
NOMINATION OF DENNIS J. TONER

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

—————
JUNE 10, 2010
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NOMINATION OF DENNIS J. TONER TO BE A GOVERNOR, U.S. POSTAL
SERVICE

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

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



U.S. GOVERNMENT PRINTING OFFICE

58-032 PDF

WASHINGTON : 2011

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

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NOMINATION OF DENNIS J. TONER

THURSDAY, JUNE 10, 2010

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

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

Present: Senators Carper and Kaufman.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The Committee will come to order. It is not exactly standing room only, but that does not mean this is not an important hearing.

Senator KAUFMAN. Quality over quantity. [Laughter.]

Senator CARPER. We are delighted to be here, Senator Kaufman, myself, and Dennis Toner. I do not know what the odds would be that three guys from Delaware would be sitting here in these three rows for today's hearing, but however long those odds might be, we are here, and it is a good thing, I would like to say, for Delaware and for our country, I hope.

Today, we are going to be considering the nomination of Dennis Toner to be a member of the U.S. Postal Service's Board of Governors. Senator Kaufman has in his past, not too recent past, been a governor. I have been a governor. And if things go well with your nomination and the confirmation process, the three of us may share the common bond of being governors, recovering governors in the case of Senator Kaufman and myself, and you, a real governor as a member of the Board of Governors. We will see how this process moves forward after today.

Before I give my opening statement, I want to give my friend, our colleague from Delaware, Senator Kaufman, the opportunity to introduce this nominee, whom I think he knows pretty well. Sometimes, we have the opportunity to introduce people that we really do not know that well, but in this case, you know him well, so we are anxious to hear what you have to say about him. Senator Kaufman.

OPENING STATEMENT OF SENATOR KAUFMAN

Senator KAUFMAN. Thank you, Mr. Chairman. It is a great honor to be here with you chairing the Committee, and—

Senator CARPER. Well, we were just talking earlier. We reversed roles about a month or so ago, when you chaired the Judiciary

Committee for the hearing for Leonard Stark when he was nominated to be a Federal District Court Judge.

Senator KAUFMAN. Yes, small world.

Senator CARPER. It is interesting how we do this. Obviously, Delaware has taken over here.

Senator KAUFMAN. Exactly. [Laughter.]

You said it. It is a great day for Delaware, and it is a great day for the country.

Senator CARPER. Could I ask you a question before you go any further?

Senator KAUFMAN. Yes.

Senator CARPER. How long have you been married?

Senator KAUFMAN. Fifty years.

Senator CARPER. When is your anniversary?

Senator KAUFMAN. Today.

Senator CARPER. Congratulations.

Senator KAUFMAN. Thank you.

Senator CARPER. Is that not great?

[Applause.]

Let the record show polite, scattered applause. [Laughter.]

No, it was robust. It was vigorous.

Senator KAUFMAN. And it is a special day, too——

Senator CARPER. Congratulations.

Senator KAUFMAN. I just want to thank you for the opportunity to introduce Dennis Toner to be the President's nominee for the Board of Governors for the U.S. Postal Service. As you say, I have known Mr. Toner for over 30 years, and he is truly a man of singular intelligence, character, integrity, and conviction.

He had a career spanning more than three decades of service in the Federal Government as an invaluable, important, essential member of then-Senator Joe Biden's staff. As someone who had the true privilege of working closely with him for much of this time, I can attest to his loyalty and his strong leadership. As long as I have known him, I have always been able to rely upon his wise judgment and sound advice.

More importantly, he brings a business acumen to the Board of Governors that will help the Postal Service successfully navigate the major financial and operational challenges that it currently faces. He served as Finance Director for Biden for President and Citizens for Biden, and as a business consultant over the last 2 years, he provided comprehensive business solutions to a broad range of private and public entities.

I am truly confident that he can draw upon his wealth of business knowledge and experience to identify the critical issues affecting the Postal Service and implement the vital reforms that it needs to continue serving its essential role to our country.

He will be an excellent leader and member of the Postal Service Board of Governors if the Senate chooses to confirm him, and I certainly hope they will. Mr. Toner is truly one of the most qualified people that I have ever worked with.

Thank you, Mr. Chairman.

Senator CARPER. Thank you, Senator. Thank you very much. I know it means a lot to him that you are sitting here with him, and it means a lot to me, as well. Thank you.

I have a statement I am going to go on with. Senator Kaufman, I know you are on about four or five committees, and if you have to leave, we understand, but you are great to be here.

Dennis Toner is, of course, no stranger to me. For many years, he and I have been runners in Delaware. He has run in more Caesar Rodney Half-Marathons than I have and certainly a lot more marathons. I have never run in one, but he has run in a bunch of those. I have never finished ahead of him, and I have always looked forward to the opportunity to get even with him— [Laughter.]

And then today comes along. I only recognize him in a race from behind, way behind. So he is no stranger to me, certainly no stranger to Senator Kaufman and to those who worked with him during all those years that he worked for Senator Joe Biden.

I am delighted that he is willing to now put in the time and the effort that is needed to help steer the Postal Service out of the difficulties that it finds itself in. As anyone watching this hearing certainly knows, this is a challenging time for the Postal Service. It is a challenging time for our country.

Mr. TONER. Yes.

Senator CARPER. I think the country is up to that challenge, and I believe the Postal Service is, too. We need good people in leadership positions, and we have the opportunity to find out that we have a pretty good one right here, I think.

Mr. TONER. Thank you.

Senator CARPER. The Postal Service ended fiscal year 2009 with a 13 percent decline in mail volume compared to fiscal year 2008. This resulted in a year-end loss of some \$3.8 billion, up from \$2.8 billion a year before, and a couple of years ago, this outfit was making that much money, and here we are dropping like a rock.

This loss comes despite heroic efforts on not just the part of the Postmaster General and his team, but a lot of folks who work in the Postal Service across the country in towns large and small as they have sought to achieve more than \$6 billion in cost savings over a very short period of time. And the loss would have been significantly higher, I think a total of about \$7.8 billion, to be exact, if Congress and the President had not acted at the last minute to reduce the size of the Postal Service's overly large retiree health prefunding payment.

Unfortunately, the projections for the current fiscal year look no better than the results for fiscal year 2009. And despite an expected recovery in at least some areas of the economy, the Postal Service is anticipating a further decline in mail volume. This, coupled with the fact that savings will likely be harder to come by, not easier, this year, will result in the kind of massive \$7 or \$8 billion loss that we were expecting right up until the end of fiscal year 2009.

On top of all this news, the Postal Service recently hired a group of three outside consultants to look at its business model and to look ahead. Those three outfits came back with findings showing that the Postal Service will continue to lose mail volume, even when the economy recovers. They even pointed out that the Postal Service can be expected to lose more than \$230 billion over the next decade if major changes are not made.

Congress must address this situation, first by finishing the work we began last September and permanently restructuring the Postal Service's retiree health obligation in a way that makes sense. Payments that the Postal Service is required to make under current law are unaffordable, especially during such a difficult economic time when the Postal Service is already losing customers to electronic forms of communication. I will also note that these payments are not related at all to what the Postal Service owes to its future retirees.

I have introduced with some of my colleagues legislation to address this problem. It has been reported out of this Committee. My hope is it can be considered by the full Senate in the near future.

