of-government effort to respond to the massive spill. I led over 50,000 people from federal, state and local agencies; tribal representatives; non-governmental organizations; and the private sector throughout five Gulf Coast states. I regularly briefed the President, Members of Congress, Cabinet Secretaries, state Governors and regional elected officials on progress and milestones.

I have traveled and served extensively, domestically and internationally, throughout my Coast Guard career in representation of my Service and the Nation; most recently as Head of the U.S. delegation to the Arctic Council symposium in Russia and as Head of the U.S. delegation to the International Maritime Organization.

If confirmed for the TSA Administrator position to which I have been nominated, I will have the privilege and opportunity to apply my law enforcement and security experience and skills to one of the most challenging jobs in our nation; protecting our transportation systems – especially aviation – from terrorists.

**2. Were any conditions, expressed or implied, attached to your nomination? If so, please explain.**

No

**3. The departure of top-level officials at the Department of Homeland Security (DHS) can undercut the agency's ability to stay ahead of a range of emerging threats. How long have you committed to stay with the agency?**

If confirmed, I will serve at the pleasure of the President of the United States.

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

No

5. **During your time at the Coast Guard, were you ever placed on administrative separation? If so, please provide the date(s) and an explanation.**

No

6. **Are you aware of any business relationship, dealing, or financial transaction that can result in a possible conflict of interest for you or the appearance of a conflict of interest? If so, please explain what procedures you will use to ensure your responsibilities are not affected by your recusal.**

In connection with the nomination process, I consulted with the U.S. Office of Government Ethics and the U.S. Department of Homeland Security's (DHS) 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 entered into with DHS's Designated Agency Ethics Official and that has been provided to this Committee. I am not aware of any other potential conflicts of interest.

7. **Please describe your involvement in the response and clean-up operations of the 2010 BP Deepwater Horizon Oil spill.**

I served as Deputy National Incident Commander for the BP Deepwater Horizon Oil Spill in 2010 following the tragic explosion and sinking of the Deepwater Horizon Mobile Offshore Drilling Unit which precipitated the largest and longest oil spill in U.S. At the National level, I helped to ensure a coordinated, unified, whole-of-government effort to respond to the massive spill. I led over 50,000 people from federal, state and local agencies; tribal representatives; non-governmental organizations; and the private sector throughout five Gulf Coast states. I regularly briefed the President, Members of Congress, Cabinet Secretaries, state Governors and regional elected officials on progress and milestones.

- a. **What lessons did you learn from this incident and the response?**

The Gulf oil spill was a massive and multi-faceted event. It directly affected five Gulf Coast states, put large populations of people in a number of key industries out of work, affected the health of coastal populations, strained local resources and placed huge demands on elected officials at all levels of government. A successful response to a crisis of this magnitude required a massive and coordinated effort among government, private sector, private citizens, elected officials, news media and various international counterparts to each of these categories. Communication and agreement among these many groups was challenging, but ultimately key to bringing together all the many components of the overarching response. Collectively we had to determine and agree upon a clear set of objectives, focus on what was needed to achieve those objectives, adjust that focus as new information surfaced (or as the situation changed).

**b. How do you think those lessons will translate to TSA's working environment?**

Leadership in crisis is a crucible in which one hones critical skills under the most demanding of situations. The principles of leadership are not different from those needed for day-to-day demands, but they are brought into sharp focus in crisis: focus on mission; clear objectives; an understanding of the information needed to achieve those objectives and how to attain and distribute that information; training of the workforce; appropriate and effective policies and processes; equipment and tools that work; and an adaptive and evolving approach.

**II. Role and Responsibilities of the Administrator of TSA**

**8. Please describe your view of the agency's core mission and the Administrator's role in achieving that mission.**

The core mission of TSA is the security of our Nation's transportation systems and the safety of the traveling public. The Administrator is solely responsible for the performance and accountability of the agency. As Administrator I would be responsible for sound stewardship of precious public resources. The American public puts great trust in its public servants and we must never violate that trust. Given this, the Administrator must also ensure transparency through independent review of financial records and organizational performance milestones. The Administrator must also ensure that financial and managerial teams have the required training and skills to meet these mandates.

The knowledge and experience I have gained over my years of service have helped me to understand the motivations and the needs of a dynamic and distributed workforce, the workings of our government, and the importance of sound and prudent fiscal management as we strive to provide the highest quality and most efficient and most effective service to the American public.

**9. In your opinion, is TSA currently fulfilling its aviation security responsibilities? If not, what would you do differently as Administrator?**

I have received TSA program briefs, visited a number of TSA facilities and met with front-line TSA employees. I have been repeatedly impressed by the dedication of the TSA workforce and the efforts they are putting into protecting our Nation's transportation systems, especially aviation. If confirmed, I would ensure that TSA remains laser-focused on its core mission to protect aviation from a terrorist attack. This requires strong connection to the Intelligence Community to understand the ever-evolving threat. It requires a continual evaluation of system vulnerabilities to understand the risk that the threat entails. It requires the development of multiple layers of operations to address that risk. It requires effective and ongoing training of the workforce to employ those layers effectively and appropriately. And it requires a robust acquisition program with strong oversight and accountability, underpinned by a sound and defensible requirements generation process.

**10. What do you believe are the most pressing internal and external challenges currently facing TSA? Which challenges will you prioritize and what do you plan to do, specifically, to address each of those challenges?**

Threat: Threats to our transportation systems are real and persistent, and our transportation systems will remain targets of our enemies. We can never assume we have found "the security answer." Our enemies will continually adapt, so we must continually adapt. We must leverage intelligence, technology and the experience of our front-line operators and private sector partners to ensure we employ effective, efficient and ever-adapting procedures to stop those who would harm us.

Customer Service: TSA interacts with millions of travelers each day – travelers who expect efficient and effective screening with minimal delay, and who expect to be treated with respect. In my current career I have routinely interacted with the public and have learned that an organization must continually reinforce this message of dignity and respect in order to make it part of an agency culture.

Retention, Training and Accountability: Front-line managers and screeners are critical to the success of TSA. Agency culture, morale and effectiveness are a direct result of consistent and career-long training, recognition and accountability.

If confirmed, I will commit myself to ensuring that TSA remains a high-performing, highly-capable counterterrorism organization guided by a risk-based strategy; that TSA employs multi-layered, intelligence-driven operations; that TSA recruits and retains a skilled and highly-trained workforce, while placing a premium on professional values and individual accountability; that TSA pursues advanced capabilities with adaptation central to its acquisition strategy; and that TSA continues to strengthen its integration in the intelligence community, with the private sector, with its stakeholders, and among federal, state, and local partners.

If confirmed, I will follow this strategy, engage and lead the workforce, and adapt and invest appropriately.

**11. In your view, what are the highest priorities in both urgency and importance for enhancing transportation security? Why?**

Nearly 14 years after 9/11, the global terrorist threat has evolved. Today, this threat is more decentralized, more diffuse, and more complex. Certain terrorist groups remain intent on striking the United States and the West, and we know that some of these groups are focused on commercial aviation. Moreover, we see an emerging threat from lone wolf actors. The threats are persistent and evolving, and they are TSA's most pressing challenge. We must question ourselves; we must evolve our capabilities, we must adapt faster than those who wish to harm us. We must envision what comes next and direct investments appropriately.

### **III. Policy Questions**

#### *General*

**12. TSA faces the challenge of balancing security of extensive transportation systems with customer service and expediting the flow of people and commerce. In addition, the Administrator must decide how to allocate some of the agency's finite resources to manage risks while addressing threats and enhancing security across all transportation modes (aviation, surface, maritime).**

**a. If confirmed, how do you plan to balance these competing priorities?**

As I previously stated, front-line managers and screeners are critical to the success of TSA. Agency culture, morale and effectiveness are a direct result of consistent and career-long training, recognition and accountability. If confirmed, while we should further right-size our workforce consistent with the implementation of risk-based security principles, I will pay close attention to training and workforce development, to include how to leverage the TSA Academy to improve individual performance and to instill a greater sense of pride in the agency and its mission.

Customer service is directly related. TSA interacts with millions of travelers each day – travelers who expect efficient and effective screening with minimal delay, and who deserve to be treated with respect. Through my current career, I have routinely interacted with the public and have learned that an organization must continually reinforce this message of dignity and respect in order to embed it into an agency culture.

To protect aviation, mass transit, rail, highways, ports, and pipeline systems TSA must continually assess its allocation of resources to ensure it is fielding the tools and equipment the workforce needs. TSA must address the persistent and adaptive threat today, while envisioning the longer term investments necessary to recapitalize and modernize security of our Nation's transportation system.

**b. Have you used a risk management approach or strategic planning concepts to manage complex programs at the Coast Guard? If so, what challenges did you encounter and what were the results of your efforts? How would you apply that experience at TSA?**

Every Coast Guard officer learns the tenets of risk management as a fundamental approach to operations and mission accomplishment. Throughout my career, I have applied risk management principles to the deployment of forces, the allocation of resources and the planning of operations. In addition, I have been directly involved in both the initial and ongoing development and implementation of the Maritime Security Risk Assessment Model (MSRAM), which is used to determine maritime key infrastructure, vulnerabilities and threats. The MSRAM underpins resource allocation and operational force distribution and action.

I have an extensive background in applying the strategic principles of risk-based security to port operations and maritime threats, principles that translate effectively to other transportation modes. I served as Commander of the Ninth Coast Guard

District overseeing all Coast Guard operations on the Great Lakes and St. Lawrence Seaway and along the Northern Border with Canada. I commanded Sector Los Angeles-Long Beach and served as the Federal Maritime Security Coordinator and Captain of the Port for the Nation's largest port complex in addition to leading Coast Guard operations throughout approximately 300 miles of California coast and coastal waters. In both commands, I worked closely with interagency and international partners, industry and the private sector, citizens groups and non-governmental organizations, and federal, state and local law enforcement to develop risk-based methods for screening vessels, cargo and people operating in our ports and waterways. I focused on determining highest risk commerce while facilitating legitimate activities.

I served as the Coast Guard Director of Strategic Management and Doctrine, and as the Deputy Commandant for Operations. In these roles I developed the first Service-level strategies to address our missions throughout the Western Hemisphere, the changing Arctic, and the cyber domain.

If confirmed, I would ensure TSA developed a clear strategic vision, informed by risk and underpinned by a trained and skilled workforce supported by a sound, effective and defensible acquisition program.

**13. The attempted December 25, 2009, terrorist attack, the October 2010 bomb attempt involving air cargo originating in Yemen, and the ongoing threat from ISIS highlight the need for TSA to strengthen international aviation security.**

**a. What actions will you take to ensure the security of international commercial passenger aircraft, especially those with passengers traveling from foreign airports to the U.S.?**

International aviation security requires strong partnerships with government and private sector counterparts around the world. This is especially important in those nations with flights that fly directly to the United States – so-called Last Points of Departure. It is critical to have common security standards; that there is an established program to verify adherence to these standards; that there are strong and enforceable information and intelligence sharing agreements in place; that such information is shared with the right people and entities in a timely manner; and that there are effective, well-understood and fully exercised operational procedures in place to respond when necessary.

**b. How will you coordinate with foreign governments on your efforts to prevent criminal and terrorist travel?**

If confirmed, I will work with various foreign government counterparts, international travel and aviation associations, international air carriers and freight forwarders, as well as other U.S. Government entities to ensure we continually address the critical success factors noted in my answer to the preceding question.

**c. During your time in the Coast Guard, were you responsible for establishing or maintaining any security efforts with partner countries? If so, please describe.**

At the strategic level, while serving as Deputy Commandant for Operations, I served as the U.S. Head of Delegation to the International Maritime Organization. In this capacity I was responsible, among other things, for assisting in the development and implementation of standards for maritime security. These included operational standards for vessels, security requirements for maritime ports and terminals (including an effective oversight and verification regime), procedures for responding to violations or security concerns and information sharing agreements with international partners.

At the operational level, while serving as the Federal Maritime Security Coordinator for the Ports of Los Angeles and Long Beach and some 300 miles of California coast, I worked with foreign shipowners, cargo shippers and terminal operators to ensure their compliance with newly implemented port and vessel security standards.

**14. In the 2014 Best Places to Work Agency Rankings, TSA ranked 305th out of 314 Federal Government agencies. Conversely, the United States Coast Guard (USCG) ranked 66 and was the second highest ranking DHS subcomponent. In addition, a 2012 DHS Office of Inspector General report (OIG-12-28) agreed for the Federal Air Marshal Service (FAMS) in particular, listing a number of ways FAMS management was damaging employee morale. What steps will you take to improve morale levels at TSA? To what extent do you believe lessons from your tenure with the USCG can be applied at TSA to improve employee morale?**

In my experience, strong and positive morale results directly from the following:

- A clear, well-defined and important mission
- A trained and empowered workforce
- A valued and supported workforce
- Equitable and consistent accountability at all levels



The approach I have taken in my Coast Guard career to ensure high morale and performance includes, but is not limited to:

- Determine and acknowledge leadership challenges. The Federal Employee Viewpoint Survey is a good starting point.
- Tell the workforce you hear them and are listening.
- Train and equip the workforce to do their jobs.
- Empower and support workforce in doing their jobs.
- Set, communicate, and enforce standards of performance equitably and consistently.
- Ensure accountability.
- Reward performance.

15. **On May 6, 2015, DHS transmitted to Congress a legislative proposal which would reinstate the Air Carrier Fee at an industry-wide limit of \$420 million in annual collections and increase the aviation passenger fee by .50 cents each of the next three years, bringing the per one-way trip fee to \$7.50 in Fiscal Year 2019. What do you believe are the merits of having the Transportation Security Administration rely on fee based funding rather than appropriated funds?**

I have not yet had the opportunity to look into the TSA funding proposals. If confirmed, I look forward to examining both the current budget and the proposed funding requests for TSA in order to better understand the arguments surrounding fee-based funding versus appropriated funds.

16. **Since its inception, TSA has relied heavily on contractor support for its daily functioning. Currently, the DHS OIG is conducting an audit to determine whether TSA's human capital contracts are managed effectively, comply with DHS Acquisition guidelines, and are achieving expected goals. If confirmed, how will you approach balancing the need to contract for services and managing contracts effectively with building sustainable expertise within TSA?**

If confirmed I look forward to better understanding the current use of contractor support throughout TSA and will review that use to determine whether it is appropriate and cost effective. It is critical that TSA build and sustain core capability and expertise across the range of its activities and operations.

17. **Upon its creation with enactment of the Aviation and Transportation Security Act (P.L. 107-71), TSA was vested with broad authority to issue security directives without providing notice or an opportunity for comment. If confirmed, how do**

**you intend to balance the authority to alter policies and procedures expeditiously to address emerging and evolving threats with the desire to seek input and establish policy in a transparent manner?**

Effective transportation security relies upon broad and diverse partnerships among government, private sector and the traveling public. I can understand that there are times when an emerging threat requires immediate action to protect the system, and that information about that threat may not be publicly releasable. That said, it is important to develop and nurture trusted relationships within the private sector and the traveling public. If confirmed, I will seek input from the private sector and the traveling public on the broad array of policies and procedures to ensure security directives are informed and transparent to the maximum extent possible.

