

DEPARTMENT OF THE TREASURY
OFFICE OF PUBLIC AFFAIRS

For Immediate Release

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**Remarks of
Treasury Under Secretary Peter R. Fisher
To the President's Commission on the U.S. Postal Service
Washington, DC**

Good morning. On behalf of President Bush, I would like to thank each of you for serving on this Commission. The task that you have is large but the importance of the Postal Service to our nation is worthy of the commitment that each of you has made.

The Postal Service is the linchpin of our \$900 billion mailing industry. As a whole, this industry represents eight percent of our Gross Domestic Product and nine million workers. The American people and American businesses rely on the Postal Service to deliver mail in a secure, reliable and efficient manner. It is vital to have a vibrant Postal Service that delivers on its mission.

This Commission is about the future of the Postal Service, addressing the challenges that it faces. Competition from the private sector in electronic substitutes and non-monopoly services present a fundamental challenge to the Postal Service. New technology has resulted in declining volumes. The increasing use by businesses of electronic communications for bills and payments has put downward pressure on first-class mail volumes. This pressure on mail volumes is also seen in business-to-business and business-to-consumer marketing that increasingly relies on more narrowly focused mailings. At the same time, the Postal Service adds more than 1.7 million new delivery points annually.

New technology, declining volume, and continued expansion of the delivery cost base, combined with competition from the private sector, pose a fundamental challenge to the Postal Service. You need to help us identify a new business model that will create the Postal Service for the 21st century.

The President's Executive Order spells out the six issues that we think you should consider. Simply put, the President has put everything on the table for this Commission to review so that the Postal Service has a path toward a productive and financially secure future.

In thinking about these issues, you will need to strike a number of balances between competing considerations. With everything on the table, there are no predetermined outcomes. In the process of your examination you will need to reflect upon the many possible alternative approaches to the management of this large, complex and important institution, bearing in mind its public functions.

Two hundred years ago, the Postal Service was our communications system. Today, much of our domestic and international communication needs are met by telecommunication networks, computers, radio, and television. However, the Postal Service plays a much more important role today in our commerce by delivering products and services to consumers and businesses alike. You will need to think about the appropriate 21st century role of the Postal Service in communications and commerce, considering how to redefine its fundamental mission.

Another issue that you will need to address is how we should think about the universal service obligation. Universal service means different things to different people. For some, it is universal access and uniform pricing. For others, the concept of universal service is really thought of as being about maintaining the status quo. To develop a new business model we know we need to move beyond the status quo.

I like to think of the Postal Service as the ultimate network business, and an important value of any network is the scope of its reach. One question that the Commission might consider is how the network could be leveraged to ensure that it is operated in the most efficient manner possible and at the lowest possible cost.

You will also need to explore the delicate balance between pricing and cost flexibilities in a monopoly business and whether the Postal Service could use additional flexibility in these areas. I believe that Postmaster General Potter has done a great job beginning to address the changes that can be made within the confines of the existing business model and statutory framework. However, freed from these constraints, we hope that you will be able to suggest innovative approaches that are not available to today's Postal Service.

The Postal Reorganization Act of 1970 and subsequent legislation require the Postal Service to operate in certain ways that increase the cost of doing business and imbed inefficiencies into the operating, cost and governance structure. Examples include prohibitions, or effective prohibitions, on post office or other infrastructure realignments, requirements that place financial or structural burdens that have the effect of increasing the liabilities of the Postal Service as well as a break-even mandate that eliminated the financial cushion necessary to withstand economic cycles.

The Postal Service faces a large challenge with respect to human resource productivity and incentives at all levels of the organization. With over seventy-five percent of its costs related to human resources, the Commission should explore how the Postal Service can do an even better job of providing employees the appropriate incentives for continuous improvement in productivity.

However, it is not all about costs. The revenue side is driven by a regulated pricing mechanism that is time consuming at best. You may want to consider whether current and future costs can be understood and communicated more clearly in the pricing of postal services. You could also consider whether it is possible or beneficial to introduce greater clarity and predictability into the postal rate setting process with the goal to enhance predictability and public confidence.

Competition with the private sector is also an important issue that this Commission should examine. This may encompass new and existing postal products and services or the monopoly status of access to the individual mailbox. You will also need to explore the issue of cross subsidies.

Finally, the Commission will need to explore the type of financial transparency and corporate governance that would serve the Postal Service well for the 21st century. This should include a your review of the role of the Board of Governors, the role of the Postal Rate Commission, the role of Congress, the management team of the Postal Service as well as the reporting of postal finances.

The President has given you a challenging assignment and asked you to complete it promptly. However, there has been an abundance of quality thought and work that has already been done by Members of Congress and their staffs, by mailers' and other private sector organizations, by interested individuals, by other agencies of the federal government and by the Postal Service itself that can be readily drawn upon. I am confident that your work will not be judged by the number of pages you produce but, rather, by the quality of your thoughts - by how you help the Administration and Congress better understand how the Postal Service can best meet the challenges of the 21st century.

I encourage you to tap the many resources available to you and to keep this process open and transparent for all Americans. Again, I thank you for your willingness to take on this importance challenge.