

NOMINATION OF ROBERT W. MCGOWAN

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON THE

NOMINATION OF ROBERT W. MCGOWAN TO BE A GOVERNOR, U.S.
POSTAL SERVICE

NOVEMBER 17, 2008

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NOMINATION OF ROBERT W. MCGOWAN

MONDAY, NOVEMBER 17, 2008

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

The Committee met, pursuant to notice, at 10:07 a.m., in room SD-342, Dirksen Senate Office Building, Senator Thomas R. Carper, presiding.

Present: Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The hearing will come to order.

Mr. McGowan, either you or your daughter are welcome to have a seat here where your name appears. Sometimes when we have witnesses that appear before us and they have family members in the front row, I will acknowledge at some point at the end of the hearing that I could barely see the lips of the relative move while the witness spoke. [Laughter.]

We will find out if that is the case here today.

We are happy that you are here, and today we will be considering the nomination of Robert McGowan to be a member of the Postal Service's Board of Governors. I mentioned to Mr. McGowan before the hearing began that a Bob McGowan has also been a long-time leader in the State of Delaware for the Veterans of Foreign Wars, where I am a life member, so you have a good name and one that is highly regarded, at least in Delaware, and obviously in Nevada, too.

Mr. McGowan, I am certain that you have learned quickly that your nomination comes at a very difficult and challenging time for our country, but also especially for the Postal Service. The economic slowdown that we have found ourselves in has hurt any number of businesses, but it has hit the Postal Service early, and it has hit them hard.

The Postal Service reported just last week that it lost some \$2.8 billion in fiscal year 2008, and things are projected to get even worse in the current fiscal year. I have been told that their losses could actually more than double. The number \$7 billion has been mentioned, and that takes my breath away, and I suspect it does that to a lot of other people as well. A loss that high could be devastating to the Postal Service, and it could mean significant cuts in service. It could force the Postal Service, which is limited on how much it can borrow, to seek additional borrowing authority or even direct financial aid from the Congress. No matter what happens,

the Postal Service that we see a year from now may look a bit different from the one that we know today.

The Postal Service's current financial difficulties might be a little less troubling if we could guarantee that a significant portion of the mail volume that we have seen disappearing recently will come back once the economy recovers. Most reports and studies that I have seen, however, tell me that the mail volume that the Postal Service has lost as a result of the slowing economy may be lost for good. The number of communications options that are available to postal customers just continues to grow, and the ability to use them grows more easily, too.

The Postmaster General and the Board of Governors have a tremendous record in recent years of doing what they need to do to cut costs and streamline in order to get through difficult times. The leadership and management skills that they have devoted to this task have rescued the Postal Service from financial disaster on more than one occasion since I began my service in the Senate and on this Committee almost 8 years ago. But from here on out, things actually do get tougher. The scale of the challenges that the Postal Service faces today as a result of the economy and the natural movement away from hard-copy mail are unlike any that they have faced in recent years. The decisions postal management will have to make over the next year or so may not be popular. They also may for the first time have a noticeable impact on the level of services that Americans expect from the Postal Service on a daily basis. It will also have a significant impact on the postal workforce, a workforce that has already been shrinking over the years.

The Postal Service does have several options available to it other than cost-cutting to help close the budget gap in the coming year. The Postal Accountability and Enhancement Act (PAEA) has been the law of the land now for more than a year. My colleagues and I on this Committee and in the House drafted that legislation to help the Postal Service respond to the market and to change its prices using a streamlined ratemaking process, with which I am sure you are becoming familiar. It is my hope that this new rate system could be used to make the Postal Service more competitive in advertising and mailing markets.

Now, there may not be much in the way of an advertising or mailing market for the Postal Service to exploit at the moment, but I want to see the Postmaster General and the Board of Governors become more creative over time and find innovative ways to increase mail volume and reduce the looming deficits that we see from the Postal Service.

I believe that the Postal Service can make good use of the new service standards that it has developed through postal reform. The standards may need to change as a result of the Postal Service's financial problems, but I hope that the Postmaster General and the Board of Governors realize that the standards they set, if they consistently meet them, can help make the Postal Service more relevant and more valuable to customers who have a lot of other communications options that are available to them.

All of this—the challenges and the opportunities that the Postal Service will face in the coming year—make it vitally important that we have strong, experienced leadership on the Board of Governors.