*Federal Air Marshal Service (FAMS)*

- 18. FAMS as we know it today was formed after the tragic events of 9/11/2001 to prevent a similar style attack. Some security experts, including ones who have testified before this Committee, have questioned the cost effectiveness of the program, while others have pointed to its deterrent effect. The budget for Fiscal Year 2015 for FAMS was approximately \$790 million, out of the approximately \$7.2 billion budget for TSA, or 11 percent of TSA's overall budget. Are changes necessary to ensure that FAMS runs efficiently and effectively? What changes would you implement?**

If confirmed, I will examine the effectiveness and efficiency of each of TSA's programs and operational entities, to ensure that appropriated funds are allocated in the most effective and efficient manner. This would include an examination of the Federal Air Marshal Service and its policies, procedures and operations.

*Risk-Based Passenger Screening*

19. **Over the past few years, TSA significantly expanded its application of risk-based security measures, particularly with respect to passenger screening. What do you think is the proper role for risk-based security? How do you envisage these various risk-based programs, such as the Pre-Check program, evolving under your leadership?**

I strongly believe in a risk-based approach to security. The vast majority of the people, goods and services moving through our transportation systems are legitimate and appropriate. The key is to identify this majority so that we are not forced to apply a single solution to security. This would severely impact system effectiveness and efficiency, while perhaps introducing vulnerabilities and opportunity for harm. If we can understand the threat and can identify the vulnerabilities of our systems to the threat, then we can design a system to reduce the risk of vulnerabilities being exploited. If confirmed, I will ensure an ongoing review of the effectiveness of the process and procedures for expedited screening, a continual evaluation of the appropriateness and effectiveness of the various layers and tools of security currently in use, and an adaptive and evolving requirements and acquisition process.

20. **In November of 2013, a GAO report (GAO-14-159) recommended TSA should limit future funding for behavior detection activities. According to GAO, evidence available at the time did not support whether behavioral indicators, which are used in TSA's Screening of Passengers by Observation Techniques (SPOT) program, could be used to identify persons who may pose a risk to aviation security. If confirmed, what steps will you take to review GAO's findings and make improvements to the SPOT program?**

If confirmed, I look forward to learning more about the science behind the SPOT program and to understand its effectiveness as a tool in a layered security system. I also look forward to working with GAO in order to understand and address their concerns.

21. **In December of 2014, a GAO report (GAO-15-150) expressed concern over TSA's Managed Inclusion program, which utilizes Behavior Detection Officers, Passenger Screening Canines, and Explosive Trace Detection equipment to make real-time assessments of the threat posed by passengers and to provide expedited screening to those deemed low risk. According to GAO, TSA developed and deployed Managed Inclusion to reach its internal goal of providing expedited screening to at least 25 percent of passengers by the end of calendar year 2013**

**despite not having tested the security effectiveness of the Managed Inclusion process as a whole. What steps will you take to address GAO's findings regarding Managed Inclusion?**

If confirmed, I look forward to reviewing the Managed Inclusion program in depth, to include a review with GAO of their findings. I am in favor of a security system that includes multiple layers and a variety of tools to ensure unpredictability and to ensure that any security gaps in one layer are addressed by subsequent and overlapping layers. To that end, I want to understand how robust the rule set for Managed Inclusion is, and whether there are sound and defensible bases for using it in our aviation security system.

- 22. A March 2015 DHS OIG report (OIG 15-45) found that on June 29, 2014, a traveler was cleared for Pre-Check screening despite the passenger's past membership in a domestic terror group and involvement in felonious criminal activities that led to arrest and conviction. The DHS OIG recommended that the TSA Chief Risk Officer discontinue the rules in the Secure Flight program responsible for the error and that the TSA Assistant Administrator for Security Operations clarify TSO authority concerning the Pre-Check screening process.**

- a. Do you agree with the DHS OIG's recommendations? If not, please provide an explanation.**

I am familiar with the general reporting surrounding this event, but have not yet reviewed the specific rules in the Secure Flight program that apply to this case. If confirmed, I will work with the DHS OIG to determine the nature of their concerns and to implement any changes needed to ensure clarity of authority and the integrity of the security system.

- b. If confirmed, what actions do you plan to take to ensure that TSA programs such as Pre-Check screening cannot be exploited by criminals or terrorists?**

One of the greatest challenges to maintaining an effective system of security is recognizing that it must continually evolve to meet the continually evolving threat. Static rules and systems become predictable over time and as such, can ultimately be defeated. We must question ourselves; we must evolve our capabilities, we must adapt faster than those who wish to harm us. If confirmed, I will maintain a culture within TSA that envisions what comes next and directs investments appropriately.

*Interagency and Stakeholder Collaboration*

- 23. In assessing the risks of the five transportation security modes (aviation, freight rail, mass transit, highway, and pipeline), how do you plan to leverage the assessment efforts and expertise of other DHS components, agencies, and industry stakeholders to avoid duplication, overlap, and any gaps in such efforts?**

The security of our transportation systems depends upon strong partnerships at all levels of government, with the private sector and with the traveling public. Communication, effective processes and agreements, exercises, oversight and accountability, and an agreed upon set of objectives are critical components of security in a national transportation system as vast, diverse and complex as that of the United States.

I have had extensive experience in working across government, with the private sector and with the public in setting and achieving security goals, and if confirmed, will continue to employ this collaborative approach.

- 24. Given the number of public and private stakeholders involved in securing the transportation systems, such as passenger rail and mass transit systems, how do you plan to coordinate and collaborate with other agencies and industry stakeholders in developing security policies and strategies?**

As noted earlier, I have served as a senior field commander. I commanded the Ninth Coast Guard District encompassing all operations on the Great Lakes and St Lawrence Seaway and the Northern Border with Canada. I commanded Sector Los Angeles-Long Beach and served as the Federal Maritime Security Coordinator and Captain of the Port for the Nation's largest port complex in addition to approximately 300 miles of California coast and coastal waters.

In both commands, I worked closely with interagency and international partners, with industry and private sector, with citizens groups and with non-governmental organizations to develop risk-based methods for screening vessels, cargo and people operating in our ports and waterways. I focused on determining highest risk commerce while facilitating legitimate activities.

I also established one of the Nation's first interagency Area Maritime Security Committees which brought together leaders from industry, labor, government, first responder agencies and the local community to tackle the critical challenge of securing

the vital Los Angeles and Long Beach ports and maritime approaches to the West Coast of the United States.

If confirmed, I plan to continue to employ this collaborative and inclusive approach in developing security policies and strategies.

*FFDO Program*

**25. What do you see as the potential implications of the Germanwings flight 9525 crash on the selection, continued monitoring, and assessment of Federal Flight Deck Officers (FFDO)?**

The Germanwings crash was a terrible tragedy. If confirmed, I will examine the FFDO program to better understand the training, selection and ongoing oversight of the program. I will study and understand how this capability has been deployed and will determine how to put it to best use.

**26. What types of screening and procedural changes are potentially available to mitigate the possibility that an FFDO could use his firearm to carry out an intentional act to harm passengers and crew in U.S. airspace?**

As noted, if confirmed, I want to better understand the training, selection and ongoing oversight of the FFDO program.

**27. Do you think there is effective coordination between the FFDO program and the FAMS program? How could coordination be improved?**

If confirmed, I will examine the ways in which these programs coordinate to determine what opportunities there are for improvement and what changes may be warranted.

*Checkpoint Security*

**28. Following the November 2013 shooting at Los Angeles International Airport, TSA identified several actions to improve security at checkpoints.**

- a. In your view, have improvements to law enforcement support and critical incident response to security incidents at airport passenger screening checkpoints been effective? Do you think there are specific changes that could be made to improve security at the checkpoints?**

Workforce safety is a top priority. Frontline TSA employees must feel safe and be protected. If confirmed, I look forward to examining existing agreements with law enforcement agencies to determine whether they are effective and whether any changes do, indeed, need to be made.

**b. How might TSA personnel, and law enforcement better collaborate to identify and implement checkpoint security best practices at airports across the country?**

If confirmed, my review of existing agreements would include an examination of best practices and checkpoint design.

**29. Various reports have discussed security breaches at a number of major airports. In your view, what are some possible approaches that TSA could take to work with airports in order to identify and address any potential weaknesses in perimeter security and airport access controls?**

I have read the April 2015 Aviation Security Advisory Committee (ASAC) Working Group report on airport access control and if confirmed, look forward to working with ASAC and airports to address the vulnerabilities identified. I would implement Secretary Johnson's recent directives, while seeking best practices and models to inform the way forward.

**30. In December 2014, a Delta Airlines baggage handler was arrested in Atlanta for participating in a weapon smuggling ring, in January 2015 an FAA safety inspector was arrested for carrying a loaded firearm in a cockpit, and in January 2015 a Delta worker was arrested for boarding a flight to Paris without being screened.**

**a. What additional measures do you recommend to increase security screening of airport and airline personnel?**

The ASAC report has provided a number of recommendations and Secretary Johnson has ordered a number of immediate actions to improve security screening. If confirmed, I look forward to better understanding the challenges of identifying an insider threat among what should be a trusted and vetted population. I would also look forward to working with airports and other government agencies to ensure best practices are highlighted and used to inform a uniform set of standards.

- b. Do you agree with the Aviation Security Advisory Committee's finding that 100 percent employee screening should not be required and that randomized screening is an effective deterrent? If so, please provide an explanation.**

I have not had the opportunity to visit airports, such as Miami-Dade or Orlando, that report 100 percent screening of employees, to understand how it has been implemented. I have also not had the opportunity to visit and hear from airports that do not do 100 percent screening, but instead use a randomized approach. If confirmed, I will do both and will consult with ASAC and other security experts to inform the decision as to the most effective approach or approaches to take.

- c. What additional safeguards might be available to assure that these measures cannot be easily circumvented?**

If confirmed, I will work with government and private sector partners to determine appropriate safeguards and oversight for the measures deemed necessary to secure against the insider threat.

- d. How could TSA hold personnel responsible for not following uniform security procedures?**

It is important to set clear standards, communicate those standards, set guidelines for implementing those standards and enforce a process for holding people accountable for adhering to those standards.

- e. Do you believe that the current list of disqualifying offenses for airport employment can prevent future instances of access control breaches or should the list be modified?**

If confirmed, I will work with government and private sector partners to ensure that the list of disqualifying offenses is appropriate and adequate.

*Aviation Security*

- 31. The recent gyrocopter landing on the Capitol lawn has renewed concerns over the ability to respond to aviation threats posed by low-flying, low-speed, small aircraft and ultralights in the National Capital Region (NCR) and other restricted airspace. In your view, are additional measures to monitor aircraft departing from**



**civilian airports necessary? What measures would you recommend to improve interagency coordination in response to potential threats?**

There are a number of government agencies with jurisdiction and responsibility for managing the NCR and other restricted airspace. Because of this, it is critical to coordinate appropriate (and agreed upon) application and exercise of jurisdiction and responsibility. If confirmed, I look forward to examining TSA's roles and better understanding its authorities vis-à-vis this issue. Where appropriate, I would seek to engage the interagency in addressing this concern in a coordinated and effective manner.

- 32. In 2008, GAO recommended that TSA examine the security implications of non-military unmanned aerial systems (GAO-08-511). To date, TSA has not acted on GAO's recommendation. If confirmed, will you review GAO's recommendation and determine whether TSA, as the agency responsible for securing all modes of transportation, should examine the security implications of non-military unmanned aerial systems?**

If confirmed, I will review GAO's recommendation and determine whether TSA should examine the security implications of non-military unmanned aerial systems.

- 33. What is your perspective on the appropriate roles for the government and the private sector in aviation security, especially passenger screening?**

I understand that airports can apply to TSA for private sector entities to perform passenger screening under the Screening Partnership Program. While I believe that it is critical to have a national set of standards for aviation security, and that there must be national oversight of the implementation of those standards, the option for private sector screeners may provide an opportunity to provide services at lower taxpayer cost.

- 34. DHS's 2014 Quadrennial Homeland Security Review (QHSR) states, "one of the prevailing strategic challenges that will drive risk over the next five years is the evolving terrorist threat, which while changing in shape, remains significant as attack planning and operations become more decentralized. The United States and its interests, particularly in the transportation sector, remain persistent targets." What actions will you take to ensure that TSA is positioned to address the evolving terrorist threat, particularly one posed by foreign fighters with Western passports?**

As I noted earlier, if confirmed, I will commit myself to ensuring that TSA remains a high-performing, highly-capable counterterrorism organization that is guided by a risk-based strategy to prevent attacks and safeguard legitimate travel and commerce; that TSA employs a multi-layered, intelligence-driven operation and one that discards a one-size fits-all approach; that TSA recruits and retains a highly-trained workforce, one that has the opportunity for career growth and development while placing a premium on professional values and individual accountability to high standards of performance and customer service; that TSA pursues advanced capabilities with innovation and adaptation central to its acquisition strategy to counter evolving threats; and that TSA will continue to invest in and strengthen its integration in the intelligence community, in the private sector, with its stakeholders, and among DHS, federal, state, and local partners. To protect aviation, mass transit, rail, highways, ports, and pipeline systems, I will follow this strategy, engage and lead the workforce, adapt and invest appropriately, and remain focused on these critical success factors.

35. **TSA's budget submission for Fiscal Year 2015 indicated that the agency would transfer responsibility for monitoring passenger exit lanes at airports to airport operators as of January 1, 2014. Congress intervened by stipulating in Section 603 of the Bipartisan Budget Act of 2013 (Public Law 113-67) that TSA is responsible for monitoring passenger exit points from the sterile area of airports at which TSA provided such monitoring as of December 1, 2013. If confirmed, will you work with airport operators to identify and approve technologies that can provide the same level of exit lane monitoring and security that existing personnel do while reducing costs?**

If confirmed, I look forward to working with airport operators to determine the best approaches and technologies for exit lane monitoring.

36. **In 2014, TSA initiated the process of enlisting third party private sector vendors to offer Pre-Check enrollment options, perform identity validation and verification as well as apply disqualifying criminal history convictions. As part of this process, TSA would allow companies to use nongovernmental, commercial, and other TSA approved data to conduct prescreening of applicants to the Pre-Check program.**

- a. **What do you see as the potential benefits of using third-party private sector vendors to offer Pre-Check enrollment?**

If confirmed, I look forward to reviewing the Request for Proposal seeking third party vendors for Pre-Check enrollment to ensure that it appropriately and

adequately defines the requirements while protecting to the maximum extent individual privacy.