We also need to look at the Postal Service's pension obligations. According to an analysis conducted not many months ago by the Postal Service's Office of Inspector General, the formula that is used to determine how much the Postal Service must pay into the old Civil Service Retirement System may have actually resulted in an overpayment by the Postal Service into that system of as much as \$75 billion. The Postal Regulatory Commission is currently examining these findings and should be finished with that work sometime this summer. It is my hope that any overpayment that did occur can be used to provide the Postal Service with immediate relief and to prevent or delay potentially damaging service or other cuts that might be on the table during this difficult time.

Another thing that Congress can do to help in this environment is to leave the day-to-day management of the Postal Service to the Postal Service. Too often, those of us here in the Senate and the House stand in the way of the Postal Service's efforts to streamline operations and to remove excess capacity, especially when it comes to closing or consolidating retail and processing facilities. We also, unfortunately, are preventing the Postal Service from changing delivery frequency to adjust to the changing mailing economy. Studies have shown that the elimination of Saturday delivery alone could save the Postal Service upwards of \$3 billion per year. In addition, about 75 percent of the public would support such a move, according to a number of polls. I might say, that 70 or 75 percent number came as a surprise to me and, I know, to a number of my colleagues.

In many ways, then, we need to let the Postal Service management do what it needs to do to manage its way through the crisis it currently faces, and that is not to say we do not have some obligations here, as well, and we need to meet those obligations. But I think a good deal of it lies on the management and their ability to work with the rank and file and the union leadership, as well, to manage through this crisis.

Mr. Toner, you have decades of experience in public policy, in management, and perhaps most importantly, in listening to a variety of views and finding consensus—not just finding consensus, but building consensus—and those are skills that will be much needed in the days ahead on the Board of Governors in the Postal Service. I look forward to learning more today about how you would apply that experience and those skills to the crisis currently facing the Postal Service.

At this time, I would usually turn to my colleagues on the dais for any statements that they might like to add. The fact that there is no one here sitting with me at this moment is actually a good sign because if they were sitting here, they probably would not be here to throw bouquets in your direction. [Laughter.]

It might be to throw some tough questions your way and to raise questions about your worthiness as a nominee.

Mr. Toner, I would note for the record, has filed responses to a biographical and financial questionnaire. He has also answered pre-hearing questions that were submitted by Committee Members and Committee staff. In addition, his financial statements have been reviewed by the Office of Government Ethics.

Without objection, this information will be made part of the hearing record. Financial data, however, will remain on file and available for public inspection in the Committee offices.

Committee rules require that all witnesses at nomination hearings give their testimony, as you may know, under oath.

Mr. TONER. I understand.

Senator CARPER. I am going to ask you, if you would, to please stand and raise your right hand, and I will administer this oath.

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. TONER. I do.

Senator CARPER. Please be seated. So far, so good. And with that, you are recognized to offer your statement. I would ask that you keep your statement within 30 minutes. [Laughter.]

Mr. TONER. Very good. Thank you.

Senator CARPER. If you go much beyond that, I will have to leave. [Laughter.]

**TESTIMONY OF DENNIS J. TONER¹ TO BE A GOVERNOR, U.S.
POSTAL SERVICE**

Mr. TONER. Thank you, Mr. Chairman, both for your kind remarks and, as well, for holding this hearing this afternoon. I am very grateful to President Obama for nominating me to serve as a Governor in the U.S. Postal Service. I would like to thank you, Senator Carper, for your abiding interest in the Postal Service and the role the Postal Service plays in American life. If confirmed, I hope to be able to work with you to address the many challenges confronting the Postal Service.

I would also like to take a minute to thank my personal friend, Senator Kaufman, for taking time out of his schedule to introduce me today. I had the pleasure and honor of working closely with Senator Kaufman for more years than we need to count when we both worked for then-Senator Joe Biden. I would just like to simply say thanks to Senator Kaufman for the support and friendship he has provided me throughout this process.

I have been asked by many why I would want to serve on the Postal Board of Governors given the extreme financial difficulty it faces today. My answer is this: The Postal Service is woven into the fabric of every American community. It is a way of life. How-

¹The prepared statement of Mr. Toner appears in the Appendix on page 16.

ever, it is clear that changes are needed on a number of fronts to allow the Postal Service to regain its financial footing.

In my more than 30 years working for the U.S. Senate, I developed an ongoing interest in the challenges that arise from organizations such as the Postal Service and Amtrak—Federal organizations that Congress wants to act like a business but provide public service in all of its many combinations. Should I be confirmed, I believe that I can bring that experience to bear working with the Governors, Postal Service management, and the many different Postal Service stakeholders to address the mutual interest facing the Postal Service.

I thank you for holding this hearing, and I will be happy to answer any questions. Thank you.

Senator CARPER. You are quite welcome. Thank you for that statement.

Under the Committee rules, there are a couple of standard questions that I need to ask you and ask that you would then respond to those, and then I will ask you a number of questions that are policy-related.

Mr. TONER. Thank you.

Senator CARPER. First, is there anything that you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. TONER. No.

Senator CARPER. Second, 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. TONER. No.

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

Mr. TONER. Yes.

Senator CARPER. Thank you. Now, a couple of policy questions, if I could. As you and I discussed recently, we made changes to the law in 2006, I believe, so that members of the Board of Governors had the experience necessary to play a role in managing what is really one of the largest organizations in the world. What do you think that you would bring to the Board, particularly at such a challenging time for the Postal Service? There are times in our lives to be modest, and there are times to be immodest. This is the latter.

Mr. TONER. Thank you, Mr. Chairman. I believe my experience or what I bring to the Board rests heavily on my 30-plus-year Senate career. It has given me an opportunity to provide insight in this constant match that we come across between government and business models, that is, the idea to balance service and costs. I believe my Senate career has dealt with this throughout its entire time, and I consider that a real asset, hopefully, if I should be confirmed or added to the Board.

In addition to that, I just believe the institutional knowledge that I have gained on postal legislative issues that continue to be shaped by continuing technology will be an asset. When I first came to the Senate in the very early 1970s, when there were dis-

cussions regarding electronic mail, the ideas were just foreign to any of us.

Senator CARPER. Did they still have quill pens then? [Laughter.]

Mr. TONER. No, we did not, but we did have the old facsimile machines. We did have those.

In addition to that, I believe that my career has provided the process in which it has become clear that we need to involve all stakeholders in possible solutions. But at the same time, we need to strive to find solutions that are both realistic and achievable. I think what I bring is a conservative outlook in terms of what is possible as we deal with the legislative process as it relates to any government agency, but particularly the Postal Service.

Senator CARPER. All right. Thank you.

As I noted in my opening statement, the Postal Service suffered a significant loss in fiscal year 2009, coming on the heels of an early loss in 2008. The Postal Service is projected to lose a significant amount this year, as well. If confirmed, how would you work with your new colleagues on the Board of Governors and with senior Postal Service management to attempt to minimize the financial impact of the loss in revenue that the Postal Service is currently experiencing?

Mr. TONER. Mr. Chairman, I agree with your statement that the Postal Service is experiencing financial losses of historical proportions. I believe every facet, every piece needs to be on the table in terms of negotiation. I have had the opportunity to review the business model presented by the Postal Service. I am encouraged by the new initiatives that have been offered. But at the same time, I think we need to do more in terms of reviewing the cost control measures in particular. These are hard choices as relates to excess capacity and how we best address declining volume.