Mr. McGowan, you will have some big shoes to fill if you are confirmed. You will be taking a seat held by Alan Kessler, a highly respected member of the board, who has recently been elevated to the position of its Chairman. He has a decade of experience helping run the Postal Service, experience that will be hard to replace. That said, I appreciate your service to the people of the State of Nevada and also your willingness to take on this tremendous challenge.

I am going to swear you in and then invite you to give your statement. I think you filed responses to a biographical and financial questionnaire. I have actually read the responses—not the financial questionnaire, but for the biographical questionnaire. And you have answered a number of questions submitted by the Committee. I have seen your answers, and we thank you for those responses.

I believe that you have met with some staff members last week—

Mr. MCGOWAN. That is correct.

Senator CARPER [continuing]. To go over your responses, to ask further questions, and to give you an opportunity to ask questions of them. Your financial statements have been reviewed by the Office of Government Ethics, and without objection, this information will be part of the hearing record. The financial data, however, will remain on file and are available for public inspection in the Committee's offices.

As I said earlier, Committee rules require that all witnesses at nomination hearings give their testimony under oath, and I am going to ask you at this time to rise and raise your right hand. Mr. McGowan, do you swear that the testimony you are about to give the Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. MCGOWAN. I so swear.

Senator CARPER. You may be seated.

Now, Mr. McGowan, you are welcome at this time to offer any opening statement that you have. After one hour, I will cut you off.

**TESTIMONY OF ROBERT W. MCGOWAN, TO BE A GOVERNOR,
U.S. POSTAL SERVICE**

Mr. MCGOWAN. Well, thank you. I will try and be much briefer.

Mr. Chairman, good morning, and I am fully aware that time is at a premium, that you have many issues to face this week, so I will try and be brief.

Senator CARPER. I am going to ask you, do not feel that you have to rush. This is an important responsibility, and I want to make sure that we have ample opportunity to get to know you and to discuss your qualifications.

Mr. MCGOWAN. Thank you.

To address some of the things you raised in your opening statement, I think the Postal Service has the advantage over an awful lot of other agencies in that it is the most trusted and the most reliable agency, not only in government, but across the board. I think if you look at businesses around the United States, the Postal Service is consistently in the top 10.

The Postal Act of 2006 provided a structure to build on that trust, and I think there are opportunities out there to address the concerns of the lower volume going forward. And I think the economy is going to be at risk at least for three quarters yet, and so business will not be on the uprise. Business is down. Advertising will be down. Consequently, the mailers will have less pieces going out.

But that said, I think there are methods afoot, such as the smart mail, the bar coding of the mail, the idea of cleaning up the mailing list. I understand now they are going to clean up those lists every 3 months. They used to do it, I believe, twice a year. It will be done every 3 months not only on first-class mail but on second-class mail. Those kinds of things are going to help not only to hold down the cost, but as you can target mailing, you will make it more affordable to more people. To do a mass mailing, of course, for most people it is a tremendously expensive thing to do. If you can target and know you are going to get people you are going to get results from, it becomes a lower cost for business to do, thus making it more affordable, I think, for more folks to use it, and that could help grow the volume that we are concerned with.

So with all that said, it is important that whoever is confirmed to this position work with the board, work with the Postmaster General, other stakeholders that we have, to increase business volume, control the costs. And I read somewhere it was a fundamental right—whether it is or not—it is certainly a right of every American to send and receive mail affordably.

I have a little personal story. I was in Italy a year and a couple months ago. I mailed a postcard from the Uffizi Museum, which is in Florence, a big city. I am not out in the sticks anywhere. I have not received that postcard yet. I tell that story to my Italian friends, and they do not act surprised. So we have something here that is a lot better than those places, and I think we can be proud of that.

Senator CARPER. I wonder if they have a Forever Stamp in Italy. [Laughter.]

Mr. MCGOWAN. I did ask if I had the right postage on it before I gave it to the lady. But it has not arrived yet.

I just think as the economy improves, you will see some changes, but I think we are in for a haul. It is going to be a difficult time. But that is the time you want to be involved. That is the time, if you do not want to use another phrase from this town—a potted plant—you want to be involved because you feel you can do things.