**b. What implications might this have for protecting applicant's personally identifiable information?**

Throughout my career, I have remained focused on the need to balance desires for greater security with the protection of the liberties and rights we cherish. If confirmed, safeguarding the civil liberties and privacy interests of all Americans will remain a top priority.

*Accountability*

**37. TSA screening officers are in direct contact with the traveling public daily, and must carry out screening responsibilities while maintaining the privacy and dignity of the airline passengers with whom they come into contact. Please outline policies and approaches you would put in place to guard against unnecessary or inappropriate searches or screenings by TSOs, and any disciplinary actions you believe are appropriate to respond to inappropriate screening or treatment.**

TSA interacts with millions of travelers each day – travelers who expect efficient and effective screening with minimal delay, and who deserve to be treated with respect. Throughout my current career, I have routinely interacted with the public and have learned that an organization must continually reinforce this message of dignity and respect in order to embed it into an agency culture. An agency must set clear standards of behavior, train and operate to those standards, and hold its members accountable when they violate those standards.

**38. GAO has issued numerous reports in recent years identifying the need for TSA to strengthen its efforts to measure the effectiveness of its aviation security programs (programs and capabilities such as Secure Flight, TSA Pre-Check, Screening of Passengers by Observation Technique, Explosives Detection Canines, and Advanced Imaging Technology).**

**a. If confirmed, what actions will you take to ensure that TSA has timely and reliable information to monitor program performance and enhance decision-making?**

If confirmed, I will examine each of TSA's programs to ensure that they are underpinned by sound requirements, that they align with the mission of the

agency, that they each have appropriate measures, controls and oversight, and that they undergo routine and periodic review.

- b. What steps, if any, will you take to ensure that the risk management tools that TSA has developed in recent years are fully implemented and effectively utilized to determine the proper allocation of resources?**

If confirmed, I will continue to refine and improve the risk-based approaches to security that TSA has developed in recent years.

- 39. In your opinion, what role does technology fulfill in aviation security? If confirmed, what research and development efforts do you plan to prioritize?**

Technology provides an important layer in a security system, and can dramatically improve mission effectiveness. If confirmed, I intend to review current technologies in use, as well as new technologies in testing or development to understand current and planned capabilities, and the extent or limits of those capabilities. Research and development is a key component of this. Critical technology needs along with requirements generation must be underpinned by strong ties to research and development efforts. If confirmed, I will review current efforts and ensure close alignment of research and development with requirements generation and front line operational needs.

- 40. Protecting whistleblower confidentiality is of the utmost importance to this Committee as whistleblowers provide an invaluable service to rooting out waste, fraud, and abuse within the Federal Government.**

- a. During your career with the U.S. Coast Guard, how did you address whistleblower complaints? What steps did you take to ensure those individuals did not face retaliation and that their claims were thoroughly investigated?**

During my Coast Guard career I did not directly handle any whistleblower complaints. However, if I had, I would have ensured the appropriate investigations were conducted and the proper protections were afforded to individuals to ensure that they did not face retaliation.

- b. How would you handle whistleblower claims at TSA and its offices? What protections do you believe are necessary to prevent retaliation? How would you implement these protections?**

If confirmed, I would ensure that all employees of TSA abide by the law governing the handling and investigation of whistleblower complaints. Employees have the right to make protected communications outside the agency and I will protect their right.

- c. How do you plan to work with the DHS OIG and other components to implement policy within the agency to encourage employees to bring constructive suggestions forward without the fear of reprisal?**

I strongly believe in the function and role of the DHS OIG, and if confirmed, will ensure that agency policies support that role. I have always believed that effective leadership requires direct employee engagement and open two-way communications. I listen to and encourage open and frank dialogue, and want to know where and what problems exist. This has been my practice throughout my Coast Guard career, and if confirmed, I will continue to take this approach.

- d. Do you commit without reservation to work to ensure that any whistleblower within TSA does not face retaliation?**

Yes

- e. Do you commit without reservation to take all appropriate action if notified about potential whistleblower retaliation?**

Yes

- 41. In September 2014, a DHS OIG report (OIG-14-142) found that despite TSA's \$551 million investment on screening equipment and training, checked baggage screening systems are still vulnerable to human and technology-based failure. In addition, the report reconfirmed that TSA lacks a procedure to examine the causes of the failures and that the agency has not improved its practices since 2009.**

- a. If confirmed, how do you plan to restore the integrity of the checked baggage screening system?**

If confirmed, I will ensure that TSA has a deliberate, ongoing and adaptive process to examine system and technology vulnerabilities across the security enterprise, to include checked baggage screening systems. This process must

include technology upgrades, red-team evaluations, sound operating procedures and other methods designed to ensure mission performance.

- b. Do you agree with the DHS OIG's recommendations? If so, how do you plan to work with the DHS OIG or any other federal agency to build TSA's capabilities to assess if existing security technologies, such as the explosive detection system, are operating to correct detection standards?**

I understand from my briefings and preparation that TSA concurred with the DHS OIG recommendations. If confirmed, I intend to examine the substance of TSA's response and what the corrective action plan is.

- 42. A 2014 DHS OIG report (OIG 14-97) found that a number of information technology (IT) deficiencies limited TSA's ability to ensure that the agency kept critical financial and operational data confidential, contributing to DHS' non-compliance with the requirements of the *Federal Financial Management Improvement Act of 1996*. As a result, the DHS OIG recommended greater training to increase employees' awareness regarding TSA IT policy and possible security violations. Do you agree with the report's recommendation? If confirmed, what actions will you take to institutionalize better management of sensitive information at TSA?**

Information technology security controls and safeguards are a top priority. If confirmed, it will be one of my top priorities. I will review the DHS OIG findings and recommendations and ensure that TSA establishes a management process and institutionalizes an agency-wide understanding of how information must be managed and protected.

*Technology Acquisition and Deployment*

- 43. Last year, Congress passed and the President signed the Transportation Security Acquisition Reform Act (P.L. 113-245). The legislation was drafted and passed by Congress with the aim of increasing the efficiency and effectiveness of TSA's acquisition process. If confirmed, how will you ensure TSA's acquisition practices are consistent with DHS policies and practices and nimble enough to allow for the certification and deployment of new technologies needed to increase efficiency and address evolving threats?**

I serve as the Component Acquisition Executive in my current role as Vice Commandant of the Coast Guard, and I have been directly involved in the reform of the Coast Guard acquisition program over the past decade. I understand how critical a

sound, defensible and responsive acquisition program is to mission results. It requires strong controls and oversight; a rigorous requirements generation process; project management and sponsor separation; strict adherence to DHS and federal rules and policies; and a continual, honest assessment of value, effectiveness and efficiency. If confirmed, I will apply my experience in acquisition oversight to TSA.

44. **A May 6, 2015, DHS OIG report (OIG 15-86) found that TSA does not properly manage the maintenance of its airport screening equipment. Most importantly, the DHS OIG reported that TSA has not issued adequate policies and procedures to airports on how to maintain the equipment. According to the DHS OIG, TSA's failure to issue adequate policies and procedures to airports for carrying out equipment maintenance can result in longer wait times, delays in passenger and baggage screening, and ultimately jeopardize passenger and aircraft safety.**

- a. Do you agree with the DHS OIG's recommendations? If so, what actions will you take to institutionalize a sound maintenance and oversight protocol at TSA?**

A well-defined, clearly documented, fully understood and rigorously enforced logistics, maintenance and support system is essential. If confirmed, I will review the DHS OIG findings and recommendations, as well as the existing TSA procedures and policies and will ensure that the OIG's concerns are addressed and that procedures and policies are reviewed, adjusted as required and enforced.

- b. How do you plan to communicate with airports to ensure they have proper guidance on how to track and monitor preventive maintenance according to contractual requirements and manufacturers' specifications?**

If confirmed, my review noted above would include and involve airport partners to ensure that their concerns and needs are addressed.

- c. Do you commit to consulting with the DHS OIG to ensure their recommendations are fully considered and addressed? If not, please provide an explanation.**

As I noted earlier, I strongly believe in the function and role of the DHS OIG. If confirmed, I will work closely with the OIG to ensure his recommendations are fully considered and addressed.

*Intermodal Security*

**45. While responsible for all modes of transportation security, the overwhelming majority of TSA's funding and programmatic efforts are directed to aviation security. In the wake of the shooting at Los Angeles International Airport on November 1, 2013, TSA announced that it would dedicate 50 percent of its Visible Intermodal Prevention and Response (VIPR) teams to aviation transportation mode missions, supplanting the existing policy of dedicating 70 percent of the teams to surface and 30 percent to aviation.**

**a. If confirmed, how will you balance the distribution of VIPR teams between surface and aviation modes?**

Balancing resources requires a continuous evaluation of the strategic security environment. What are the threats? How are they evolving? What capabilities are needed to address these threats, and how must these capabilities evolve, in either use or type? Answers to these questions by necessity include partnerships, particularly in the surface modes. Surface transportation systems are varied, diverse, widely distributed and far more open than aviation. There are many local law enforcement and public safety entities that provide security. If confirmed, I will examine the nature and extent of these local partnerships, seek to understand their challenges and effectiveness, and provide the oversight and, where necessary, the presence to ensure uniform standards, approaches and protection.

**46. Recognizing the vulnerability of our public transportation systems in the wake of attacks on rail and transit systems in Madrid, London, and Mumbai, Congress included within the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53) provisions addressing the security of surface transportation modes. How do you envision increasing TSA's focus and commitment to surface transportation security issues?**

As I noted in my previous response, surface transportation comes in many forms – buses, ferries, passenger rail, heavy rail, light rail, subways, and so forth. These are widely distributed and much more open and accessible. If confirmed, I will examine TSA policies to determine whether they are aligned with current threats, and are fully considerate of the many law enforcement and public safety partners who share in the oversight of security.



V. Assistance

**47. Are these answers your own? Have you consulted with TSA, DHS, or any other interested parties? If so, please indicate which entities.**

These answers are my own, formulated following numerous TSA program briefings over the past six weeks.

**Chairman Ron Johnson**  
**Supplemental Pre-hearing Questionnaire For the Nomination of**  
**Peter Neffenger to be Administrator, Transportation Security Administration**

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 make any subordinate official or employee available to appear and testify before, or provide information to, any duly constituted committee of Congress if you are confirmed?

Yes

3. 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

**Ranking Member Tom Carper  
Supplemental Pre-hearing Questionnaire For the Nomination of  
Peter Neffenger to be Administrator, Transportation Security Administration**

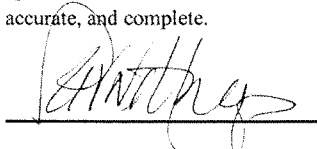
1. Do you agree without reservation to respond to any reasonable request or summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Yes

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

Yes

I, PETER V. NEFFENGER, 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 21<sup>st</sup> day of JUNE, 2015

**Post-Hearing Questions for the Record  
Submitted to Vice Admiral Peter Neffenger  
From Senator Rob Portman**

**“Nomination Hearing to Consider Peter V. Neffenger to be Assistant Secretary of the U.S.  
Department of Homeland Security and  
David S. Shapira to be Governor, U.S. Postal Service”**

**June 10, 2015**

1. I am concerned for the safety of airline passengers given recent reports that in an undercover investigation conducted by the Department of Homeland Security’s Office of Inspector General, security screeners failed to detect weapons, mock explosives, and other prohibited items 95 percent of the time at airports across the country.

- a. How would you address the vulnerabilities at airport security checkpoints and how soon do you believe you would be able to implement changes?

*If confirmed, I will implement Secretary Johnson’s recent directives in order to address the immediate vulnerabilities identified by the DHS Inspector General. I will concurrently examine the systemic issues that underpin these vulnerabilities seeking best practices and models to inform the way forward. I look forward to working with the Inspector General to address the vulnerabilities identified.*

- b. How would you take into account the Office of Inspector General’s findings and recommendations as their report is not expected to be finalized for several months?

*The information that has already been released by the Inspector General provides insight into the immediate challenges and vulnerabilities that must be addressed and corrected. If confirmed, I look forward to tackling these immediately while awaiting the full report of the Inspector General.*

2. The Department of Homeland Security’s Office of Inspector General released a report on May 6, 2015, that found TSA does not properly manage its airport screening equipment maintenance program. TSA was found to not have issued adequate policies and procedures to airports for carrying out equipment maintenance, which can result in longer wait times, delays in passenger and baggage screening, and ultimately jeopardize passenger and aircraft safety. While TSA has concurred with the report’s findings and is implementing the Office of Inspector General’s recommendations, it appears that TSA regularly addresses issues only after they are identified by external Office of Inspector General or Government Accountability Office audits. How would you propose creating a culture within TSA which is based on continuous evaluation and improvement?

*A well-defined, clearly documented, fully understood, and rigorously enforced logistics, maintenance and support system is essential. If confirmed, I will review the DHS OIG findings and recommendations, as well as the existing TSA procedures and policies and will ensure that the OIG's concerns are addressed and that procedures and policies are reviewed, adjusted as required and enforced.*

*One of the greatest challenges to maintaining an effective system of security is recognizing that it must continually evolve to meet the continually evolving threat. Static rules and systems become predictable over time and as such, can ultimately be defeated. We must question ourselves; we must evolve our capabilities, we must adapt faster than those who wish to harm us. If confirmed, I will maintain a culture within TSA that envisions what comes next and directs investments appropriately.*

3. According to the Best Places to Work Agency Rankings, TSA was ranked 305 out of 314 agencies, placing it near the bottom of all Federal agency subcomponents. What steps would you take to improve employee morale at TSA?

*The GAO has conducted a number of TSA workforce morale audits and clearly highlighted areas of specific concern. If confirmed, I will build upon the GAO findings and redouble efforts to implement recommendations.*

*Furthermore, in my experience, strong and positive morale results directly from the following:*

- *A clear, well-defined and important mission*
- *A trained and empowered workforce*
- *A valued and supported workforce*
- *Equitable and consistent accountability at all levels*

*The approach I have taken in my Coast Guard career to ensure high morale and performance includes, but is not limited to:*

- *Determine and acknowledge leadership challenges. (The Federal Employee Viewpoint Survey is a good starting point).*
- *Tell the workforce you hear them and are listening.*
- *Train and equip the workforce to do their jobs.*
- *Empower and support workforce in doing their jobs.*
- *Set, communicate, and enforce standards of performance equitably and consistently.*
- *Ensure accountability.*
- *Reward performance.*

*Successful leaders have an awareness of what compels employees to commit their talents, energy, and effort to any endeavor. In my view, what drives motivations of the workforce is knowing that what they do matters, that the work is meaningful, and that each of them*

*can provide value and make a difference. Thus, if confirmed, it will be my intent to ensure that each member of TSA has a clear, well-defined purpose, that they know the importance of their mission, that they are trained and empowered to perform their duties, that they are valued and supported in doing that mission, and that leadership provides equitable and consistent accountability at all levels, as well as appropriate recognition for performance. Leaders must create opportunities to listen to the workforce, to understand workforce challenges, and to act upon concerns both to advance the mission and to support employees in executing their duties. This can take the form of new training, better tools, and improved procedures or it can mean that we have their back when we ask them to do difficult things as part of their no-fail mission. This is the approach I have taken in my current career, and, if confirmed, it is the approach I will bring to TSA.*

**Post-Hearing Questions for the Record  
Submitted to Vice Admiral Peter Neffenger  
From Senator Rand Paul**

**“Nomination Hearing to Consider Peter V. Neffenger to be Assistant Secretary of the U.S.  
Department of Homeland Security and  
David S. Shapira to be Governor, U.S. Postal Service”**

**June 10, 2015**

1. Do you believe that, at its core, the aviation security mission of the TSA is to guarantee the physical safety of the aircraft itself?