My position, as a candidate for the Postal Board of Governors, is that it is imperative that the Governors continue or increase their outreach to all stakeholders to help best determine how we go forward in terms of addressing the financial situation in which we find ourselves.

Senator CARPER. Thank you.

As you know, the Postal Service is required to make a payment at the end of each fiscal year to pre-fund its future health obligations for its pensioners. These payments are large, ranging anywhere from about \$5.4 billion to \$5.8 billion. They are not closely related to what the Postal Service owes its future retirees. They are also something that the Postal Service simply cannot afford at a time like this when the economy is still recovering and the competition from electronic forms of communication is growing.

How important is it, in your view, for Congress to find some way to permanently restructure the Postal Service's retiree health obligation—not to walk away from that obligation, but to restructure it in a way that is more realistic and sensible?

Mr. TONER. Thank you for the question. Mr. Chairman, I fully support the need for Congress to restructure these obligations. I believe the retiree health benefits represents the most threatening issue the Postal Service needs to address. These current obligations have produced far-ranging consequences on other operations, as well. Absent a solution provided by Congress as relates to retiree

health benefits, we will not be able to address other issues that need to be considered.

Senator CARPER. In my old job as State Treasurer, the State Treasurer's responsibilities included administering fringe benefit programs for State employees, including all the folks in our school system. At the time, in 1976, 1977, we had no pension fund. We had not created a pension fund. We paid pension payments every month to State retirees on a cash basis. When the State of Delaware's credit rating was lowered to the lowest in the Nation, the rating agencies pointed to the fact that we had no amortization schedule. It was one of the problems with our finances. We had given no thought to meeting the health care obligations of future pensioners. We did not even have a pension fund for the pension obligation.

Mr. TONER. I did not know that.

Senator CARPER. And you know what? We were not by ourselves. There were a lot of other States and local governments in the same situation.

Fast forward about 20 years, and the State of Delaware, which used to have the worst credit rating in the country, ended up with the best credit rating, AAA credit ratings across the board. We had literally about 10 years to create a pension fund that fully amortized our pension obligations, but we got the AAA credit ratings. The folks from the rating agency said, you still have not done much at all with respect to your future health obligations that you owe to those people. You are going to be making pension payments, too. So we began making a downpayment on that obligation, but a very modest downpayment. And over the last 8 years, with the governor who succeeded me, the State attempted to make some progress in meeting that health care obligation to those potential future pensioners, but not much progress was made.

And as it turns out, relatively few State and local governments have done much to meet the similar obligation to their future pensioners. If you actually look at corporations, the private sector, and what they have done in terms of setting aside money to meet their health care obligations for their future pensioners, their story is not a great deal better than the State and local governments.

The legislation that was signed by President Bush in 2006 said, we are going to require the Postal Service to commit to a prepayment schedule that is unlike any that we would ever require with a State or local government or a private corporation. And while we think it is important to meet that obligation within a reasonable schedule, to have it front-end loaded and as conservative as it is, in my view, just makes little sense. And as it turns out, I think that is a view that is shared by my colleagues.

Mr. TONER. Good.

Senator CARPER. In my view, it is important for the Postal Service to combine any efforts to cut costs and streamline operations during this financial crisis with an aggressive effort to attract new business and retain as much as possible of what is left after the downturn. What is your assessment of the steps that the Postal Service management has done so far on the revenue side in recent months and years? What further steps might you suggest be taken, if confirmed, to further bolster future revenues?

Mr. TONER. Mr. Chairman, I have had an opportunity to review the business plan. I have also considered the Government Accountability Office study and other reactions to the plan offered by the Postal Service in this process. But in terms of the Postal Service business plan itself, I believe that the steps represented so far are just that, first steps. I believe that the revenue initiatives that have been attempted—flat-rate boxes, for instance, summer sales, pursuing partnerships—these are awfully strong productive measures that the Postal Service has put forward, and hopefully it is measures such as these that will best allow the Postal Service to regain a firm financial footing.

I believe going forward that the Board of Governors, in particular, needs to do even more in terms of outreach with all of its stakeholders to find common grounds so that we can all work together to bring the financial footing the Postal Service needs back to a reasonable course.

Senator CARPER. A colleague of ours from Oregon, Ron Wyden, and I and others have introduced legislation modeled after what they do in Oregon when it comes to voting. They end up being able to realize a far greater turnout of voters conducting elections every couple of years in a way that not only draws a greater turnout, but I think actually costs less money. They have been able to, they think, in a satisfactory way, address the potential for fraud among folks trying to vote, and they do it by relying on the mail.

In my old role as Governor, I used to say that every problem, every challenge we face in Delaware, some other State has not only faced that challenge, but solved it, figured out how to do it, and sometimes I think of the States as laboratories of democracy. In this case, I think Oregon could be a State for us to model as a Nation.

There are some benefits that flow to the Postal Service, obviously, in terms of additional revenues and business, but there is also on the civic side the potential for 10, 20, 30 percent greater turnout and the ability to hold elections not only with more people voting, but also in a way that does not cost more money and might actually cost less. So that is the kind of thing we are looking at.

There is a fellow that a lot of us from Delaware know. He is a professor at the University of Delaware College of Earth, Ocean, and Environment. His name is Willett Kempton, and he works on technology called Vehicle to Grid. And as you know, Mr. Toner, the State of Delaware is looking forward to, about 2 years from now, being able to deploy a windmill farm—

Mr. TONER. Yes.

Senator CARPER [continuing]. Twelve miles off the coast of Rehoboth. Down in Dover, I think this week, they are beginning the work on a 60- or 80-acre solar energy farm just outside of the city to provide the city and the city's residents with much of their electricity needs.

We also know that the wind does not always blow and the sun does not always shine—

Mr. TONER. Yes.

Senator CARPER [continuing]. And however wonderful these renewable energies might be, and they are, we need the ability to be able to store electricity when the wind is blowing and the sun is

shining. Willett Kempton has been working on a technology to do that, to store the energy through something called Vehicle to Grid, where the electricity generated is actually stored by batteries of fleets of vehicles, and then as the energy is needed to go back onto the grid to meet our needs, the electricity is drawn down from the fleet of vehicles.

There are not many companies in this country that have more vehicles in their fleet than the Postal Service, and there are not many companies in this country that have an older fleet than the Postal Service. And there might be some opportunities here for the Postal Service to help in a day that we are trying to do more with non-fossil fuel generation of electricity, and at the same time do some good things for our environment, strike a blow for technology and innovation, and make some money at it at the same time. Those are a couple of ideas.

Mr. TONER. Good.

Senator CARPER. You probably are aware that the Postal Service receives criticism whenever it attempts to close or consolidate facilities. Let me just ask, what do you think the Postal Service needs to do to address this criticism and, where necessary, to eliminate excess retail and processing capacity?

Mr. TONER. Mr. Chairman, I believe that excess retail and processing capacity clearly has become a drain on the resources and has contributed, in part, to the current state that the Postal Service finds itself. At the same time, I believe the Postal Service has been very diligent in terms of maintaining its service standards that it has always kept in place.

As relates to processing facilities, again, I do believe that we all must recognize excess capacity, but I do think it is important that we do as good a job or even a better job in communications with all of the stakeholders as we attempt to redefine or streamline this excess retail capacity so that people can plan accordingly and private citizens can be assured that we will continue to maintain the same standard of service. And I think if we can just do a better job of communicating our attempts to deal with excess processing capacity, we can help alleviate the fears that people have with it.