I did have to make budgets in a public setting and balance budgets in a public setting. In my experience, which is a lot smaller, of course, than the Postal Service, we never overspent our budget. We controlled costs by taking advantage of the technologies that were available, and trying to build up funds so we could acquire the new technologies as they came along. And as you know, especially in processing mail, there are a lot of opportunities out there to make it less labor intensive.

Again, I look forward to the opportunity to do it. I welcome the challenge as far as the work that is involved. At least I think I do. I might come back to you in a year's time and have a different story for you. But I am a retired person. I certainly have the time

to do it now. And I think I have the energy to stay involved and focused on the things we have to get done.

Senator CARPER. All right. Thank you.

Under the rules of the Committee, there are three questions that I need to ask you for the record, and if you will respond to these, then we will get into some other questions as well. Let me start my questioning with the standard questions that we ask of all nominees.

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. MCGOWAN. I am not aware of any. I did speak with the Ethics Officer of the Postal Service, and we went over things, and she also got copies of my financials. And she was of the same opinion I am, that currently there isn't. If I thought of anything that would come up, I would certainly speak with her and abide by whatever her decision was.

Senator CARPER. All right. Thank you.

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

Mr. MCGOWAN. No, I do not know of any.

Senator CARPER. And, 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. MCGOWAN. I absolutely agree totally with accountability and transparency.

Senator CARPER. All right. Do you agree to testify if summoned?

Mr. MCGOWAN. Yes, I do.

Senator CARPER. OK. Thank you. All right.

You spoke at least indirectly in your statement, but let me just start off by asking: What do you think are the biggest challenges that are facing the Postal Service? And a follow-up question to that: What in your background do you think has prepared you to address these challenges? And if confirmed, are there any in particular that you would like to personally focus on? So it is like a three-part question.

Mr. MCGOWAN. Yes. Let me see if I can answer the questions as they come in.

The issue, of course, of volume—and that is in the first-class mail—I think is not going to turn around. That is going to stay on a declining note simply because billings are done electronically now, and also an awful lot of people use e-mails to correspond where they used to use hard copies. In fact, as time has shown, I believe the second-class mail is a growing part of that, has overtaken the percentage of the volume that first-class mail used to hold.

So the negotiated service agreements (NSAs) that are arrived at, that are sought, are going to be more and more important as the Postal Service moves into the years ahead. So those are going to be very important to look at. I think, one, you have got to be careful that you do not end up doing something for 75 cents that costs you a dollar to do, and that is certainly always out there. It is al-

ways hard to identify all the hard costs or the soft costs. And I think those are things that I like to look at, I like to analyze.

I think the one thing that I am particularly interested in because I have had some success with it is better utilizing better—the technologies we have. One thing I noticed in the office that I headed, we had a computer on everybody's desk, and it was on maybe 2 to 3 hours a day. I think that has changed now today. But those kinds of things, there are technologies out there that I am sure we already have that are not being fully used.

And then, of course, I do not know if the margin that the Postal Service works under provides enough resources to fully take advantage of evolving technologies.

So those are areas I like because they are exciting. Budget is always an area that offers certain challenges. I think in a government setting, I do not know of any time we have said, we have got more money, let us find a way to spend it. There are always ways to find how to do a job smarter. I think you have to identify the things that you do not need to do and quit doing them. Doing something efficiently you do not need to do does not necessarily help you get the job done. So you have to identify what you can stop doing and not do.

Reviewing the vision statement that the Postal Service had, I noticed there are some guidelines, like the universal service obligation (USO) and other things that require us to do certain things. And I noticed in my interviews on Friday, some of the items were brought up about whether you can cut back service, whether you can do this. Those are the last areas to look at. If things get terrible, obviously you have to put everything on the table and discuss them.

I know the biggest cost is the labor cost. I am certainly not one to look at the labor side of the issue as the only problem; therefore, we have to do something about that. You can certainly look at other expenses to deal with first, and then I think respecting the dignity of labor is utmost, to me anyway. And in the end, that does help you at the other side because you have a better product, you have more efficient workers. That is basically the philosophy I would bring.

Some of the experience that I have had in the office that I held, again, we have to deal people who are not particularly happy with the result of the work we did, and so we have to talk. Many times, just informing people of what you are doing and that you are following the law is not necessarily something that makes them happy. But you have to be as transparent as you can. I think transparency does bring a certain ease of acceptance.