*The mission of TSA is to protect the Nation's transportation systems to ensure freedom of movement for people and commerce. I agree with their current vision statement of providing the most effective transportation security in the most efficient way as a high performing counterterrorism organization. In the aviation security mission area, preventing the catastrophic loss of an aircraft must be a core objective.*

- a. Do you believe that TSA is appropriately focused on that core aviation security mission?

*If confirmed, I will ensure that TSA is laser-focused on its core mission to protect aviation from a terrorist attack. This requires strong connection to the Intelligence Community to understand the ever-evolving threat. It requires a continual evaluation of system vulnerabilities to understand the risk that the threat entails. It requires the development of multiple layers of interacting operations to continually address that risk – and these operations must continually adapt. It requires effective and ongoing training of the workforce to employ the security system and its capabilities effectively and appropriately. And it requires a robust acquisition program with strong oversight and accountability, underpinned by a sound and defensible requirements generation process.*

- b. Do you support diverting TSA resources (such as Visible Intermodal Prevention & Response teams) that could be employed in support of the aviation security mission to other activities?

*I support a continual evaluation of resource allocation. To protect aviation, mass transit, rail, highways, ports, and pipeline systems TSA must continually assess its allocation of resources to ensure it is fielding the tools and equipment the workforce needs and focusing efforts appropriately. TSA must address the persistent and adaptive threat today, while envisioning the longer term*

*investments necessary to recapitalize and modernize security of our Nation's transportation system.*

*Balancing resources requires a continuous evaluation of the strategic security environment. What are the threats? How are they evolving? What capabilities are needed to address these threats, and how must these capabilities evolve, in either use or type? Answers to these questions by necessity include partnerships, particularly in the surface modes. Surface transportation systems are varied, diverse, widely distributed and far more open than aviation. There are many local law enforcement and public safety entities that provide security. If confirmed, I will examine the nature and extent of these local partnerships, seek to understand their challenges and effectiveness, and provide the oversight and, where necessary, the presence to ensure uniform standards, approaches and protection.*

2. Do you agree with Israeli security expert Shlomo Dror, who stated in 2002 that “[T]he difference between the Israeli and American systems is that we are looking for the terrorist, while the Americans look for the weapons”?

*I believe that we can, and should, learn from critics and implement best practices wherever possible. If confirmed, I will critically examine all current TSA approaches to transportation security. I will question existing programs, assumptions and practices and will reach out to partners and experts at home and around the world. I will do this while embracing an approach that is risk-based and focused on better identifying threats from persons, in addition to ensuring weapons and other items of concern are not introduced into an aviation system that screens some 1.8 million travelers each day. Risk-based security must be focused on finding the terrorist and those who would do us harm.*

3. In your questionnaire responses and in testimony, you have indicated that you support an approach to aviation security that is layered and unpredictable, and that the mere existence of passenger screening may deter would-be terrorists.

- a. In that context, do you believe that the Federal Flight Deck Officer program has a similar deterrent effect?

*I believe that an effective security system must be comprised of many interacting components and processes. If confirmed, I will examine the FFDO program to better understand the training, selection and ongoing oversight of the program. I will study and understand how this capability has been deployed and will determine how to put it to best use as part of the overall aviation security system.*

- b. Would you support efforts by the Congress to expand opportunities for initial certification, recurrent training and requalification under the Federal Flight Deck Officer program?



*If confirmed, I look forward to sharing with Congress my findings and recommendations with respect to the Federal Flight Deck Officer program and commit to working with Congress on this and other TSA programs to ensure they are used effectively and appropriately.*

4. Recent reports of a 95% failure rate in detecting weapons and mock explosives during a covert penetration audit by the DHS Office of the Inspector General raise troubling questions about the effectiveness of the airport screening procedures currently in place. Over the past several years, similar covert audits have also consistently yielded unacceptably high failure rates.
  - a. Given your background in operations and personnel management in the U.S. Coast Guard, what does this ongoing pattern of defeat indicate to you in terms of the efficacy of the training methods currently in place?

*My nearly 34 years of experience in the Coast Guard has taught me that mission success is predicated on a clear understanding of the mission and a detailed examination of what it will take to accomplish the mission (people, technology, processes). Training must be consistently delivered, rigorously examined and continuously updated to ensure that it directly supports mission success. And there must be an ongoing real-world evaluation program to ensure that training standards are maintained and to look for training gaps that must be corrected. Moreover, agency culture, morale and effectiveness are a direct result of consistent and career-long training, recognition and accountability.*

*If confirmed, I will apply these principles to a comprehensive review of TSA training and workforce development. This will include how to leverage the TSA Academy to improve individual performance and to instill a greater sense of pride in the agency and its mission.*

- b. Of the responsiveness to and retention of training by Transportation Security Officers in the field? Of the quality of the supervisors in the field?

*As noted above, if confirmed, I will determine the answers to these questions through a comprehensive and detailed review of all current TSA training and leader development programs.*

**Post-Hearing Questions for the Record  
Submitted to Vice Admiral Peter Neffenger  
From Senator Claire McCaskill**

**“Nomination Hearing to Consider Peter V. Neffenger to be Assistant Secretary of the U.S.  
Department of Homeland Security and  
David S. Shapira to be Governor, U.S. Postal Service”**

**June 10, 2015**

There is an ongoing perception that the private sector always does things better than the government, and for lower cost. We now have several airports around the country at which security is contracted out as part of the Screening Partnership Program. At a hearing yesterday, the DHS Inspector General said that there was no evidence that contracting out these jobs was cheaper or improved security. In fact, two prior DHS analyses of the Screening Partnership Program have shown contractors to be more expensive than keeping these jobs in house.

- 1) If confirmed, will you commit to evaluating the costs and benefits of the Screening Partnership Program and consider ending the program if it is shown to be more costly and provide no greater security?

*If confirmed I will ensure that TSA remains focused at all times on delivering the most effective security at the lowest cost to our Nation. I understand that airports can apply to TSA for private sector entities to perform passenger screening under the Screening Partnership Program and that these entities may receive contracts if they can demonstrate the ability to provide effective security services at lower cost to the taxpayer. If confirmed, I will ensure TSA fully evaluates these contracts to ensure that they do so.*

When I go through airports, half the time, the machines are turned off and people are being diverted to magnetometers. When I talk to the agents, a lot of times they will tell me that it's because they simply don't have the manpower to operate those machines.

It is also my understanding that DHS's Science and Technology Directorate – S&T – was responsible for helping to develop performance expectations and standards, and that these standards were not exactly based on a desired level of safety, but instead on what the machines could deliver. In other words, it sounds a lot like we bought these machines and didn't really care about how effective they actually were.

- 2) If you are confirmed, will you commit to looking at the performance expectations and standards that TSA has set for the AIT machines, and the procurement process for future major TSA acquisitions?

*Technology is an important component in our aviation security system, and effective technology can dramatically improve mission effectiveness. But, we need to fully understand what it takes to be effective. What, exactly, do we need the equipment to do, and how well can it do it? I serve as the Component Acquisition Executive in my current role as Vice Commandant of the Coast Guard, and as such understand how critical a*

*sound, defensible and responsive acquisition program is to mission results. It starts with a clear and detailed understanding of the mission along with a rigorous process to generate what it takes to accomplish the mission (the requirements – human, technological, processes). There must be strong links to research and development.*

*This requires a deep understanding of the capabilities of potential technology, partnerships with industry and the private sector, flexible and adaptive systems that are responsive to the threat without sacrificing strong controls and program oversight, sound project management, and strict adherence to federal law and DHS policies.*

*In my preparation, I have been provided an overview of the TSA Acquisition Program and the program management process. If confirmed, I will apply my extensive experience in acquisition oversight to the TSA acquisition enterprise to ensure that our investments are appropriate, deliver results, and that they provide sound stewardship and a high return on taxpayer investment.*

DHS has classified or attempted to have classified several recent IG and GAO reports on TSA, as well as a report on the effectiveness of contractors in the screening process. It looks a whole lot like some of these efforts are motivated by embarrassment and a desire to keep these stories from the public and Congress?

- 3) If confirmed, will you commit to a full review of TSA's classification process?

*I believe that federal agencies should be as open and transparent as possible, while respecting the need to protect sensitive security information. If confirmed I will fully review TSA's classification process to ensure it is not abused or misused. I will also work closely with the IG and GAO to ensure their concerns and recommendations are addressed.*

## INTERPORTPOLICE

International Association of Airport and Seaport Police Authorities

*Office of the Secretary General*

Hon. Jay B. Grant

E: jay.grant@interportpolice.us  
W: INTERPORTPOLICE.ORG

June 1, 2015

The Honorable Mitch McConnell, Majority Leader  
 The Honorable Richard Durbin, Minority Leader  
 The Honorable Ron Johnson, Chair Homeland Security Committee  
 The Honorable Thomas Carper, Ranking Member, Homeland Security Committee  
 The Honorable John Thune, Chair Commerce, Science & Transportation Committee  
 The Honorable Bill Nelson, Ranking Member, Commerce, Science & Transportation Committee;  
 and Members of the United States Senate

Dear Senators,

On behalf of the men and women of law enforcement and security at public transportation law authorities in the United States where we work to ensure the public safety along side of our federal colleagues, we recommend the Senate move swiftly in completing its' confirmation of Admiral Peter Neffenger so he may begin his good work.

In many respects America is still struggling to get transportation security correct. Several years after 9/11 we have built a bureaucracy much larger than anticipated; one that needs to be more efficient, a better partner and better regulator with our airports, seaports and transit authorities. Personally as one of the individuals involved in the aftermath of 9/11 working with Congress as we stood up Homeland Security, some of our goals have not been achieved.

Admiral Neffenger is unequally positioned to do just this. Neffenger's qualifications are beyond reproach and his career in the U.S. Coast Guard offers him broad experience that includes working as an effective and efficient regulator. Beyond his positions though he is a person of great integrity, has the skill to evaluate people, situations, and circumstances leading to better judgment calls and productive outcomes.

Many of us know the Admiral personally and worked side-by-side with him since 9/11. The skill in which he has handled his various positions from Captain of the Port in Los Angeles to his current position as Vice Commandant are second to none. He is among the best of the best.

In 2012 Neffenger was awarded the International Police and Public Safety 9/11 Medal (IPM) to Admiral Neffenger in New York City. This is done in the name of Superintendent Fred V. Morrone of the Port Authority of New York and New Jersey, who was the most senior official to die on 9/11, and was our organization's incoming president of the board at the time of his death. Morrone and his 36 other police officers were our friends and colleagues. We take seriously the obligation to "Never Forget." This is reflected in the individual's we honor and bestow the 9/11 Medal and Awards to.

We trust you will reach the same conclusion and ask for your immediate confirmation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Jay B. Grant".



*Tom Ridge*

May 14, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

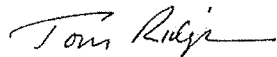
Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration. At the outset, I admit to a certain bias. The Coast Guard breeds leaders who bring both a strategic and operational perspective to their varied tasks and Vice Admiral Peter Neffenger is certainly among the best.

Of particular note is the Admiral's service as Budget Officer of the Coast Guard. Having overseen a multitasked organization that, in my opinion, never received the level of funding it deserved, I am confident he will extract great value and effectiveness from the dollars the U.S. Congress appropriates to TSA.

His experience is broad. His reputation is superb. His commitment to public service is profound and unquestionable. I respectfully and highly recommend this exceptional leader for TSA Administrator.

Sincerely,



Tom Ridge  
First Secretary, U.S. Department of Homeland Security  
Former Governor of Pennsylvania

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Washington, D.C. 20036  
Tel: 202.833.2008



May 11 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration.

Admiral Neffenger has broad operational and command experience with the Coast Guard. He has held command positions at the Great Lakes and the Port of Los Angeles, and was deputy national incident commander for the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. In the former capacities, the Admiral has dealt with the kind of multi-stakeholder transportation security issues which lie at the core of the TSA's mission. Particularly in a complex environment such as the busy Port of Los Angeles, the Captain of the Port must coordinate among multiple private service providers while also addressing intergovernmental and international issues. These are exactly the types of experiences that prepare Admiral Neffenger for the challenges of administering the TSA.

Equally important is the nominee's crisis management experience, recently honed in the crucible of the BP oil spill. From time to time, the TSA Administrator must manage security crises, making swift operational decisions, reconciling the interests of stakeholders, and inspiring confidence in the public. Admiral Neffenger's pivotal role as incident commander in the Gulf provides unmatched preparation for managing emergencies that may arise in the future.

Finally, I believe that it is beneficial to have an Administrator who has grown up with DHS since its formation. The network of relationships that the Admiral will have developed over the past dozen years will be of value in enabling him to draw on Department-wide resources and in positioning him to integrate with and contribute to the leadership of the entire Department.

I highly recommend Vice Admiral Peter Neffenger for TSA Administrator. Please contact me if you have any questions or comments.

Sincerely,

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May 12, 2015

The Honorable Ron Johnson  
 Chairman  
 U.S. Senate Committee on Homeland Security  
 and Governmental Affairs  
 340 Dirksen Senate Office Building  
 Washington, D.C. 20510

The Honorable Tom Carper  
 Ranking Member  
 U.S. Senate Committee on Homeland Security  
 and Governmental Affairs  
 442 Hart Senate Office Building  
 Washington, D.C. 20510

Dear Chairman Johnson and Senator Carper:

I am pleased to write in support of Vice Admiral Peter Neffenger's confirmation as Administrator of the Transportation Security Administration.

During my tenure as the Secretary of Homeland Security, I worked closely with Admiral Neffenger on issues ranging from our nation's port security operations, and our maritime emergency response capabilities, to oversight of the U.S. Coast Guard's annual budget and recapitalization efforts. It was in working together that I came to see and admire Admiral Neffenger's leadership skills in action. He has an uncommon way of solving complex problems and a management style that brings people together. Nowhere was this more evident than when he ably served as the Deputy National Incident Commander for the 2010 BP Deepwater Horizon Oil Spill. In that role, he provided critically important and strong leadership in coordinating the government's role addressing the largest and most complex oil spill in our nation's history. In my view, his efforts were indispensable in the prompt and successful resolution of that crisis.