Senator CARPER. All right. Thanks very much.

In the past, I have spoken about the need for the Postal Service to focus not just on closing facilities, but also expanding access to the services that it offers. This does not necessarily mean building new post offices. It could, where appropriate, mean expanding access to alternate retail, such as Automated Postal Centers located in places where people go every day, like our grocery stores or our pharmacies.

It used to be that if I wanted to go to the bank, I would go to the bank. Today, I can go to the bank at my grocery store. It used to be I would go to the pharmacy, or today I can go to the pharmacy in my grocery store. Times have changed, as you know. But what do you think the Postal Service might be able to do in this area?

Mr. TONER. Thank you, Mr. Chairman. I believe that obviously, the Postal Service needs to discover new revenue initiatives if it is going to survive. To the extent that I have had a chance to review it, I believe the Postal Service has done a commendable job during

the past 6 years in terms of dealing with cost controls and so forth. However, these measures are not sufficient to deal with the financial realities that the Postal Service faces. Thus, the new revenue initiatives need to be put into place.

And I believe that the customers are comfortable, provided alternative access is available, that is, as you point out, Mr. Chairman, as it relates to doing so-called multi-tasking, be it grocery shopping and pharmacies and so forth, such actions are likely essential to future growth, and the Postal Service needs to do as other outfits have been able to do, and that is, follow your market, so to speak. These new revenue initiatives, I think, can only enhance the financial stability that we need to get to.

Senator CARPER. Thank you. One of the biggest issues that the Congress and the Postal Service will face in the coming months is the question of whether delivery frequency should be changed, perhaps by eliminating Saturday delivery. How important do you think it is that the Congress allow the Postal Service to make the business decision to eliminate a day of delivery if doing so is deemed necessary?

Mr. TONER. Thank you, Mr. Chairman. In my view, I believe the Postal Service has done a commendable job in involving all so-called stakeholders regarding the possible change in frequency, be it 6 days to 5 days or 6 days to whatever. I believe the Postal Service has done its homework in terms of conducting studies, holding interviews, completing its various opinion polls, and seeking outside guidance in terms of developing the business plan that could perhaps address moving delivery from 6 days down to 5 days.

All of that being said, I believe the Postal Service is well positioned to make the decision itself, and I believe the decision should be made by the Postal Service rather than the Congress.

Senator CARPER. Thanks. Do you think there might be some way to retain 6-day-a-week delivery and to take a page out of what they have done over in the U.S. domestic auto industry, where new folks who are being hired to build cars, trucks, and vans in America actually come in at a somewhat different wage-benefit structure than the folks who have been there for an extended period of time? Maybe the folks who deliver the mail on Saturdays could come out of a somewhat different compensation structure.

Mr. TONER. Interesting thought. Obviously, when I was completing a round of interviews during the past few days with a few of your colleagues, such a proposal was put forward. I believe it is worth further study. I would like to have the opportunity to speak with various stakeholders about the prospects, but again, I think the Postal Service needs to become just more responsive to this should the decision be made to maintain 6-day service as opposed to the cost savings that could be represented by a reduction to 5-day service.

Senator CARPER. I may have some extra questions for the record, and my colleagues may have some questions for the record. This is the last one I will ask you today. The Postal Service receives a lot of praise. When you ask people in this country, when they consider different, if you will, government services that are available to them, where do they have the most confidence or where they

give the highest ratings, I think the Postal Service usually ranks right up around the top. That should be noted and commended.

But the Postal Service receives a fair amount of criticism due to the fact that labor costs are such a large percentage of their total costs. As I recall, it is maybe as much as 80 percent. All four Postal Service unions will be entering contract negotiations with the Postal Service in the coming year or so, and if confirmed, how would you recommend that Postal Service management approach these negotiations?

Mr. TONER. Thank you, Mr. Chairman. It is a very difficult, involved question, obviously, when you are dealing with labor costs that have become such a high percentage for not only the Postal Service, but any such institution, be it public or private business.

I believe that all parties are now aware of the historic financial times the Postal Service finds itself and that sacrifice is needed by all the stakeholders. I think the Postal Service will need to do more to address this idea of an 80 percent figure as relates to labor costs. As I understand it, I believe the Postal Service has made some gains in lowering this percentage cost and hopefully will continue to work to that end. I think, in addition to that, the role of the Governors needs to be to further encourage these discussions and continue these communications as we approach all of the assets as it relates to the upcoming negotiations.

Senator CARPER. Thank you. Again, my thanks to you for responding to our questions.

Mr. TONER. Thank you, Mr. Chairman.

Senator CARPER. I thank you for appearing before us today and for your testimony. I also want to thank you for your service for more than three decades and for making our former junior and then senior Senator, Joe Biden, look good enough to actually become—

Mr. TONER. Easy task. Thank you.

Senator CARPER [continuing]. Vice President of this country, no small undertaking. But we thank you for your willingness to maybe continue that service to our country in a different way through serving on the Board of Governors, should my colleagues see fit to confirm your nomination, and if they do, I certainly look forward to working with you. I know I speak for our staff and for my colleagues.

The hearing record will be open until noon tomorrow for the submission of additional questions. That is a pretty short period of time. I think we might be having a Committee markup the following week. And there is a chance that if there is no objection raised by our colleagues, your nomination could literally be on the agenda for that business meeting the week after next, but we will see.

Mr. TONER. I would welcome that. Thank you.

Senator CARPER. Again, thanks to our staff for helping to arrange for this hearing and to you for your preparation and your responses. I wish you well and look forward to seeing you again soon. Thanks so much.

Mr. TONER. Thank you.

Senator CARPER. And with that, this hearing is adjourned. [Whereupon, at 3:12 p.m., the Committee was adjourned.]

A P P E N D I X

Statement of Senator Thomas R. Carper

Committee on Homeland Security and Governmental Affairs

June 10, 2010

Nomination of Dennis Toner

The committee will come to order.

Today, we'll be considering the nomination of Dennis Toner to be a member of the Postal Service's Board of Governors.

Mr. Toner is no stranger to those of us who worked with him during his many years of service in Vice President Biden's Senate office. I'm pleased that he is willing to now put in the time and effort necessary to help steer the Postal Service out of the difficulties it currently finds itself in.

As anyone watching this hearing certainly knows, this is a very difficult time for the Postal Service.

The Postal Service ended fiscal year 2009 with a 13 percent decline in mail volume compared to fiscal year 2008. This resulted in a year-end loss of some \$3.8 billion, up from \$2.8 billion a year before. This loss came despite heroic efforts on the part of Postmaster General and his team to achieve more than \$6 billion in cost savings over a very short period of time.

And the loss would have been significantly higher – a total of \$7.8 billion, to be exact – if Congress and the President has not acted at the last minute to reduce the size of the Postal Service's overly-large retiree health pre-funding payment.

Unfortunately, the projections for the current fiscal year look no better than these results for fiscal year 2009. Despite an expected recovery in at least some areas of the economy, the Postal Service is anticipating a further decline in mail volume. This, coupled with the fact that savings will likely be harder to come by this year, will result in the kind of massive, \$7 billion or \$8 billion loss we were expecting right up until the end of fiscal year 2009.