The hardest part that I see the governors having to face, is the hemorrhaging, I guess if you want to call it that, of the \$8 billion—this \$2 billion this year, but there are concerns it is going to be greater. The biggest ways to do that, I think, are to control your costs and try to find ways either through second-class mail or through the other products that we can sell and market. I understand there is a part of it in—I do not know if it was in the Reform Act or in the vision that had a division within the Postal Service that would help mailers target by using the intelligent bar code system that we will have where they will know where the mail is,

how it is being responded, and it does get them higher returns on their mailing, which, as I said before, would certainly enable more people to be part of that NSAs area. And I think that the NSAs seems to be the area that has the best opportunity to grow.

Senator CARPER. You have answered some of the questions I asked and some of the questions I did not ask.

Mr. MCGOWAN. OK.

Senator CARPER. I just want us to go back, and let us just take them one at a time.

Mr. MCGOWAN. All right.

Senator CARPER. What do you think are the biggest challenges facing the Postal Service today?

Mr. MCGOWAN. I think getting control of the budget losses, somehow finding a way to minimize—not only on the cost side, but on the expense side. You have to find some ways to do that—not on the expense side but on the volume side. So the biggest problem would be the budget.

Senator CARPER. All right. I am not just asking for the biggest, but challenges, are there other challenges?

Mr. MCGOWAN. Oh, challenges, yes, I think there are challenges in how to structure the NSAs so that we can receive the maximum return and not scare away the user. I am sure there are labor challenges of which I am not fully aware. I think the Postal Service just on a mutual agreement settled three of the union agreements, and the fourth is going to arbitration. So I would imagine there are concerns there, too.

But as I said, if I had to focus on one thing, I would certainly focus on the budget and how do you get control of that hemorrhaging.

Senator CARPER. All right. And you spoke to this, but I want you to come back and speak to it more directly. You know your background better than I ever will, and you know what in that background enables you or prepares you for this really major responsibility. But what is it in your background that you think has prepared you to address the challenges that you have just mentioned?

Mr. MCGOWAN. I think for 24 years I had to prepare and balance a government budget, and we did. We controlled the spending by taking advantage of the technologies that were out there. We found ways to work smarter.

At budget time and when retirements came around, we reviewed each position to see if we could combine them with others, if we really needed to fill that position.

In the course of the time that I was there, we went from 96 employees, again, small by scale here, but we went down to 78 employees. And that was at a time when the volume in our county went from 86,000 parcels to 160,000 parcels. So we are doing more work, more accurate work, and we are doing it with less folks. And when I say “we,” I really mean that word “we.” It was not me. It was a lot of people who I had working around me that participated in and helped make this happen.

So I am not here to tell you that I have all the solutions. I am just here to tell you that I have the curiosity to try to find the solutions.

Senator CARPER. And go back to my third question, which was: Of the challenges that we face, the skills and expertise and interest that you bring to the task, which one of the challenges are you most interested in focusing on?

Mr. MCGOWAN. Well, I think both the cost and the efficiency, how to better use the equipment or the technologies we have, and how to take advantage of the emerging technologies that are going to be coming along, those are areas I would like to be involved in.

Senator CARPER. All right. Thank you.

As you know, the economic slowdown has hit the Postal Service especially hard. This problem is compounded by the fact that at least some postal customers are leaving the mail or considering leaving it in favor of other forms of communications.

If confirmed, how would you recommend that the Postal Service use the new pricing flexibilities that were given to it in our legislation a year and a half ago? How would you recommend that the Postal Service use those new pricing flexibilities that we have given it to bring in new customers?

Mr. MCGOWAN. Well, I think the competitive nature of the business today, if viewed in the correct light, will make us sharper, will make us better able to compete. It will force us to use the marketplace.

I think there are some things that are still out there that restrict full use of the marketplace by the Postal Service, and I would certainly like to see those at least addressed as to why they are there, and if they, in fact, can be altered in any way or any form.

Senator CARPER. I will restate my question. If you are confirmed, how would you recommend that the Postal Service use the new pricing flexibilities that are given to them in the new law?

Mr. MCGOWAN. It is there. I am at a loss because I am not fully aware of all the pricing structures. If you are asking me about transportation costs, I know there is a regulatory rate commission—not a regulatory, but the rate setters which the board does not control. And so I guess I need more information to answer the question.

Senator CARPER. All right. Fair enough.