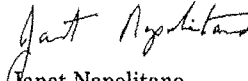
I have every confidence that Admiral Neffenger will use his considerable knowledge and government experience in overseeing the Transportation Security Administration

The Honorable Ron Johnson  
The Honorable Tom Carper  
May 12, 2015  
Page 2

to great effect. His significant experience in our country's counter-terrorism efforts and his judgement, energy, and leadership skills will ensure that the TSA continues to be extremely effective in its mission to protect our nation's transportation safety and infrastructure.

I highly recommend Vice Admiral Neffenger as the next TSA Administrator, and I urge his prompt confirmation. Please do not hesitate to be in touch with me if you have any questions or concerns.

Yours very truly,

  
Janet Napolitano  
President

cc: Senior Vice President Peacock  
Associate Vice President Falle



4404 33<sup>rd</sup> Rd. North  
Arlington, VA 22207  
(212) 692-6926

May 10, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I am so very pleased to write in support of Admiral Peter V. Neffenger's nomination to lead the Transportation Security Administration (TSA). I have known Admiral Neffenger since 2009, when I began service as Deputy Secretary of Homeland Security (DHS). I worked closely with Pete on a wide range of issues that directly affected not only the United States Coast Guard, but also the entire operation of DHS as well as the broader security of the American homeland. I also know TSA in depth – its mission, its challenges, and its many strengths. I can say without hesitation that he is the right man for this job.

Pete Neffenger is exactly the kind of leader this country needs at TSA. He is extremely thoughtful, hard working, masterful in mission execution, and passionate about people. He knows the challenges that come with leading dedicated men and women in meeting the 24/7 security imperative to keep the American public safe – and he succeeds as a leader. He is that rare professional who becomes more than trusted – he is treasured for his selfless dedication, not only to mission and country, but also to every person – high rank or low – with whom he works.

Admiral Neffenger and I collaborated closely on many issues – including efforts to prevent terrorist attacks, modernization of the Coast Guard, the comprehensive response to the Deep Water Horizon Oil Spill, and in writing the first-ever strategic White Paper for the Coast Guard. Pete is a deep thinker who knows how to connect ideas to operations. His years of experience combine with extraordinary expertise in transportation and security to make him one of the Country's most valued leaders not only in his Service, but also across the entire spectrum of Homeland Security challenges.

Pete is at his best when the stakes are high. He thinks quickly under pressure and has extremely good instincts and judgment. He pays attention to detail, but not at the expense of the big picture. He is known as a trusted colleague, courageous leader, and deeply committed public servant.

It is with conviction, therefore, that I tell you, that Admiral Pete Neffenger is an inspired choice to lead TSA. He will guide this vital agency with a firm focus on mission performance and compassion for its workforce and he will serve the American people with intelligence, commitment, and unquestioned integrity.

I urge his rapid confirmation.

Thank you for this opportunity to express my support for Admiral Neffenger's nomination. Please do not hesitate to contact me if I can be of further service.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jane Holl Lute', with a long horizontal stroke extending to the right.

Jane Holl Lute  
Former Deputy Secretary  
Homeland Security



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May 12, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration.

VADM Neffenger would complete a distinguished 33 year career with the U. S. Coast Guard if he is confirmed for this position. He has consistently demonstrated the leadership capacity necessary to lead TSA. The position requires a balance of focused purpose and customer service. VADM Neffenger's Coast Guard career has been dominated by assignments where he excelled because he recognized the value of reaching to others for input that would make an outcome a better one. He is an established leader in transportation security and has led Coast Guard participation with state, local, private sector, international and other federal agencies to produce enlightened policy on one hand and effective operational execution and command on the other. His service as the Deputy National Incident Commander for the Deepwater Horizon Oil Spill is a perfect example of his skills as a collaborative leader. As the Administrator of TSA in 2002-2003, I can attest to the requirement for consistency of mission purpose and an ability to work productively with the multiple stakeholders who make up the commercial aviation industry. VADM Neffenger has those skills. He is a brilliant and focused leader. He is also clearly aware of the value of strategic planning and intelligence driven and risk-based decision making. He is very simply perfectly equipped for this very demanding position.

I highly recommend Vice Admiral Peter Neffenger for TSA Administrator. Please contact me if you have any questions or comments.

Sincerely,

James M. Loy, ADM (Ret.)  
Senior Counselor



**Prof. Juliette Kayyem**  
Lecturer in Public Policy

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May 11<sup>th</sup>, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration. I know of no one more qualified, versatile, and generous to lead an agency in transition.

As former Assistant Secretary of Homeland Security for Intergovernmental Affairs, I got to know and work with Vice Admiral Neffenger during the course of the BP Oil Spill response. We have remained friends. During the spill, Vice Admiral Neffenger was appointed Deputy National Incident Commander (NIC) while I was chosen to be the Director of Intergovernmental and Interagency coordination. Both were positions within the NIC and both reported to Admiral Thad Allen who led the response. We worked closely throughout.

To say it was an intense experience is an understatement. I have come to believe, with the benefit of hindsight, that there were two oil spills: the oil spill response and the oil spill event. I want to talk about the latter because the oil spill was more than just closing the well or picking up the oil; it required skills of its leadership that cut across simple operational needs. An entire government apparatus was engaged on the federal level. We also worked with five governors offices, numerous local officials, and a federal apparatus that included over 60 agencies and departments. Fishermen and off-shore oil workers feared for the future. The media offered non-stop assessments. An entire way of life was threatened for families and the Gulf region. The spill response required skills of leadership, but also nimbleness. No amount of training or incident command could prepare anyone in the Coast Guard for what was happening.

Vice Admiral Neffenger was tasked to manage this historic event. More often than not, we worked together and I saw firsthand his capacity to talk honestly, make changes, fix errors and sometimes

even just “go with the flow” if that was required. He could just as equally brief the President on what to anticipate with the oil spill as talk to a grocery store owner about how to fill out a claim form. Every morning, for over 100 days, we both hosted a Governor’s call with the five governors offices so that we could inform them of the status of response. Those were not easy calls, often, and Vice Admiral Neffenger was calm, explaining the response in “civilian” terms, not hiding behind acronyms or a military lingo. He also listened well, wanting to hear what could be fixed or changed to make the response faster or simply answer a question.

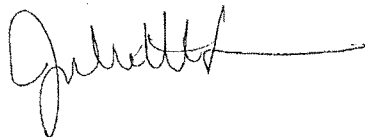
A perfect example is his leadership with the local liaisons program. At some stage during the spill, the NIC command recognized that local leaders throughout the Gulf were not getting essential information from the state. This was as much a consequence of how the Oil Pollution Act, the legal framework for spill response, focuses on statehouses as it was history and politics. Allen, Vice Admiral Neffenger and I proposed placing coast guard officials in each local government office so that, for example, each parish president would have their own “go to” Coast Guard liaison. It is not something that was ever done before, nor something the Coast Guard had planned for. But Vice Admiral Neffenger explained to his team why it should be done, and we drove for two days across the coast placing his people in each local political office (parish presidents, mayors, county commissioners, etc.). It was a necessary fix, and one that worked as we were more able to hear from local leadership and respond in real time to their questions and concerns. It was Vice Admiral Neffenger’s capacity to think outside the box, deploy resources where they were needed to help the spill response, and convince his team it was worth this unusual effort that stand out as historic in nature.

And while Vice Admiral Neffenger had to spend a lot of time in stakeholder engagement and White House briefings, he was also accessible, always, to his own team. The Coast Guard was under tremendous stress, and the emotional impact was withering. Vice Admiral Neffenger always took the time to talk to his own people, to give them emotional support (and sometimes even a kick in the back if necessary), but to always let them know he had their back. That is essential at the Department.

Vice Admiral Neffenger knows that true leadership in homeland security is one that engages the entire enterprise – communities and customers, the White House and a parish president, Congress and a state representative, and also the brave men and women who work for an agency that is committed to the public’s safety and security. Vice Admiral Peter Neffenger is someone who understands and reflects those basic needs.

Without question, I highly recommend Vice Admiral Peter Neffenger for TSA Administrator. Please contact me if you have any questions or comments.

Sincerely,



Juliette Kayyem



THE POLICE COMMISSIONER  
CITY OF NEW YORK

May 11, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper:

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration. I first met and worked with Vice Admiral Neffenger when I served as the Chief of the Los Angeles Police Department. September 11th was a fresh wound when I assumed that position, and one of the first things we sought to do was strengthen L.A.'s counterterrorism posture. In this, I collaborated extensively with the Vice Admiral on enhancing the security of the port, and I can attest to his professionalism, competence, and dedication.

Later, as the Vice Chair of the Homeland Security Advisory Council, I worked closely with Administrator John Pistole. Owing to this, I have an understanding of the TSA and the duties and obligations of its leader. I have complete confidence that Vice Admiral Neffenger can fulfill the role, and do so in exemplary fashion.

I highly recommend Vice Admiral Peter Neffenger for TSA Administrator. Please feel free to contact me if you have any questions or comments.

All the best,

A handwritten signature in black ink, appearing to read "William J. Bratton", with a long, sweeping flourish extending to the right.

William J. Bratton  
Police Commissioner



**The American Waterways Operators**  
www.americanwaterways.com

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Thomas A. Allegretti  
President & CEO

May 12, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration.

I have known Vice Admiral Neffenger for most of his professional career as a Coast Guard officer. We have worked together extensively on the common challenges of marine safety and maritime security that face his agency and my industry. He is one of the finest Coast Guard leaders who I am privileged to know.

Vice Admiral Neffenger is a leader with an unwavering commitment to America's homeland security, an extraordinary capacity for strategic vision, and an effective partner who works collaboratively to get important things done for the benefit of our nation. Each of these attributes will serve him well as he works with Congress, industry and the flying public to accomplish the important security objectives of the TSA.

Vice Admiral Neffenger is also a man of deep integrity. His relationships with Congress, industry and the public will be characterized by trust and open communication. I know that based not only on my personal experience with him, but also based on the experience of hundreds of individual AWO members around the country who have worked with him for more than 30 years.

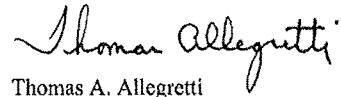
The Tugboat, Towboat and Barge Industry Association

The Honorable Ron Johnson  
The Honorable Tom Carper  
Page Two

America's homeland security will be strengthened and enhanced with Vice Admiral Neffenger at the helm of the Transportation Security Administration. I highly and unequivocally recommend Vice Admiral Peter Neffenger for TSA Administrator.

Please feel free to contact me if you have any questions about my strong support for Vice Admiral Neffenger.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Allegritti". The signature is written in dark ink and is positioned above the printed name.

Thomas A. Allegritti





May 12, 2015

The Honorable Ron Johnson  
Chairman  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
340 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Tom Carper  
Ranking Member  
U.S. Senate Committee on Homeland Security and Governmental Affairs  
442 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Johnson and Senator Carper,

I write in support of Vice Admiral Peter Neffenger for his nomination as Administrator of the Transportation Security Administration.

Vice Admiral Pete Neffenger would serve as Administrator, Transportation Security Administration with great distinction just as he has served the United States Coast Guard with great distinction during his thirty-three year military career. The Cruise Lines International Association wholeheartedly supports his nomination by the President for such an important position that is critical for our national security.

At the Cruise Lines International Association, we have had the pleasure of working with VADM Neffenger for many years as he progressed through his Coast Guard career. We know firsthand of the depth and breadth of experience he has illustrated in his senior leadership positions that included security and other key responsibilities. Specifically, his leadership and pragmatism in emerging areas of policy development, including Transnational Crime, Arctic Operations, and Passenger Vessel Safety and Security are second to none.

Prior to his promotion to flag level, we also worked closely with VADM Neffenger in his leadership capacity in the Port of Los Angeles/Long Beach. That particular port addresses a wide range of challenging security issues on any given day. His professionalism and intellect are hallmarks of his character and both were always front and center, irrespective of whether we were in alignment or not on the underlying policy equities. This is absolutely essential for success in working collaboratively with the regulated community. It is difficult to envision someone better equipped to understand and communicate with those whose enterprises are deeply influenced by the effectiveness or ineffectiveness of TSA.

On a personal level, I worked closely with VADM Neffenger during my own Coast Guard career. This included serving as his legal advisor when he was a Director responsible the Coast Guard's resourcing and working side-by-side with him during the extraordinarily complex Deepwater Horizon incident in 2010. If the nation were to ever again encounter a major transportation security crisis, we could not be in better hands than those of VADM Neffenger.

Global Corporate Headquarters 1201 F Street NW • Suite 250 • Washington, DC 20004  
North America Office 910 SE 17th St • Suite 400 • Fort Lauderdale, FL 33316  
+1.202.759.9370 • [cruising.org](http://cruising.org)



I greatly appreciate the opportunity to provide you with the views of the Cruise Lines International Association on the nomination of VADM Neffenger. Please do not hesitate to contact me if I can answer any additional questions or be of any further assistance. You can reach me on my direct dial, (202) 759-6765 or by cell at (703) 626-6971.

Sincerely,

Charles V. Darr  
Senior Vice President  
Technical & Regulatory Affairs  
Cruise Lines International Association (CLIA)

**Testimony of**

**David S. Shapira**

**To be a Governor, United States Postal Service Board of Governors.  
Before the Senate Homeland Security and Governmental Affairs Committee  
June 10, 2015**

Chairman Johnson, Ranking Member Carper and members of the Homeland Security and Governmental Affairs Committee, thank you for the honor of appearing today and for the privilege of being considered for nomination to the United States Postal Service's Board of Governors. I want to thank President Obama for granting me this honor and for the vote of confidence on his part that it represents in my experience and judgment. It is truly humbling, and if confirmed by this committee and the Senate, I will work diligently to show that this confidence, and your consent, is well-deserved.

I also want to thank my wife, Cindy, and my family for their support in this undertaking. The responsibility and opportunity for national public service will require sacrifice, and if I am confirmed, they will be my partners.

For more than 30 years I served in various executive capacities at Giant Eagle, Inc., a family-owned grocery company, founded in 1931. Specifically, I served as Chairman from 1992 to December 2011, and Chief Executive Officer and President from 1980 to December 2011. I began my career at Giant Eagle in 1970 as Vice President of store operations and was promoted to Executive Vice President in 1978.

During that time, our local chain of groceries grew from 50 stores to nearly 420 locations with stores in Pennsylvania, Ohio, West Virginia and Maryland. With revenues of more than \$9.6 billion and employing more than 36,000 hard-working Americans, Giant Eagle serves more than five million customers annually, and is one of the largest privately owned and family-operated companies in the nation.