On top of this news, the Postal Service recently hired a group of three outside consultants to look at its business model and future prospects. They came back with findings showing that the Postal Service will continue to lose mail volume even when the economy recovers. They even pointed out that the Postal Service can be expected to lose more than \$230 billion over the next decade if major changes are not made.

Congress must address this situation first by finishing the work we began last September and permanently restructuring the Postal Service's retiree health obligation.

The payments the Postal Service is required to make under current law are simply unaffordable, especially during such a difficult economic time when the Postal Service is already losing customers to electronic forms of communication. I'll also note that those payments are not related at all to what the Postal Service owes its future retirees. I've introduced legislation to address this problem. It's been reported out of this committee and I hope it can be considered in the full Senate in the near future.

We also need to look at the Postal Service's pension obligations. According to an analysis conducted by the Postal Service's Office of Inspector General, the formula used to determine how much the Postal Service must pay into the old Civil Service Retirement System may have actually resulted in an overpayment of as much as \$75 billion. The Postal Regulatory Commission is currently examining these findings and should be finished with that work sometime this summer. It is my hope that any overpayment that did occur can be used to provide the Postal Service immediate relief and to prevent or delay potentially damaging service or other cuts that might be on the table during this difficult time.

Another thing Congress can do to help in this environment is leave the day to day management of the Postal Service to the Postal Service. Too often, those of us here in the Senate and the House stand in the way of the Postal Service's efforts to streamline operations and remove excess capacity, especially when it comes to closing or consolidating retail and processing facilities.

We also, unfortunately, are preventing the Postal Service from changing delivery frequency to adjust to the changing mailing economy. Studies have shown that the elimination of Saturday delivery alone could save the Postal Service upwards of \$3 billion per year. In addition, about 75 percent of the public would support such a move according to a number of polls.

In many ways, then, we need to let postal management do what it needs to do to manage its way through the crisis it currently faces.

Mr. Toner, you have decades of experience in public policy, in management, and – perhaps most importantly – in listening to a variety of views and finding consensus. I look forward to learning more today about how you would apply that experience and those skills to the crisis currently facing the Postal Service.

Statement of Senator Edward E. Kaufman
Concerning the Nomination of Dennis Toner to the Board of Governors of the
United States Postal Service
June 10, 2010

Mr. Chairman, I would like to express my strong support for the nomination of Dennis Toner to the Board of Governors of the United States Postal Service.

I've known Dennis for over 30 years. He is a man of singular intelligence, character, integrity, and conviction.

Dennis has had a career spanning more than three decades of service in federal government, as an invaluable member of then-Senator Joe Biden's staff. As someone who had the privilege of working closely with him for much of this time, I can attest to his loyalty and strong leadership. As long as I have known Dennis, I have always been able to rely upon his wise judgment and sound advice.

More importantly, Dennis brings business acumen to the Board of Governors that will help the Postal Service successfully navigate the major financial and operational challenges that it currently faces. He served as Finance Director for Biden for President and Citizens for Biden, and as a business consultant over the last two years, has provided comprehensive business solutions to a broad range of private and public entities.

I am confident that Dennis can draw up on this wealth of business knowledge and experience to identify the critical issues affecting the Postal Service and implement the vital reforms that it needs to continue serving its essential role to our country.

Dennis will be an excellent leader and Member of the Postal Service Board of Governors, if the Senate chooses to confirm him, which I certainly hope it will.

**STATEMENT OF DENNIS TONER
TO BE A GOVERNOR OF THE
UNITED STATES POSTAL SERVICE**

JUNE 10, 2010

Thank you, Mr. Chairman and members of the Subcommittee for holding this hearing this afternoon. I am very grateful to President Obama for nominating me to serve as a Governor of the United States Postal Service.

I would like to thank you, Senator Carper, for your abiding interest in the Postal Service and the role the Postal Service plays in American life. If confirmed, I hope to be able to work with you to address the many challenges confronting the Postal Service.

I would also like to thank a long time friend Senator Ted Kaufman for taking time out of his very busy schedule to introduce me today. I had the pleasure and honor of working closely with Senator Kaufman when we both worked for then-Senator Joe Biden. Thank you Senator Kaufman for the support you have given me today.

I have been asked by many why I would want to serve on the Postal Board of Governors, given the extreme financial difficulty it faces today. My answer is this: the Postal Service is woven into the fabric of every American community. It is clear that changes are needed on a number of fronts to allow the Postal Service to regain its financial footing. In my more than thirty years working for the U.S. Senate, I have developed an on-going interest in the challenges that arise from organizations like the Postal Service or Amtrak – Federal organizations that Congress wants to act like a business but provide public service in all of its many connotations. Should I be confirmed, I believe that I can bring that experience to bear working with the Governors, postal management, and the many different Postal stakeholders to address the key issues facing the Postal Service.

I thank you for holding this hearing and I will be happy to answer any questions you may have.

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BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

Name: (Include any former names used.)

Dennis John Toner

1. Position to which nominated:

Member, U.S. Postal Service Board of Governors

2. Date of nomination:

2/1/2010

3. Address: (List current place of residence and office addresses.)

**REDACTED
(residence and business address)**

4. Date and place of birth:

July 2, 1951 Wilmington DE

5. Marital status: (Include maiden name of wife or husband's name.)

Married past 31 years to Ann Dundon Toner; maiden name: Ann Dundon

6. Names and ages of children:

**3 children – Sara Julianna Toner, age 26
Matthew Thomas Toner, age 25
Paul Joseph Toner, age 18**

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

**William Penn High School, New Castle, DE, 1967-1969
High School Diploma, 1969**

**University of Delaware, Newark, DE, 1969-1973
Bachelor of Arts, 1973**

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

1975-1978

Staff Assistant, U.S. Senator Joseph R. Biden, Jr., Delaware office.

1980- April 1984

Legislative Assistant, U.S. Senator Joseph R. Biden, Jr., Washington, DC

May 1984-December 1984

Assistant Treasurer, Citizens for Biden, Wilmington, DE

1985- September 1986

Legislative Assistant, U.S. Senator Joseph R. Biden, Jr., Washington, DC

October 1986-February 1988

Assistant Treasurer, Biden for President, Wilmington, DE

March 1988-June 1994

Special Assistant, U.S. Senator Joseph R. Biden, Jr., Washington, DC

July 1994-July 2006

Deputy Chief of Staff/Acting Chief of Staff, U.S. Senator Joseph R. Biden, Jr., Washington, DC (Periods of service as Acting Chief of Staff: December 1996 - February 1997 / March 1999 - July 1999 / January 2003 - April 2003)

August 2006-February 2008

Finance Director, Biden for President, Wilmington, DE

March 2008 to present

Sole proprietor, Horizon Advisors, Wilmington, DE.

Founded my own business offering consulting and strategic planning mainly to individuals, philanthropic organizations, and political campaign committees.

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

None.