You have mentioned NSAs several times, negotiated service agreements. But as you know, negotiated service agreements with individual customers have been talked about for some time as a tool that the Postal Service can use to find efficiencies and to bring in additional businesses. Do you believe that the Postal Service has taken full advantage of its opportunities in this area? And if confirmed, how would you recommend that the Postal Service work with individual postal customers to reach quality agreements that can bring in new mail volume and, hopefully, additional mail revenues?

I will just say that again. If confirmed, how would you recommend that the Postal Service work with individual postal customers to reach quality agreements that can not only bring in new volume but also additional revenues?

Mr. MCGOWAN. Well, again, I think I have mentioned that is one area that does offer growth for the Postal Service. How I would go about doing that—I have not been involved in any of that work yet. But I would imagine you would have to be competitively priced

and, again, I did point out that you cannot agree to do something for more than it is going to cost you to do.

I think there are times when by trying to build your volume to look at those—I think that was one of the most important parts of the Reform Act, was the NSAs. That certainly gives us area to grow. How I would precisely do it is by making sure we are competitive in our pricing that we can compete against the other suppliers.

Senator CARPER. All right. Thank you.

The Postal Service has proposed a set of service standards for its market-dominant products. How do you think the Postal Service should be using these new standards? And do you think that they can play—“they” being the standards, the new standards—can play a role in adding value to the mail and attracting new business?

Mr. MCGOWAN. Well, I am trying not to be too general because I am not particularly familiar individually with what you are talking about. But I would imagine you want my experience of the past—the average person does not know the services, all the services that the Postal Service has to offer. And I think you have to market that in and of itself, that here is what we have to do.

Service levels, I think, in the past have been things they want to—I know during hard economic times, you want to cut back and adjust. I think the USO, if I am using that term correctly, does state what levels you have to provide at, and I do not know if that has anything to do with your question, if I am going the right way here.

So it might take even some clarification in the legislation as to what flexibilities you do have. I do not know if that is clear, at least as I have read the law—and that has only been in the last few days that I have read that law. I know there are some limitations to what you can do that in the real marketplace would not be there, would not exist.

Senator CARPER. All right. Thank you.

Recently, the Postal Service submitted a report laying out its strategy for managing its facilities networks. As you can probably guess, any and all hints in that plan of an effort to close or to consolidate the facilities have been met with resistance, not surprisingly. But at the end of the day, tough decisions in this area and in others will need to be made. Some of those decisions may need to happen sooner than we would like.

If confirmed, how would you recommend that the Postal Service work with customers, with employees, and with communities in order to achieve its cost-cutting goals?

Mr. MCGOWAN. Well, if it is in the fact of either closing or selling off assets, I think as the volume goes down, I am sure we are going to have an awful lot of space that previously was used that we do not need to use. To the point that it affects displacement of workers, I firmly believe you have to have the maximum amount of time that the economy will allow to give these workers either a chance to go to other spots or seek other ways to mitigate their circumstance.

The communities that these facilities are involved in would even be another picture, and I think you have to work with—if it is a

city or county—the governments involved to mitigate, again, the impacts of those. I think that is a very important thing to do.

So I guess my overall concern, of course, is that we balance the budget, and we cannot be spending money we do not have. But I think you have to look at the ramifications of what we are going to do on the community and on the people involved, and I would certainly be concerned with those. But I cannot close off the idea that when it has to be done, it has to be done.

Senator CARPER. All right. Thank you.

Is there any area where you might sort of draw the line, if you will, as a board member, as a governor, and tell your colleagues and postal management, no, we need to cut costs, but it would be foolish or inappropriate to cut costs in a particular area, Area X, Y, or Z? Does anything come to mind?

Mr. MCGOWAN. That is absolutely off the table?

Senator CARPER. For you.

Mr. MCGOWAN. When hard times arise, the first place, it seems like, most people look at is labor because it is certainly sometimes the biggest cost. In most cases, it is the biggest cost. But in my experience, what I have done over my career, to me that is the last place I look. I look at economies we can make either in stopping what we do not need to do, taking advantage of retirements and the easy way out, I guess you could say, with the least impact on people's lives.

But there is nothing that I would right off the top of my head say that I would be absolutely against.

Senator CARPER. OK. Thank you.

Mr. MCGOWAN. I guess service cuts would be the closest.