Our corporate success is built on Giant Eagle Core Values, which include:

- Be Kind: We go out of our way to treat each other and our customers with care and respect.
- Think Team: We love working together as a family.
- Step Up: We take every chance to make ourselves and our company great.
- Work Smart: We root out waste, work together and push ourselves to win.
- Live Well: We want everyone to live a healthy, balanced life.

I, however, do not take credit for this considerable business success. I was always surrounded by smart, capable people, and this achievement is theirs—not mine. Large organizations like Giant Eagle only succeed when they tap and inspire the talents of a diverse work force, and though I

cannot claim credit, I am immensely proud of the hard work and innovation of the team I helped lead.

In 2013, when I stepped away from the day-to-day operations of Giant Eagle, I left the company in very capable hands. I have always had an interest in giving back to my community and have served on boards and in lay leadership positions in a number of civic organizations over the years. However, since my retirement as CEO of Giant Eagle, I have had the time and opportunity to more fully pursue community and philanthropic service. I believe that such service is a foundation of our great country and is a major component of our democratic society. Every citizen, to the extent he or she is able, should look to serve their community. In that capacity, my previous service on various boards has included:

- The Allegheny Conference on Community Development
- Carnegie Mellon University's Board of Trustees, Past Chairman, including, Carnegie Mellon's Investment Committee, Immediate Past Chairman
- United Way of Allegheny County, including Past Campaign Chairman
- Extra Mile Education Foundation
- Hillel Foundation International's Board of Governors
- Jewish Federation of Greater Pittsburgh, including Past Chairman
- Jewish Healthcare Foundation, including Past Chairman
- Oberlin College, Trustee
- Pittsburgh Cultural Trust
- The Pittsburgh Promise Campaign, Founding Co-Chairman
- The Pittsburgh Regional Alliance
- Pittsburgh Symphony Orchestra

Now, President Obama has offered me a new opportunity, one with a truly national and international scope. The United States Postal Service epitomizes a key tenet that underlies our unique government of the people: the right of everyone—rich or poor, rural or urban, of every creed, faith and race—to efficient, affordable and reliable communications. So critically important to the Founding Fathers was this concept that they established the U.S. Post Office at the Second Continental Congress of 1775, a year before signing the Declaration of Independence. The U.S. Postal Service is a conduit of commerce, political thought, and messaging. Perhaps most important, it is a bedrock to people everywhere to remain connected to family, friends, community, and the greater world around them. Though other communications have come—some not lasting; others disrupting the paradigm and creating new challenges and opportunities—the mail still remains, and has a significant place as an essential government service.

Today, however, this institution is struggling. For years now, its expenses have exceeded its revenue. Looking deeper, its most profitable product—First Class mail—is in decline, but it is

achieving significant growth in the delivery of packages. It has undertaken an ambitious effort to cut costs, but it faces the real risk of degrading service, which could leave it worse off in the long term. Its recent losses have forced it to delay needed capital investments, and like any well-managed enterprise, it needs to address its long-term liabilities, particularly retiree health benefits.

To address these challenges, my business experience tells me that given the Postal Service's size, the answer is multifaceted. It must preserve and enhance its current products, while seeking out new opportunities to expand. It must look for ways to be more efficient, but also must preserve those assets that will enable its long-term growth. It needs a solid plan to address its long-term liabilities, but also must make near-term capital investments.

If confirmed, I look forward to exploring these issues in much greater depth, and I believe that my business background, experience and commitment to public can help push this work forward.

I thank you, members of the committee, for your attention, and look forward to answering your questions.

###

## 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
Member of the Board of Governors of the United States Postal Service	

<i>Current Legal Name</i>			
First Name	Middle Name	Last Name	Suffix
David	Samuel	Shapira	

<i>Addresses</i>					
Residential Address (do not include street address)			Office Address (include street address)		
Street: 101 Kappa Drive					
City: Pittsburgh	State: PA	Zip: 15238	City: Pittsburgh	State: PA	Zip: 15238

<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)
N/A					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
1941	Pittsburgh, PA

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

<i>Spouse's Other Names Used (current spouse only)</i>						
First Name	Middle Name	Last Name	Suffix	Check If Married Name	Name Used From (Month/Year) (Check box if estimate)	Name Used To (Month/Year) (Check box if estimate)
Cynthia	Rose	Dickter		X	07/1955 Est <input type="checkbox"/>	05/1981 Est <input type="checkbox"/>
Cynthia	D.	Busis			05/1981 Est <input type="checkbox"/>	11/2007 Est <input type="checkbox"/>

Children's Names (If over 18)			
First Name	Middle Name	Last Name	Suffix
Laura	Shapira	Karet	
Deborah	Beth	Shapira	
Jeremy	Marc	Shapira	

## 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
Oberlin College	College	9/1958 Est X	6/1963 Est Present X <input type="checkbox"/>	BA in Economics	6/1963
Stanford University	University	9/1963 Est X <input type="checkbox"/>	6/1965 Est Present X <input type="checkbox"/>	MA in Economics	6/1965
		Est <input type="checkbox"/>	Est Present <input type="checkbox"/>		
		Est <input type="checkbox"/>	Est 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)
Non-Government Employment	Giant Eagle, Inc.	Executive Chairman of the Board	Pittsburg h, PA	01/1970 Est X	Present Est □
				Est □	Est □
				Est □	Est □
				Est □	Est □
				Est □	Est □

(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)
N/A		Est □	Est. Present □ □
		Est □	Est. Present □ □
		Est □	Est. Present □ □

(C) 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*

#### 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.

#### 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>

#### **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.

#### **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).

<b><u>Name of Organization</u></b>	<b><u>Dates of Your Membership</u> (You may approximate.)</b>	<b><u>Position(s) Held</u></b>
The Duquesne Club	8/1987 to Present	Active Member
Lamont Valley Golf Club	5/1992 to Present	Director & Active Member
Westmoreland Country Club	4/1991 to Present	Active 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>
N/A			

(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>
N/A			


(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.

<u>Name of Recipient</u>	<u>Amount</u>	<u>Year of Contribution</u>
American Bridge 21 <sup>st</sup> Century Foundation	\$75,000.00	2012
Balyn for Commissioner	\$ 200.00	2010
Bob Casey for Senate	\$ 2,500.00	2011
Bob Casey for Senate	\$ 2,500.00	2011
Citizens for Arlen Specter	\$ 2,400.00	2009
Citizens for Arlen Specter	\$ 2,400.00	2009
Committee to Elect Judge Anne E. Lazarus for Superior Court	\$ 1,000.00	2009
Committee to Elect Tranquilli for Judge	\$ 1,500.00	2013
Dan Frankel for 23 <sup>rd</sup> District Committee	\$ 600.00	2010
Dan Frankel for 23 <sup>rd</sup> District Committee	\$ 500.00	2010

Doyle for Congress Committee	\$ 250.00	2011
Elect Bill Kirtz	\$ 250.00	2011
Friends of Dan Gilman	\$ 2,000.00	2013
Friends of Joe Sestak	\$ 2,400.00	2011
Friends of Raja	\$ 2,000.00	2011
Friends of Rich Fitzgerald	\$10,000.00	2011
Giant Eagle, Inc. PAC	\$ 5,000.00	2010
Giant Eagle, Inc. PAC	\$ 5,000.00	2011
Giant Eagle, Inc. PAC	\$ 5,000.00	2013
Jewish Community PAC of Pittsburgh	\$ 5,000.00	2009
Jewish Community PAC of Pittsburgh	\$ 5,000.00	2010
Jewish Community PAC of Pittsburgh	\$ 5,000.00	2013
Jewish Community PAC of Pittsburgh	\$ 5,000.00	2010
Jewish Community PAC of Pittsburgh	\$ 5,000.00	2012
Judge Judy Olson for Superior Court	\$ 2,500.00	2009
Judge Judy Olson for Superior Court	\$ 7,500.00	2009
Obama Victory Fund 2012	\$40,000.00	2012

Obama Victory Fund 2012	\$ 1,150.00	2012
Raventhal for Mayor	\$ 2,000.00	2009
Tim Murphy for Congress	\$ 500.00	2010
Women's Voices Women's Vote Action Fund	\$100,000.00	2012

### 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.

Title	Publisher	Date(s) of Publication
N/A		


**(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.**

<u>Name of Recipient</u>	<u>Amount</u>	<u>Year of Contribution</u>
Jewish Community PAC of Pittsburgh	\$7,500.00	2015
Judge Judy Olson for Supreme Court	\$5,000.00	2015
Tom Corbett for Governor	\$2,000.00	2014
American Unity PAC INC	\$100,000.00	2014




(B) List any formal speeches you have delivered during the last five years and provide the Committee with copies of those speeches relevant to the position for which you have been nominated. Include any testimony to Congress or any other legislative or administrative body. These items can be provided electronically via e-mail or other digital format.

<u>Title/Topic</u>	<u>Place/Audience</u>	<u>Date(s) of Speech</u>
N/A		


(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>
N/A		

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### 9. Criminal History

Since (and including) your 18<sup>th</sup> 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? No (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? 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.

<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>
See Attached Addendum				

(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.

<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>
See Attached Addendum				

DRAFT for DSS  
By CCC

1/13/14

**Information relating to Civil Litigation and Administrative Proceedings against me personally (Item 10(A)) or any business entity with which I was affiliated (Item 10(B)).**

Cautionary Note: Because of the length and breadth of my career in business and in civic/community activities, I do not currently have knowledge of all the details requested. Also, there may have been matters encompassed by Item 10 and Supplement 5S as to which I have no current recollection.

Phar-Mor Litigation: Phar-Mor, Inc. was a substantial privately-owned corporation that filed for Chapter 11 bankruptcy in Federal District Court (E.D. Ohio) in the latter half of 1992. This filing was precipitated by the discovery of massive accounting fraud and other derelictions perpetrated by the then Chief Operating Officer and Chief Accounting Officer of Phar-Mor. At the time, Phar-Mor was a partially-owned subsidiary of Giant Eagle, Inc. of which I was Chief Executive Officer. I was also Chief Executive Officer of Phar-Mor – nominally in that the COO had been entrusted with almost complete power to run Phar-Mor.

The accounting fraud was discovered by me and a few of my colleagues on the Phar-Mor board in July 1992. We promptly reported our discovery to the many equity investors and banking institutions that had provided financial support to the company, as well as to the company's independent CPA firm. In due course, many civil suits were filed in which I was named as a defendant, along with Giant Eagle, several other individuals who had served on the boards of directors of Phar-Mor and Giant Eagle and Phar-Mor's CPA firm.

In addition, there were (to my knowledge) three separate independent investigations into the facts and circumstances of the accounting fraud and related derelictions. These investigations were aimed, in part, at determining the identity of the participants who had perpetrated the fraud. The investigations were conducted by (or under the auspices of) the Bankruptcy Trustee, the outside (independent) directors of Phar-Mor, and the Federal Bureau of Investigation. In all three instances, I was found to be innocent of any sort of fraudulent misconduct. (The perpetrators alluded to above were prosecuted criminally).

The various civil litigation cases were ultimately settled in which payments were made to settle allegations against me and the other defendants referred to above.

Excentus Litigation: This case is pending in Federal District Court (WD Pa.) in which I am a named defendant. The case arises out of an intra-corporate dispute between the management of this private company and Giant Eagle, Inc., which is an investor and licensee of Excentus intellectual property. The issues are centered on Giant Eagle's rights/obligations as licensee and to participate in company governance.

Other Litigation (unspecified): Over the years, I have served as a member of the boards of directors of three publicly-held (listed) companies – Mellon National Corporation, EQT Incorporated and Action Industries, Inc. Both ordinary and extraordinary transactions by one or

more of these companies may have generated shareholder litigation (under state and/or federal law) in which I, as a member of the board group, was named as a party. I am unaware of any finding of breach of duty on my part, or if any settlements were paid on my behalf.

- end -

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(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.

<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>
NO			

(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?

#### 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**



**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

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)
<i>See Attached Addendum</i>					


### 15. Agreements or Arrangements

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.)

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 Term of Any Agreement or Arrangement</u>	<u>Parties</u>	<u>Date</u> (month/year)
N/A		

### 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

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 dark ink, appearing to be "D. H. H.", written over a horizontal line.

This 18th day of May, 20 15

## Supplement to Standard Form 86 (SF-86)

Attach additional pages as necessary.

is. a) please list names of all corporations, firms, partnerships or other business enterprises, and all nonprofit organizations, and other institutions with which you are now, or during the past five years only, have been affiliated as an officer, owner, director, trustee, partner, advisor, attorney or consultant.