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

**Horizon Advisors, Sole Proprietor
Wilmington, DE**

Through Horizon Advisors, I have acted as consultant for the following organizations:

**Dover Public Library, Consultant (subcontractor to Horizon Philanthropic Services (HPS). HPS is a separate entity and I am not affiliated with it except through this contract.)
June 2009 to present**

**Council for World Jewry, New York, NY: consultant to president of the organization.
September 2009 to present**

**Democratic National Committee Washington DC: Consultant.
October 2009 to present**

**Beau Biden for Attorney General Committee, Wilmington, DE: Consultant
June to September 2009; December 2009 to present**

**Regulatory Consultants, Inc, Santa Fe, New Mexico: Consultant to the President/CEO.
January 15, 2010 to present**

**Roizman Development, Inc., Blue Bell, PA: Consultant to the President.
January 15, 2010 to present.**

**The Consortium: Consultant/advisor to group of equal partners with specific interest in legal cases involving Indian Trust Land claims.
July 2009 to present.**

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

None.

12. Political affiliations and activities:

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

None.

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

Biden for Senate 2002 – served on the re-election staff of US Senator Joseph R. Biden, Jr.

Biden for President 2008 – served on the staff of this presidential committee.

Beau Biden for Attorney General, 2009 – served as a consultant to this state committee.

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

None.

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

None.

14. Published writings: Provide the Committee with two copies of any books, articles, reports, or other published materials which you have written.

None.

15. Speeches:

- (a) Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have copies of and are on topics relevant to the position for which you have been nominated. Provide copies of any testimony to Congress, or to any other legislative or administrative body.

None.

- (b) Provide a list of all speeches and testimony you have delivered in the past 10 years, except for those the text of which you are providing to the Committee. Please provide a short description of the speech or testimony, its date of delivery, and the audience to whom you delivered it.

None.

16. Selection:

- (a) Do you know why you were chosen for this nomination by the President?

I believe I was selected for this nomination by the President because of the experience I have gained during my many years of service in the federal government and as a consultant to entities in the private and non-profit sectors.

- (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

During my three decades working in the U.S. Senate, I considered many of the key issues the Postal Service faces today, including the evolving demand for electronic services, the growing competition brought on by private competitors, and the impact of current labor agreements balanced against the need for flexibility. Through my Senate career, I have developed an ongoing and genuine interest in the application of best "business practices" to government models and in the shifting role of government and the ramifications brought about in attempts to balance service and costs. These are challenges faced by the Postal Service; the post office is part of the fabric of every community, yet structural reforms need to be addressed in order manage costs.

B. EMPLOYMENT RELATIONSHIPS

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

No. I have been nominated to a part-time position, and if confirmed, I plan to continue my current full-time employment as sole proprietor of Horizon Advisors.

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

I do not have any such plans, commitments or agreements, except as described in my response to Question 1, above.

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

No, except as described in my response to Question 1, above.

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

No.

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

Yes.

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

No.

C. POTENTIAL CONFLICTS OF INTEREST

1. 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 have consulted with the Office of Government Ethics and the Postal Service's designated agency ethics official to identify potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I have entered into with the agency's designated agency ethics official. I am not aware of any other potential conflict of interest.

2. 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.

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

Yes.

D. LEGAL MATTERS

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

No.

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

Approximately 30 years ago, in August 1980, I pled guilty to a vehicle offense (leaving after colliding, including damage to property) and was fined \$100. I had collided with a motorcycle while driving home from work. I had initially exited my car to assist the driver, but because I felt very unsafe, I then left the scene. Knowing that I had made a serious error in judgment in leaving the scene of the accident, I reported it to the police early the following morning.

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

No.

4. For responses to question 3, 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.

n/a

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

None.

E. FINANCIAL DATA - REDACTED

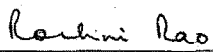
All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee's files and will be available for public inspection.)

AFFIDAVIT

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



Subscribed and sworn before me this 16th day of March,
2010



Notary Public

ROSHNI RAO
NOTARY PUBLIC, STATE OF DELAWARE
MY COMMISSION EXPIRES APRIL 14, 2010

**U.S. Senate Committee on Homeland Security and Governmental Affairs
Pre-hearing Questionnaire
For the Nomination of Dennis J. Toner to be
Governor of the United States Postal Service**

I. Nomination Process and Conflicts of Interest

Why do you believe the President nominated you to serve as a Governor of the United States Postal Service ("USPS" or "Postal Service")?

I believe I was selected for this nomination by the President because of the experience I have gained during my many years of service in the federal government and as a consultant to entities in the private and non-profit sectors.

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

No.

2. What would be your priorities as a Governor?

If confirmed, I would try to bring continued efficiencies to the Postal Service to allow the organization to move toward firmer financial footing.

3. What specific background and experience affirmatively qualifies you to be a Governor of the Postal Service?

During my three decades working in the U.S. Senate, I considered many of the key issues the Postal Service faces today, including the evolving demand for electronic services, the growing competition brought on by private competitors, and the impact of current labor agreements balanced against the need for flexibility. Through my Senate career, I have developed an ongoing and genuine interest in the application of best "business practices" to government models and in the shifting role of government and the ramifications brought about in attempts to balance service and costs. These are challenges faced by the Postal Service; the post office is part of the fabric of every community, yet structural reforms need to be addressed in order to manage costs.

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?

No.

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

No.

II. Role and Responsibilities of a Governor of the United States Postal Service

6. Why do you wish to serve as a Governor of the Postal Service?

I would like the opportunity to serve as a Governor of the Postal Service because it would allow me to help the Postal Service address the challenges of providing government services in a fiscally responsible manner.

7. What do you see as the principal mission of the Postal Board of Governors (the Board)? What do you see as its principal responsibilities?

The Board's primary mission is to provide oversight, direction and guidance to management. Its primary responsibility is to ensure that its guidance is implemented successfully.

8. 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?

The main challenge facing the Postal Service is finding a way to return to financial stability. The Board should work with management to develop a plan to meet the current financial challenges.

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 an individual Governor should be open to all stakeholders and should gather information and ideas from many sources. I think a Governor should use that information in working with the other Governors and management in developing business solutions to the problems facing the Postal Service. My years of work in the Senate have given me significant experience in bringing diverse groups together to develop solutions that are acceptable to many parties.

10. What do you believe should be the respective roles and functions of the Postal Service Board of Governors 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 believe the Board should provide broad policy guidance to management, and management should take the necessary actions to implement that policy guidance. I believe this will work best when the Governors and management work closely to address the many challenges facing the Postal Service.

III. Policy Questions

Postal Reform and Financial Issues

11. In December 2006, the Congress enacted the Postal Accountability and Enhancement Act (PAEA) (P.L. 109-435). One of the primary challenges of this landmark legislation was to give the Postal Service more flexibility to operate like a business, while also providing appropriate accountability mechanisms. How should the role and responsibilities of the Board of Governors complement and balance the role and responsibilities of the regulator under PAEA to ensure that these challenges are appropriately met?

While I do not yet have a detailed understanding of the separate roles of the Board and the PRC, I do understand that the Board is intended to provide policy guidance and oversight to Postal management and the PRC is intended to provide a regulatory check on Postal Service's actions. If confirmed, I look forward to studying this dynamic more closely to ensure that a balanced working relationship is maintained that will allow the Postal Service to provide needed services to the American public.

12. PAEA requires the Postal Service to operate under an inflation-based rate cap. However, some of USPS' costs continue to rise above inflation. Considering the impact of the extraordinary economic challenges now facing the Postal Service, are there any changes that you believe the Postal Service should make in order to successfully function under the new rate-cap system?

I am aware that PAEA applied a Consumer Price Index-based cap to the large majority of Postal products. If confirmed, I look forward to examining in more detail how the cap works and affects different types of mail. I look forward to further discussing this issue with you and your staff upon conducting that review.