Senator CARPER. You have sort of addressed this, at least indirectly, but I want to come back and draw on it a bit more. The issue here is as the Postal Service loses volume, whether it is first-class mail or other classes of mail, for reasons that we have discussed, just talk with us about the business opportunities that you see out there for the Postal Service for growth in volume, for growth in revenues.

Mr. MCGOWAN. The growth in volume, of course, is in the NSAs. Again, the cost, I think it is 28 percent of the revenue the Postal Service gets comes from NSAs, as I was reading the report the other day, and they do about 48 percent of the volume. And with the growth we are going to see, I would imagine, in the next decade anyway, it will probably be in that area. We seem to have high returns in the priority mail. And our record on priority mail has really improved—I do not know when it started, but it has improved over where it had been in the past. And we are competitive price-wise; well, I have used both, so I know we are competitive price-wise in priority mail. And I think people need to know so they can use it more.

We have that advantage that we are considered the most reliable and trusted agency the government has and one of the top 10 businesses in the United States as far as being efficient at the work we do. So we have to just keep finding more ways—and they will arise because technology keeps changing. But as the challenges come up, we have to find ways to use that technology to cut down those costs which, in return, should help the bottom line.

And doing that—and this is a philosophical statement—you have to realize when you are talking about bottom line, you also are talking about people's lives and what people have come to expect from the Postal Service. So I think that you want to be very careful with our service levels, and you want to be very careful with how we treat the people that work for us.

Senator CARPER. I was talking with somebody the other day about all the mail that I have found, my family and I have found, in our mailbox over the last couple months up to the election that dealt with campaigns, and it is hard for me to imagine that the Postal Service could still be running a deficit given the incredible volume of mail that we received. It would be interesting to look at the revenues to see if there is a little uptick, especially in the month of October and beginning of November, because of that.

In terms of business opportunities, there are some States in which they are still counting the voting. One of the States, up in Alaska they are still counting the results from not just absentee ballots but also, I think, from early ballots that were cast, and they are still being counted.

Do you see any potential business opportunities for the Postal Service with respect to voting, and voting by mail? And if so, would you like to talk about those?

Mr. MCGOWAN. Well, the opportunity, of course, would be when it happens. In the presidential election, of course, you only have that happen every 4 years, and that is certainly the largest number of votes. Local elections happen on a more regular basis. Probably every year you have some form of election going on.

I had the very same thought you did, that we might see a dip in volume again simply because there will not be the political mailings going out in this year to come.

A big concern that was not brought up that I have more so than what we were just talking about is there are, I believe, seven States that have—I do not know if it is stop mail or mail they can elect not to receive, advertisements or so on, things they decide. I understand none of that has passed. And in some of the States, though, that does not even require an act of the body to reintroduce it. It automatically is reintroduced. That to me is going to offer a bigger challenge to the volume of the Postal Service.

But I think there might be some issues of freedom of speech. So I think that is going to be a long argument going on. It might not be effective in any State. I believe no State has passed it yet. But that is a concern, something we ought to keep, I think, abreast of and find out what things as a board we can do about that. I am not sure. I have not been involved in it so I do not know, but it is certainly an area that, when I read it, my ears perked up, and I thought it was an area we need to be concerned with and see what can be done.

Senator CARPER. Let me go back and just re-ask my question once again. We have talked a bit about cost containment. We have talked about using technology to do that. We talked a bit about facilities and what the Postal Service may or may not do with their facilities. But moving off of the cost containment side and looking at growing revenues, just talk to us again about that.

Mr. MCGOWAN. Well, I do keep coming back to the NSAs on that. I think that is the biggest part where we can hopefully improve.

With the products that we sell, the shipping—I think we are limited to 70 pounds, the current level—and there is always the concern out there: Do we want to compete on the private side? And I think there is an argument to say that government should not compete against people to do things for a profit. I probably would tend to think that is more of a gray area than some people would like it to be. I think there are some areas where government can, in fact, get involved and do the job that some people would argue private enterprise ought to be doing.

That area, to the extent you start selling those things or getting that market, that might be an area that certainly is worth discussing at a board level. Whether it gets any traction or not, I do not really know.

The other thing is I do not understand why the mailers—by mailers, I think mean the products we put the mail in. Those are free. You do not really charge for those. That might be something to explore. Whether that makes sense or not, I do not know. But, if they are free, you grab three or four of them, you use one and throw the other two away. I know there are people that do it. And people that use those flat-rate boxes will grab all kinds of them, fill up the ones they use, do not even return the other ones. I would think that somehow you got to look at that.