Name/Address Telephone	Position/ Nature of Affiliation	Type of Business	Dates (To/From)	Compens- ated (Yes/No )	Name/Address/Telephone of Corporate Counsel/Other Verifying Official
Giant Eagle, Inc. 101 Kappa Drive Pittsburgh, PA 15238 (plus Subsidiaries)	Exec. Chair of the Board Chairman, CEO & President	Grocery	1/9/2012 thru Present 7/1/2005 thru 1/9/2012	Yes	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
BGT Corporation 625 Liberty Avenue Suite 1700 Pittsburgh, PA 15222 (plus Subsidiaries)	Director	Gas Drilling	Past 5 years	Yes	Kimberly Sachse, Esq. 625 Liberty Avenue Suite 1700 Pittsburgh, PA 15222 (412) 553-5758
Aquatech International Corp.	Advisory Board	Water Service	Past 2 years	Yes	Venke Sharma Aquatech International Corp. One-Four Coins Drive Canonsburg, PA 15317 (724) 746-5300
American Peardes Foundation	Director	Religious School	Past 5 years	No	Michael Rosenweig President 5 West 37th Street, Suite 802 New York, NY 10018 (212) 817-9298

## Supplement to Standard Form 86 (SF-86)

BNY Mellon Fdn of Southwestern PA	Trustee	Philanthropic Foundation	Past 5 years	No	Konya Boswell Marketing & Corporate Affairs BNY Mellon Center Suite 1830 Pittsburgh, PA 15258 (412) 234-8679
Butler Refrig. Meats, Inc.	Executive Chairman & Director	Meat Distribution Center	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Carnegie Mellon University	Former Chair and Current Trustee	University	Past 5 years	No	Dr. Ruben Surash President 5000 Forbes Avenue Pittsburgh, PA 15213 (412) 268-2201
ECRO Realty, LP 701 Alpha Drive Pittsburgh, PA 15238	Chairman	Real Estate Company	Past 5 years	No	Thomas Karet 701 Alpha Drive Pittsburgh, PA 15238 (412) 967-4845
Extra Mile Education Fdn.	Board Member	Philanthropic Foundation	Past 5 years	No	Embrose Murry Executive Director 111 Boulevard of the Allies Pittsburgh, PA 15212 (412) 456-3103
Frederick Convenience Co.	Executive Chairman & Director	Convenience Store GetGo#3842	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Fresh Food Manufacturing Co.	Executive Chairman & Director	Food Preparation Facility	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598

## Supplement to Standard Form 86 (SF-86)

Good Nature Distributing Co.	Executive Chairman & Director	Distribution Center	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Kittel Academy of Pittsburgh	Board Member	Religious school	Past 5 years	No	Daniel Krut, CEO 5685 Beacon Street Pittsburgh, PA 15217 (412) 521-8131
I.C. Supermarkets, Inc.	Director & Executive Chairman	Grocery	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Jewish Federation of Greater Pittsburgh	Board Member	Philanthropic Organization	Past 5 years	No	Jeffrey Finkelstein President 234 McKee Place Pittsburgh, PA 15213 (412) 992-5260
Maryland Convenience Company	Executive Chairman & Director	Convenience Store GetGo 3841	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Maryland Grocery Store Company	Executive Chairman & Director	Tenant & Operator at Maryland Stores #1841 & #1842	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Oberlin College	Trustee	College	Past 5 years	No	Marvin Krisloff President 173 E. Lorain Street Oberlin, OH 44074 (440) 775-5703
ODC/Butler, Inc.	Director	Owner of Moraine Pointe Plaza Shopping Center	Past 5 years	No	c/o Oxford Development 2000 Oxford Drive, Suite 650 Bethel Park, PA 15102 Richard Russell, Esq. (412) 963-2598

Revised 9/2/2008

Supplement to Standard Form 86 (SF-86)

Pittsburgh Promise	Director	Philanthropic Foundation	Past 5 years	No	Saleem Ghuhrill President 1901 Centre Avenue #204 Pittsburgh, PA 15219 (412) 281-7605
RFX Holding Company	Executive Chairman & Director	Investment Holding Company	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Riser Foods Company	Director & Executive Chairman	Wholesale Food Distributor	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Talon Logistics, Inc.	Director & Executive Chairman	Transportation Logistics Business	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598
Team Member Care Fund	Director	Philanthropic Organization	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2506
United Way of Allegheny County	Board Member	Philanthropic Organization	Past 5 years	No	Bob Melkin Chief Executive Officer 1250 Penn Avenue Pittsburgh, PA 15222 (412) 261-6010
Pittsburgh Symphony	Board Member	Philanthropic Organization	Past 5 years	No	Jodi Weisfield Vp of Development Klein Hall 600 Penn Avenue Pittsburgh, PA 15222 (412) 392-3307
Aetos Construction Company	Executive Chairman & Director	Construction & Maintenance Company	Past 5 years	No	Richard Russell, Esq. 101 Kappa Drive Pittsburgh, PA 15238 (412) 963-2598



REDACTED



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

JAN - 9 2015

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

Dear Chairman:

Under the Ethics in Government Act of 1978, Presidential nominees requiring Senate confirmation who are not expected to serve in their Government positions for more than 60 days in a calendar year are not required to file public financial disclosure reports. The Act, as amended, however, contains a provision in section 101(b) that allows the committee with jurisdiction to request any financial information it deems appropriate from the nominee.

We understand that your committee desires to receive a financial disclosure report (OGE Form 278) from any Presidential nominee for a position on the Board of Governors of the United States Postal Service, along with a written opinion from this Office regarding any possible conflicts of interest.

Therefore, I am forwarding a copy of the financial disclosure report of David S. Shapira, who has been nominated by President Obama for the position of a Governor on the Board of Governors, United States Postal Service. Because the nominee is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your committee's confirmation procedures and will be available for public inspection only to the extent provided by your practices. There is no authority under the Act for public release of this material by the executive branch.


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.

The Honorable Ron Johnson  
Page 2

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

Please note that the underlying assets of the following private equity fund have not been broken out: Greycourt Partners Fund, LP, page 12, line 7, because they are not provided to investors.

Sincerely,



David J. Apol  
General Counsel

Enclosures **REDACTED**

David S. Shapira  
10/14/14

Michael J. Elston  
Designated Agency Ethics Official  
Associate General Counsel and Chief Ethics & Compliance Officer  
U.S. Postal Service  
475 L'Enfant Plaza, SW  
Washington, DC 20260-1100

Dear Mr. Elston:

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 as a Member of the Board of Governors of the United States Postal Service.

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 or in which I know that a person whose interests are imputed to me has a financial interest, if the particular matter has a direct and predictable effect on that interest, 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 am the Executive Chairman of the Board of Directors ("Giant Eagle"). In my role as Governor, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of Giant Eagle, 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 will retain my paid positions as a member of the board of directors of EQT Corporation and as a member of the advisory board of Aquatech International Corporation. In my role as Governor, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of either of these entities, 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 will retain my unpaid positions with the following entities: American Pardes Foundation; BNY Mellon Foundation of Southwestern PA; Butler Refrigerated Meats, Inc.; Carnegie Mellon University; ECHO Realty, LP; Extra Mile Education Foundation; Frederick Convenience Company; Fresh Food Manufacturing Company; Good Nature Distributing Company; Hillel Academy of Pittsburgh; I.C. Supermarkets, Inc.; Jewish

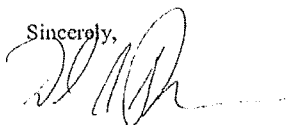
Federation of Greater Pittsburgh; Maryland Convenience Company; Maryland Grocery Store Company; Oberlin College; ODC/Butler, Inc.; Pittsburgh Promise; RFI Holding Company; Riser Foods Company; Talon Logistics, Inc.; Team Member Care Fund; United Way of Allegheny County; Pittsburgh Symphony; Aetos Construction Company; the David S. Shapira Non-QTIP Marital Trust; and the David S. Shapira Marital Trust. With regard to each of these entities, in my role as Governor, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of the entity, 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 have been advised that I will likely serve on the Board of Governors for no more than 60 days in any period of 365 consecutive days. Accordingly, I understand that I may not, under 18 U.S.C. §§ 203(c)(1) and 205(c)(1), provide any representational services or act as agent or attorney for another in any particular matter involving specific parties in which I have participated personally and substantially as a government official. I also understand that I may not receive a share of any payment made for such representational services performed by another. I understand that additional requirements of 18 U.S.C. §§ 203(c)(2) and 205(c)(2) will apply to me if I serve for more than 60 days in any period of 365 consecutive days. In that event, I will comply with all applicable requirements, and I will consult your office if I have any questions about those requirements.

I have been advised that it is the Postal Service's position that an appearance of impropriety may be created by my holding any direct financial interests in its competitors, i.e., companies that deliver mailable matter outside the U.S. mails (e.g. Federal Express, United Parcel Service, DHL, etc.). I agree that during my service as a member of the Board of Governors, I will not invest directly in any company that directly competes with the U.S. Postal Service (e.g. Federal Express, United Parcel Service, DHL, etc.).

Finally, I will recuse myself from participation on a case-by-case basis in any particular matter involving specific parties in which I determine that a reasonable person with knowledge of the relevant facts would question my impartiality in that matter, unless I am first authorized to participate, pursuant to 5 C.F.R. part 2635, subpart E.

Sincerely,



David S. Shapira

**U.S. Senate Committee on Homeland Security and Governmental Affairs  
Pre-hearing Questionnaire  
For the Nomination of David S. Shapira to be  
Governor of the United States Postal Service**

**I. Nomination Process and Conflicts of Interest**

1. Why do you believe the President nominated you to serve as a Governor of the United States Postal Service ("USPS" or "Postal Service")?

I have experience as the Chief Executive of a \$10 billion company and I have extensive experience on public, private and non-profit boards of directors.

2. What specific background and experience affirmatively qualifies you to be a Governor of the Postal Service?

Same as above.

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

None.

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

None.

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 that you will use to carry out such a recusal or disqualification.

I would recuse myself from any issue that involves my own personal interests or the interests of any company that I am involved with.

**II. Role and Responsibilities of a Governor of the United States Postal Service**

6. If confirmed, what specific contributions do you hope to make during your time on the Postal Board of Governors (the Board)?

Given the extensive experience that I bring in managing complex business operations, I could hope that my most specific contribution would be a career's worth of expertise and judgment in guiding and directing businesses. It is my belief that the prime function of a business is to serve its customers. If it does not do so, it cannot succeed in the long run. This is completely consistent with "representing the public interest generally."

7. The Board is responsible for directing the powers of the Postal Service, including its financial, accounting, and operational functions. How have your professional experiences provided you with the necessary business skills to effectively govern the Postal Service?

I believe my resume makes it self-evident that I have a great deal of experience as both a Chief Executive and a Board Member of various types of companies and institutions.

8. What do you see as the principal mission of the Board? What do you see as its principal responsibilities?

The mission of the Board is to oversee management to ensure that they are representing the various constituencies of the Post Office including the public and the employees and to make sure this is being done in a financially responsible way.

9. What do you believe are the functions and responsibilities of an individual Governor? What in your training and experience demonstrates your qualifications to fulfill these functions and responsibilities?

I believe that individual Governors should use their experience and best judgment to ensure that all decisions protect and advance the public interest. During my career I have had to make many decisions where there are multiple, competing interests at stake, and I believe this experience will serve me, the Postal Service and the American people well, if I am confirmed as a Governor.

10. What do you see as the main challenges facing the Postal Service? What do you believe should be the Board's top priorities in meeting those challenges?

While I would look forward to learning more and examining the challenges in much greater detail, from various public reports it appears that the Postal Service's primary challenge is financial—for years now, its obligations have exceeded its revenue. Going deeper, it faces declines in its most profitable product—First Class mail—while achieving significant revenue growth in the delivery of packages. It has undertaken an ambitious effort to cut costs to address its budgetary imbalance, but faces the downside risk of degrading service which could leave it worse off in the long term. Its recent losses have forced it to delay needed capital investments, and it needs to address its long-term liabilities, particularly retiree health benefits. I would need more detailed information and analysis before I could thoughtfully answer about specific priorities, but my general business experience tells me that, given the Postal Service's size, the answer is multifaceted. It must preserve and enhance its current products, while seeking out new opportunities to expand. It must look for ways to be more efficient, but also must preserve those assets that will enable its long-term growth. It needs a solid plan to address its long-term liabilities, but also must make near-term capital investments. If confirmed, I look forward to learning much more and addressing these issues.

11. What do you believe should be the respective roles and functions of the Board and the Postal Service management? How do you believe the Board and management can best work together to meet the challenges facing the Postal Service?

I understand the Board's special responsibilities, as described in questions #8 and #9, and from my past corporate experience I also understand the necessity of hiring capable executives who have the day-to-day responsibility of implementing the business plan. If confirmed, I believe that the Board should set and approve policy protecting the general public interest, but it should be the responsibility of management to execute those decisions.

12. The Governors are chosen to represent the public interest generally. How do you plan to interact with various stakeholders interested in postal issues and how do you think as a Governor you can effectively represent their interests?

I believe that the term 'public interest generally' should be read in the broadest possible context, especially considering the role of the Postal Service in serving the entirety of the American people and binding the nation together as a whole. While certain stakeholders will be important, the Board's particular role is representing the interests of the American people as a whole. If confirmed, I would look forward to learning about the Board's past

contact with particular stakeholders, and whether those contacts are best taken up by the Board or by management.

13. As you are aware, the Postal Accountability and Enhancement Act of 2006 requires that by the end 2015, at least four members of the Board have experience managing an organization of 50,000 employees or more. What are your views on this requirement for appointment to the Board of Governors?

I completely agree that the Board should have members who have experience managing large, complex enterprises. That said, a hard-and-fast 50,000 employee threshold may be too limiting. I believe it would also be important to have people with strong technology backgrounds and knowledge of the way communications are changing in our modern society.

### **III. Policy Questions**

#### *Postal Reform and Financial Issues*

14. The U.S. Postal Service continues to experience volume and revenue losses. The Postal Service ended Fiscal Year (FY) 2014 with a net loss of \$5.5 billion. Further, the Postal Service reported a loss of \$754 million for the first quarter of FY2015.
  - a. In your view, what is the Board's role in overseeing USPS's efforts to improve its financial condition and to increase postal revenue and cut costs, while also meeting its universal service obligations and other statutory requirements?
 

I believe it is the Board's responsibility to define realistic goals for management in terms of revenue growth and cost cutting, keeping in mind that the Postal Service has a special charge to provide universal service, as set by law. The Board is then responsible for challenging management to formulate workable plans to achieve these goals, and holding management accountable for results.
  - b. How does this differ from the role of the Postal Regulatory Commission (PRC) or the role of Congress?

Though I look forward to learning more about the Postal Regulatory Commission's role, I believe its purpose is more narrowly focused than the Board's. As I understand it, its role is to provide an outside, expert assessment of whether the Postal Service is fulfilling specific statutory requirements. Congress, of course,



ultimately decides on behalf of the American people what services are appropriate and needed, how they should be delivered, and how the enterprise should be organized.

15. Volumes and revenues associated with letter mail and other products in the postal monopoly continue to decline, and First-Class Mail in particular is projected to significantly decline over the next decade. At the same time, the volume of packages and other products outside of the postal monopoly has grown significantly in recent years.

- a. How can the Postal Service remain viable as letter mail volume declines?

For any business to remain viable when a core product begins to falter, adjustments have to be made. Either costs must be cut in line with the new market realities, or new lines of business and revenue must be found, or both. In the case of letter mail, at this time I do not feel that I have sufficient business information to make a considered judgment, but if confirmed, I would look forward to learning the specifics and challenging management to ensure that their plans are sound.

- b. How can the Postal Service take advantage of the growing popularity of e-commerce and package delivery?

Generally, from my experience in the retail industry, I know first-hand how disruptive e-commerce can be to established businesses, but I also recognize that the disruption is accompanied by great opportunity. In the Postal Service's case, the challenge is think about how to leverage existing strengths—the nationwide scope, the end-to-end processing capability, the delivery network—to serve this emerging industry. If win-win business opportunities can be found, e-commerce may ultimately secure the Postal Service in the 21<sup>st</sup> century.

- c. What new actions should the Postal Service take to maintain its viability and competitiveness in both its traditional lines of business and in potential growth areas?

As referenced in the answer to #15b, I believe that the Postal Service should leverage its unique strengths and work to apply them in new and innovative ways. This would help preserve the traditional lines of business, but at the same time increase revenue in new areas of business and add value for the American people.

- d. What do you believe are the proper limitations of the Postal Service with respect to competition with the private sector?

As I understand it, current law prohibits the Postal Service from offering products or services that are not directly tied to the mail. Congress has made this determination, and if confirmed, it would be my responsibility to ensure that the law is faithfully applied.

- e. How proactive should the Board be in identifying areas for the Postal Service to cut costs quickly so that it can cover its operating expenses?