13. The Postal Service recently announced a seven step plan that it argues will ensure the continued viability of the Postal Service. Some of the proposed changes will require congressional action, including: restructuring USPS retiree health benefits from a pre-funding requirement to a "pay-as-you-go" structure; removing the six-day delivery rider

from the appropriations bill in order to allow for a five-day delivery schedule; and clarifying oversight roles and streamlining processes. Postmaster General Potter also has requested increased pricing flexibility to establish a global price cap on market dominant products rather than the current inflation-based cap being applied at the mail class level. In addition, USPS would like to have the current regulatory framework amended to broaden the definition of postal products, as a way to tap into new sources of revenue.

- a. What is your opinion of the USPS's proposal for its future business model?

I have read the Postal Service's plan, and I understand the goals that the Postal Service has laid out for the organization. I commend the Postal Service for addressing this important issue in such a thorough manner. If confirmed, I look forward to gathering more information from different stakeholders before I develop a position on each of its recommendations.

- b. What should the Board's role be in implementing any or all of the recently proposed business model?

The Board's role should be to work with management to develop over-arching goals and then ensure that management is moving forward to implement those goals. I understand that the current Board fully supports the Postal Service's plan. As stated above, should I be confirmed as Governor, I would look forward to talking to a number of different stakeholders before developing a position on the plan.

- c. Are there particular parts of the Postal Service's proposed business model that you believe warrant immediate action from Congress? If so, please explain.

It is clear that action must be taken to address the Postal Service's financial situation. If confirmed as a Governor, I look forward to working with stakeholders and Congress to develop both short-term and long-term solutions to the challenges facing the Postal Service.

14. In Fiscal Year (FY) 2009, the Postal Service experienced significant declines in mail volumes and revenues.

- a. 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?

The Board should set realistic goals for increasing efficiencies or decreasing costs. Management should work to carry out those goals without adversely impacting service.

- b. What is the Board's role and responsibilities in identifying opportunities for USPS to increase volume, including any public-private partnerships with the Postal Service's current mailers?

The Postal Service's financial conditions require that the Board and management look for any appropriate means of increasing the Postal Service's value to the American public and, thereby, its revenue. I believe the Board should hear from stakeholders to learn about viable, realistic opportunities and set goals for those opportunities to be realized.

15. The Government Accountability Office (GAO) returned the Postal Service to its high-risk list in 2009, because of its financial condition, after having been removed 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 recently announced as part of its new business model?

The Postal Service's plan provides a thorough outline of the problems facing the Postal Service and provides a number of recommendations to address those problems, many of which are supported by GAO. I believe that these recommendations should receive a thorough review by stakeholders. Should I be confirmed as a Governor, I look forward to the opportunity to reach out to a variety of stakeholders to gain a greater understanding of the issues and opinions that exist regarding the Postal Service and their recent proposals.

16. PAEA requires the Postal Service to make payments into the Postal Service Retiree Health Benefits Fund to cover the health insurance premiums of future retirees. These payments range from \$5.4 to \$5.8 billion annually. The Postal Service indicated that it was unable to make the payment for FY2009. In September, Congress passed legislation to provide the Postal Service with short-term financial relief by reducing its payment into the Postal Service Retiree Health Benefits Fund from \$5.4 billion to \$1.4 billion for FY2009. The Postal Service also indicated in its business model that it would like to restructure USPS's retiree health benefits from a pre-funding requirement to a "pay-as-you-go" structure.
- a. What are your thoughts on USPS's proposed changes to the pre-funding requirements?

It seems clear that the Postal Service Retiree Health Benefits Fund is an issue that needs to be addressed. If confirmed, I look forward to exploring in greater detail the proposed changes to pre-funding requirements and other options that may exist.

- b. What other legislative changes, if any, would you recommend that the Postal Service make in order to restructure its pre-funding requirements for retiree health benefits, while meeting its obligations to current employees and retirees?

If confirmed, I look forward to working with the other Governors, management, and stakeholders to better understand the retiree health benefits prefunding requirements and any legislative changes that may be necessary.

17. The Postmaster General recently filed the Postal Service's proposal to move to five-day delivery with the Postal Regulatory Commission (PRC).

- a. What is your opinion of USPS's plan to move to five-day delivery?

I have read the Postal Service's proposal, and I am open to the concept of reducing delivery days; however, if confirmed I look forward to learning more about how the proposal would impact mailers, customers and other aspects of the Postal Service's daily activities.

- b. How do you believe reducing mail delivery to five days per week would impact mail volume and revenue generation opportunities?

I understand that the Postal Service's cost estimates do take into account some loss of volume and revenue as a result of the loss of Saturday home delivery. If confirmed, I look forward to learning more about the details of their proposals, as well as the impacts they may have.

18. The Postmaster General has also recently asked Congress for the authority to introduce new, non-postal lines of business at its retail facilities. He cited banking, cell phones, and logistics as possible new lines of business and indicated that this might allow USPS to generate additional revenue to support its existing retail and delivery network. The Postal Service recently recommended the need to broaden the definition of postal products and allow for more streamlined product reviews as part of its new business model.

USPS's past attempts in providing non-postal services have had little success. For example, a December 2001 GAO report highlighted serious deficiencies in USPS's "e-commerce" program. GAO concluded that none of these initiatives were profitable. Additionally, GAO indicated in response to recent questions for the record following an August 2009 hearing that, given the difficulties USPS has had with past non-postal initiatives, careful consideration is required before changes are made that would allow USPS to perform non-postal services.

The PAEA limits the Postal Service to “postal services,” defined as products related to “the delivery of letters, printed matter, or mailable packages, including acceptance, collection, sorting, transportation, or other functions ancillary thereto.”

- a. What are your views on whether Congress should grant USPS the authority to enter into new, non-postal lines of business, especially given the Postal Service’s current financial condition?

Given the Postal Service's financial challenges, if confirmed, I would be open to the Postal Service having the ability to offer new products and services. I understand that there are many competing policy issues that need to be addressed, like whether it would be appropriate for the Postal Service to compete with the private sector in offering a new service, and whether a new product or service would generate sufficient revenue to make an investment worthwhile.

- b. What types of products do you believe would be legal and appropriate for the Postal Service to offer under existing law?

I am aware that the Postal Service has tried new products, such as through a “Summer Sale,” but I do not yet have specific suggestions of new products and services that the Postal Service should explore. If confirmed, I would look forward to talking to mailers and customers to learn more about what the Postal Service has done in the past and to determine how the Postal Service can be responsive to their needs under existing law.

Postal Rates

19. One of the core principles of the PAEA is to provide the mailers with predictability and stability, which allows mailers to better plan their mailing and could allow them to increase the amount of business they do with the Postal Service. What steps do you believe the Postal Service should take to provide mailers with this desired predictability and stability?

I am aware that the Consumer Price Index cap has provided predictability to price increases. I believe that properly sharing information about any changes is always helpful in promoting predictability and stability. If confirmed, I would look forward to talking with the mailers to learn what, if anything, they would like from the Postal Service in this regard.

20. Under PAEA, the Postal Service has more pricing flexibility and is allowed to retain earnings. What opportunities do you see for the Postal Service to use this flexibility to further its mission and the intent of the legislation?

I believe that the Postal Service first needs to achieve a firm financial footing; however, it would be beneficial to be able to retain earnings for use in capital investments and paying down debt.

21. In order to increase revenue, the Postal Service has announced its plans to use its existing authority to pursue an exigent rate case for 2011. The Postmaster General announced the rate increase at the same time he proposed reducing mail delivery to five- days a week. The PAEA requires “extraordinary or exceptional circumstances” to justify rate increases that exceed the rate of inflation. In your opinion, do the current circumstances facing USPS meet this requirement?

I do not know the legislative history attached to this provision. If confirmed, I plan to examine PAEA’s provisions related to “extraordinary or exceptional circumstances” and discuss this matter with other Governors and USPS management in order to develop an informed view on this matter.

Facility Closings and Relocations

22. As required by law, the Postal Service recently submitted to the Postal Regulatory Commission a list of stations and branches subject for possible consolidation. Please explain the Board’s involvement in making decisions to realign postal retail and mail processing networks, including decisions to close specific facilities.

To my knowledge, the Board sets goals for operational and cost efficiencies and the management informs the Board as to how those efficiencies can be achieved. It is my understanding that the Board is not involved in decisions involving specific facilities, but I believe the Board would be open to hearing from stakeholders should they have any concerns.

23. What role should the Board play in ensuring that 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?

The Board should ensure that management is sharing all appropriate information with stakeholders. I have found that the more fully an organization can communicate the better; communication does not necessary lead to acceptance, but it can lead to understanding.

24. According to GAO, approximately 30 percent of postal revenue comes from alternate retail channels such as the USPS 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?

Yes, I think the Postal Service should do all it can to make its products and services available in the most convenient manner possible. If confirmed, I look forward to learning more about the different avenues being used by the Postal Service before I make specific recommendations about increasing alternate retail channels.

25. Postal facility consolidations and closures, as well as workforce realignment, may result in a decline in delivery services. How can the Board ensure that delivery performance does not decline as a result of facility consolidations and workforce realignments?

I believe that the Board should set goals for performance and hold management accountable for achieving those goals. It would also be important for the Board to be open to hearing from stakeholders about any concerns or issues that they may have in this regard.

Transparency and Accountability

26. The PAEA calls for a significant amount of transparency and accountability from the Postal Service. For example, the Postal Service must file regular financial statements modeled after the requirements placed on private businesses under Sarbanes-Oxley.

- a. How do you think that these measures will improve and make more valuable the service that the Postal Service provides?

I believe that adding transparency and consistency to processes tend to add value in most situations. In this instance, mailers and customers may benefit from the Postal Service treating mailers and customers similarly across the country, so they know what to expect.

- b. The purpose of increased transparency is to make the Postal Service more accountable. However, the Postal Services has indicated that this increased reporting is cost and resource intensive. Do you believe there can be costs or other disadvantages from extensive reporting and transparency? How would you balance the value of enhanced transparency against any costs and other disadvantages?

I am not familiar with how much it has cost the Postal Service to implement Sarbanes-Oxley, but one frequently must balance cost against increased data sharing. If confirmed, I look forward to learning more about these competing demands, and how a balance can be properly achieved.

Workforce-Related Issues

27. Approximately 80 percent of USPS's costs are labor-related, which includes employee compensation and benefits. What is the appropriate approach for the Board to take with respect to USPS' labor-related costs?

The Board should set realistic goals for management in overall cost reduction, as well as during labor negotiations. The Board should then work to ensure that management is achieving those goals.

28. In 2008, GAO reported that the Postal Service's Postal Career Executive Service (PCEs) was comprised of 29 percent women and 25.5 percent minorities. The PAEA requires the Board of Governors to report on the representation of women and minorities in supervisory and management positions. In addition to this requirement, how do you believe the Board should work with the Postal Service to fully assess and evaluate diversity issues within USPS and make improvements in this area?

I fully support the goal of developing a diverse workforce. I believe the Board should ensure that creating and sustaining a diverse workplace is one of the issues that management focuses on in its hiring and promotions and oversee the success of that effort. The GAO report shows that some efforts of the Postal Service have been successful, but there is room to improve in this area.

29. 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?

The Board should set goals for succession planning and work with management to ensure those goals are achieved. The Postal Service has said that roughly 50% of its employees will be eligible to retire over the next ten years. Having a strong succession planning process will be invaluable to ensuring the Postal Service can continue to operate successfully in the future.

30. Performance-based compensation systems have recently 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?

I am generally supportive of performance-based compensation systems. However, I strongly believe that for any performance-based compensation system to succeed, employees must understand how the system works and how the goals for which they

are being held accountable were developed. If confirmed, I look forward to learning more about how the Postal Service's performance-based system is devised.

31. 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 this law and encourage efforts to improve the safety of the workplace?

I believe it is the role of the Board to ensure that the Postal Service complies with all applicable statutes. Again, this is an area in which I believe it is the Board's role to provide oversight to Postal management's actions.

32. Please describe the kind of labor-management relationship you believe is most desirable at the Postal Service, and what is your opinion about the current state of labor-management relations within the Postal Service?

I believe that it is essential to create an atmosphere of trust and two-way communication for labor and management to succeed together. From what I understand, the Postal Service has worked hard to create that two-way communication. I know that times of financial challenge can exacerbate labor-management relationships and having good relationships already in place can make it easier to communicate in these difficult times.

33. What do you believe should be done to facilitate effective cooperation between postal management and Postal Service labor unions, and what should the Board do in this regard?

I believe that the Board should work with all stakeholders, including the Postal Service's labor unions, to gather their ideas and mutually share information.

Mail Safety and Security

34. 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?

I understand that the Postal Service has taken actions to protect employees and customers from a variety of hazards like installing biohazard detection and ventilation systems in the mail processing plants but, should I be confirmed, I would like to learn more about the details of their programs.

35. 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?

There always needs to be a balance between security and operational needs. For example, adding restrictions on how or what can be mailed diminishes the value of the mail. If confirmed, I look forward to learning more about this important issue.

36. To what extent should any additional costs of enhancing mail security be funded by ratepayers, and to what extent by taxpayers?

I believe it is reasonable to fund mail security through appropriations, as I believe that it is a homeland security expense.

37. 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?

If confirmed, I look forward to learning more about the actions the Postal Service has taken to ensure the safety of its employees and customers. However, I generally believe that education and communication can be an effective way to address these types of issues.

IV. Relations with Congress

38. 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.

39. 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.

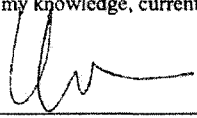
V. Assistance

40. Are these answers your own? Have you consulted with the Postal Board of Governors or any interested parties? If so, please indicate which entities.


Yes. I consulted with the Postal Service's Office of Government Relations during the development of my answers.

AFFIDAVIT

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



Subscribed and sworn before me this 4 day of June, 2010.



Notary Public

KRYSTLE G. MAKIN
Notary Public, State of Delaware
My Commission Expires August 7, 2011



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

JUN 07 2010

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

Dear Mr. 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 (SF 278) from any Presidential nominee for a position on the Board of Governors, 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 Dennis J. Toner, who has been nominated by President Obama for the position of Member of the Board of Governors with the 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 also obtained advice from the United States Postal Service 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,

Robert I. Cusick
 Director

Enclosures - REDACTED