Postal management should be responsible for day-to-day operations and knowing the best opportunities to increase efficiency and cut costs. But, given the Postal Service's substantial losses, the Board should challenge management to find cost savings wherever available, but it should also be mindful that ill-conceived cuts could undermine the Postal Service's long-term ability to actually provide the services that the American people want and deserve.

- f. What is the Board's role and responsibilities in identifying opportunities for Postal Service to increase volume?

Again, it is Postal management that should be responsible for day-to-day operations and knowing which products and services hold the greatest growth potential. The Board's role should be to set a general policy to encourage innovation and growth, and then hold management accountable for results.

16. What are your views on the "universal service obligation" and the various delivery methods currently employed to carry out this mandate (e.g., six day delivery, the overnight delivery standards)? In other words, how do you view the current service standards and delivery frequency with respect to the obligation for service to every American?

As I understand it, the universal service obligation requires the Postal Service to offer the same level of service to all Americans, wherever they are in the nation. It represents a commitment to all Americans to a cost-effective, reliable service on an equal basis. With respect to specific standards, I believe that a close examination of how Americans are actually using the mail and what products they would like to see should be the guiding principle.

17. The Government Accountability Office (GAO) again included the Postal Service on its High-Risk List in 2015 because of its precarious financial condition. GAO added the Postal Service's financial condition on its high-risk list in 2009 after removing it in 2007. In your view, what should be the Postal Service's strategy for improving its financial condition and restructuring its business model to ensure its long-term viability, in addition to any factors that the Postal Service has announced as part of its new business model?

As referenced in #14b, I believe it is the Board's responsibility to safeguard the essential mail services that the American people expect and depend on. Its role should be to set goals for management in terms of revenue growth and cost cutting and then hold them accountable for results. Like any business, the Postal Service cannot be viable if its revenues don't cover its obligations, but without a more thorough understanding of specific market conditions and operations, it is difficult to offer an informed opinion on what the strategy should be. If confirmed, I would look forward to learning the specifics and working to ensure a business model that is truly viable.

18. In order to ensure the future financial viability of the Postal Service, the Postal Service needs to address its healthcare costs and future healthcare liabilities. To help achieve this goal, S. 1486, the Postal Reform Act, created a new postal-only health program within the Federal Employee Health Benefits Program that would require Medicare-eligible postal annuitants to enroll in Medicare as a condition of their enrollment and provide postal annuitants with prescription drugs through a Medicare Part D Employee Group Waiver Plan (EGWP). This is in line with the current practices of other businesses that provide health coverage to their annuitants and will provide the Postal Service with significant savings. Do you believe it is appropriate to require Medicare-eligible postal annuitants to participate in Medicare?

In general, Congress has determined that the Postal Service should be supported solely by the revenue it generates from the sale of postage, which is subject to market forces like any other good or service. At the same time, Congress has mandated that postal employees and retirees receive federal benefits in line with regular federal workers. These goals obviously can be in conflict if changes in the market result in revenues that are insufficient to support federal employee benefit obligations. Determining whether the appropriate response is to require postal retirees to participate in Medicare, or whether there are other, better solutions, would require more detailed analysis and expert guidance. If confirmed, I would look forward to examining this analysis and guidance before reaching a conclusion about the best course forward.

19. The Postal Service has estimated their total liabilities to be over \$115.5 billion while their assets are \$25 billion. How do you believe the Postal Service should address their liabilities?

Like any other enterprise, the Postal Service must generate sufficient revenue to cover its operating expenses and long-term liabilities. Like a business, some combination of increased revenue, lower expenses, or both, must be achieved in the near-term and then must be sustained in order to address longer term liabilities.

20. There are differences of opinion about the privatization of the Postal Service. What are your views on privatization?

I have not thought much about privatization and would want to have much more information and experience before expressing an opinion.

21. In recent years, postal management has indicated that the Postal Service has been financially unable to make the investments necessary to replace its aging vehicle fleet or make other capital investments it needs to make in order to remain viable and competitive in the coming years. What steps do you believe the Board should take to prioritize key capital investments and allocate the resources necessary to make them?

I believe it is the responsibility of management to produce a sound financial plan which, of course, should include capital investment and the short and long-term viability of the business. My role as a Board member would be to understand the plan, offer any counsel I may have and to either approve or not approve it.

*Postal Rates and New Products*

22. One of the core principles of the Postal Accountability and Enhancement Act, which was enacted into law in 2006, was to provide Postal Service customers, through the establishment of an inflation-based rate cap, with predictability and stability in pricing. In recent years, however, the restrictions on Postal Service pricing created by the rate cap have played a role in preventing the Postal Service from generating sufficient revenue to cover its costs.

- a. What is your opinion of the inflation-based rate cap as an approach to regulating postal rates?

In general, I believe in market-based pricing, price caps tend to limit a company's ability to serve its customer both in the short and in the long run.

- b. What role should the PRC play in studying and/or approving Postal Service pricing decisions?

Given that the rate caps are prescribed by law, the PRC's role would be to ensure that the Postal Service's actions did not violate the cap.

23. With appropriate safeguards, S. 1486 would have expanded a provision in current law regarding the ability of the Postal Service to offer non-postal products.

- a. Under what circumstances should the Postal Service be permitted to offer non-postal products?

My understanding is that the Postal Service is prohibited from offering non-postal products under current law. If Congress were to change the law, the Postal Service should evaluate those new opportunities and identify new offerings that make best use of its inherent strengths.

- b. To what extent do you believe the Postal Service should rely on the provision of non-postal products in its efforts to generate additional revenue?

My answer is the same as under #23a.

- c. How would you ensure the Postal Services does not unfairly compete with the private sector in selling non-postal products?

The Postal Service's high labor costs and lack of access to capital would likely make it impossible for the Postal Service to profitably compete against the private sector in industries where it does not already have expertise or capability.

24. How can the Postal Service better take advantage of its current authorities to make the mail more appealing and valuable to customers and attract additional mail volume?

If confirmed, I would rely on the expertise and judgment of marketing experts with experience in the mailing industry to identify plans to make the mail more appealing and valuable.

*Facility Closings and Service Changes*

25. What role should the Board have in decisions to realign postal retail and mail processing networks, including decisions to close specific facilities?

The role of the Board is to set general policies, set the goals for revenue growth and cost savings, challenge management's plans to ensure that they can accomplish those goals, and hold management accountable for the results. Management, on the other hand, is tasked with the day-to-day operation and is much better situated to make decisions about specific facilities.

26. How can the Board ensure the Postal Service communicates with its customers and employees so that they are aware of updated information on the consolidation process, as it becomes available?

I recognize that in any large business or operational change effective communication is crucial, both internally and externally. If confirmed, before approving any general plan I would ask management tough questions about how they intend to communicate with employees, stakeholders, local communities and Congress.

27. According to GAO, approximately 41 percent of postal revenue comes from alternate retail channels such as the Postal Service website, automated postal centers, and contract postal units. Do you believe the Postal Service should increase the use of alternate retail channels, and if so, how should this be accomplished?

From my experience in the retail industry, I know that a successful business must offer a variety of convenient sales channels, and this will become more and more important as e-commerce grows. As customers demand more options and 24/7 access, the Board must challenge management to ensure that the retail interface is as varied and accessible as is possible.

28. In recent years, the Postal Service has proposed both the elimination of Saturday delivery of some classes of mail as well as changes to the overnight service standard.

- a. What is your opinion of the Postal Service's proposals to eliminate Saturday delivery of some classes of mail to lower certain service standards?

I know that for several years the Postal Service has been proposing the elimination of Saturday mail delivery. I also know that more recently Saturday and even Sunday package delivery has been an increasingly valuable selling point and competitive advantage. If confirmed, I would want to truly understand the

rationale for eliminating a day of mail delivery while expanding days of package delivery, given that mail carriers now deliver both products simultaneously.

- b. What steps should the Postal Service take to ensure that any service changes it makes do not disproportionately harm rural customers and are consistent with the Postal Service's universal service obligation?

The universal service obligation, as I understand it, means that the Postal Service must offer the same level of service to all Americans, wherever they are in the nation. This is especially true for rural areas where, on a strict profit-loss basis, service may not be as profitable. If confirmed, and as part of the duty to represent the broad, general public interest, I would ensure that any management plans have weighed the particular interests of rural or low-income areas, and those of specific communities, such as the elderly.

*Workforce-Related Issues*

29. The Postal Service has been reducing its workforce, including through hiring freezes, early retirements, incentive payments for some targeted attrition, and other ways. Does the Postal Service have sufficient flexibility to adjust its workforce to changes in mail volume? If not, what additional flexibility is needed?

As I understand it, since 2007 the Postal Service has reduced its career workforce by more than 200,000 employees. As the question notes, it has accomplished this reduction through attrition and incentives. Given this level of success, it would appear to have sufficient flexibility.

30. As an increasing number of postal executives, managers, and supervisors are eligible to retire, how can the Board work with postal management to address these challenging succession, continuity, and associated cost issues?

Succession planning is critical for any organization, and the Board must ensure that management has the programs and policies necessary to guarantee smooth transitions. If confirmed, I look forward to learning the specific plans currently in place and evaluating improvements.

31. In recent years, performance-based compensation systems have been implemented for postal executives, as well as managers and supervisors. The success of these systems depends on

the credibility of the performance measures. How can the Board ensure the credibility of the Service's performance-based compensation systems? Do you have an opinion about performance-based compensation?

Performance-based compensation has proven effective in many corporate environments and is prevalent among private companies of comparable size to the Postal Service. To be successful, however, any compensation must be tied to fair and objective measures, and it is my understanding that the Board utilizes a Compensation and Management Resources Committee of Governors to make recommendations. If confirmed, I would look forward to learning more specifics about the Postal Service's program.

32. The Postal Service is subject to Occupational Safety and Health Act workplace safety laws in the same manner as private-sector employers. How can the Board help ensure compliance with applicable workplace safety laws and encourage efforts to improve safety and reduce costs associated with workplace injuries?

The Board must monitor compliance with safety compliance as a part of its role in setting the general policies of the Postal Service. Ensuring that employees have a safe and efficient workplace, and that the necessary policies are in place to achieve that goal, must be a bedrock principle in managing any enterprise.

33. Please describe the kind of labor-management relationship you believe is most desirable at the Postal Service.

In general, for a company or organization to succeed, labor and management must work together, and a shared vision of objectives and mutual respect is essential. In a collective bargaining environment, the best outcomes are achieved when management and the union work as partners, with management being truly collaborative and the unions offering flexibility to adapt to changing business conditions.

34. What is the Board's role in ensuring effective cooperation between postal management and Postal Service labor unions?

I support the collective bargaining process, and I believe it should be the policy of the Postal Service to manage the service for all of its constituencies while continuing to foster a fair and equitable work environment.



35. What is your opinion of the Postal Service's current programs to manage risks posed by suspicious mail to enhance the safety and security of the mail?

If confirmed, I would rely heavily on the U.S. Postal Inspectors and their experience and knowledge of current programs and threats in order to assess risks and responses.

36. What are the tradeoffs that should be considered to determine what actions the Postal Service should take to enhance the safety and security of the mail – for example, in terms of potential impacts on postal operations and service delivery?

If confirmed, I would weigh the views of the U.S. Postal Inspectors in conjunction with management's judgment of any impact on operations, and make a considered decision, keeping in mind the public interest generally.

37. What is your opinion about increasing the use of cluster boxes to improve security of the mail? Generally, what do you believe the Postal Service should do to ensure that businesses and residential customers use cluster boxes to an appropriate extent?

If confirmed, I would look forward to learning more about the general policies of the Postal Service regarding delivery options and safety. In general, I believe that customers should be offered the most convenient, safest and most cost-efficient option that is appropriate.

38. What steps should the Postal Service take to maintain trust and credibility with its employees and customers that the mail is safe? How can the Postal Service improve its response to hazardous incidents to ensure that appropriate safety procedures are understood and followed by all employees?

As outlined in #36, for specific changes to safety and security protocols, I would rely heavily on the expert opinions of the U.S. Postal Inspectors and management responsible for ensuring adherence to safety procedures. As a matter for the Board, if confirmed, it must be a general principle that the mail is a safe and secure, and employees are protected.

#### **IV. Relations with Congress**

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

Yes.

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

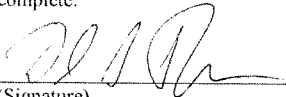
Yes.

**V. Assistance**

41. Are these answers your own? Have you consulted with the Postal Board of Governors or any interested parties? If so, please indicate which entities.

These answers are my own. I did not consult with the Board of Governors, though I did speak with the Government Relations department at the Postal Service for context in developing my answers. I did not consult with any interested parties.

I, David S. Shapira, hereby state that I have read the foregoing Pre-hearing Questions and that the information provided therein is, to the best of my knowledge, current, accurate, and complete.

  
(Signature)

**Post-Hearing Questions for the Record  
Submitted to David. S. Shapira  
From Senator Claire McCaskill**

**“Nomination Hearing to Consider Peter V. Neffenger to be Assistant Secretary of the U.S.  
Department of Homeland Security and  
David S. Shapira to be Governor, U.S. Postal Service”**

**June 10, 2015**

In your statement, you state that the US Postal Service must preserve those assets that will enable its long-term growth. Yet the USPS seems intent on moving forward with consolidating additional mail processing facilities even though the first round of closures has led to a number of problems. It has overwhelmed the remaining processing facilities, slowing down mail going through those facilities, and it has saved less than USPS projected it would. Furthermore, the USPS had to reduce its delivery standards in order to close these facilities, and they're still not even meeting those lower standards.

My office recently received a letter from one of a small business owner in Sheridan, MO that I think is a perfect example of what happens when the postal service says first class mail will take 3 days, and instead it takes 6. The owner was waiting on payments from 3 customers in Missouri and Iowa. They were sent first class mail and should have been received in 3 days, according to USPS first class mail standards. Instead these payments took 6 days for them to reach the local business. The business owner had initially charged late fees to the 3 customers, but had to refund them when it was explained to him what had happened.

The fact is, these payments should have reached the business owner on time. But when the owner's payments come in late, he can't turn around and pay his bills, and he gets hit with late fees, and so on down the chain.

Thankfully, the USPS listened to those of us who have been furious about these consolidations and decided to put them on hold for a year, but I'm afraid this is just a temporary reprieve, and not an actual rethinking of business strategy.

1. Do you think making your product worse and less reliable is a smart way to grow a business?

No. As a general business principle, businesses succeed only when their products offer the quality and price that consumers desire. The most successful businesses are those that find a profitable way to offer high quality and low price.

2. Will you commit to asking the Postmaster General to reexamine the proposed consolidation plan?

Yes. If confirmed, prior to approving any resumption of consolidations, I look forward to learning more about the business plan, financial justifications and impact on service

(including any lost revenue resulting from slower service) underlying Phase 2 of the Network Rationalization Initiative.