Again, small things, but I imagine over the 33,000 offices and other outlets, it can add up. The old saying, a million here, a million there, and you are talking about real money.

Senator CARPER. When you think of the challenges the Postal Service faces today, would you just go back and kind of explain in your own words how you think the Postal Service found itself in this challenging situation? Just talk us through that.

Mr. MCGOWAN. Well, I think a business model that existed for the Postal Service before 1971 is when it went into an enterprise setting. Is that correct? It is somewhat predicated on before electronic mail, before the kinds of things that people used, before the advent of the other mailers—FedEx, UPS, and the others. And DHL has finally found out they cannot compete in the market. So the business model had to change, and I think with the advent, especially not only the 2006 Act, there was an Act in 1971 when it changed over. Those things have caused, I think, the Postal Service to look at itself in a different light. I think there is a move today to change the business model, and it has been moved.

I think the fact that we were so slow in changing that business model probably was one of the major things that led to the problems that we have: Failure to recognize that e-mails were going to take the bite out of volume that they, in fact, did, and I do not think anybody thought that first-class mail would not be the main volume of our business. It has changed.

So recognizing sooner that the world had changed would certainly have put us in a better light. That could be said of a lot of businesses, and I am sure you will be dealing with businesses that have that problem here directly.

But if that answers your question, what I am trying to get at is that we have to change our business model. We are slow in doing

it, and now it seems to be on the track. I think the fact that it had to fund the health care for retirees and so on, those things have certainly led to the numbers that we are seeing in the current budget. And that is going to exist until 2010, I believe. So recognizing that the world changed, and it has.

Senator CARPER. How long ago were you nominated, do you recall?

Mr. MCGOWAN. From the White House or from the Senators' office? The White House was just 2 months ago.

Senator CARPER. OK. The official nomination was sent to us a couple of months ago.

Mr. MCGOWAN. Right.

Senator CARPER. And you may or may not have had a chance to do this, but if you have, I would be interested in your thoughts. We are not the only country that has to deal with mail. It used to be pretty much a government operation, and now it is really more of a private sector operation with government oversight and involvement.

But when you look around the world at other countries that are wrestling with down economies, that are wrestling with their postal services, they are trying to deal with competition that may not have existed when their services were established, anything come to mind of lessons that we might learn from other countries that you are aware of? And you may not be aware of them.

Mr. MCGOWAN. My only real experience was the story I related about the mail in Italy. But I have not used the mail in any other country—never had occasion. I have known, only because I have read about ours, of the high trust that we have, and I am not aware of any others that have that. Again, the postal office is in such a unique position that it has a great foundation to build on. I think the 2006 law certainly provided a structure to help improve on all of that. Also, the attitudes that I have been aware of, bring it back to the local level though, is that my experience at the Postal Service recently—and I have been—since this has come about, I have probably paid more attention to it—is the courtesy level of the employees seems to be way up, knowledge, they are very helpful. The lines seem to move faster.

Now, this has all happened at a time when the economy certainly has been worse, their volume has gone down. So I do not know how we compare with other nations that are going through the same thing, but my experience is we are moving in the right direction in the Postal Service.

Senator CARPER. Those are all the questions I wanted to ask you today, and I appreciate your appearing and responding to those questions. Is there anything you would like to say in closing before I make a closing statement?

Mr. MCGOWAN. Well, again, I thank you for making the time to schedule this. I think that I can bring 25 years of making and balancing budgets in a public setting, using and looking for technologies that made my experience more efficient, the office more efficient. I think I bring the use of that. And I think the fact that of the size—the benefit of the size I was in, I think not only do you have to make policies and procedures, but you get to see them all the way down. They are not just a bottom-line figure. They are in

the face of the people that work there. You see how your policy decisions affect folks. And you get to see the real product that is coming out at the end.

So I have been fortunate to have that experience, and it has been, like I say, in the government setting, and I think that will help me in my dealings with the board. Thank you.

Senator CARPER. All right. Without objection, the hearing record will remain open until the close of business today for the submission of additional statements and questions. If you receive those questions, I would ask that you respond to them promptly, very promptly, this week, and that would be much appreciated.

With that having been said, we thank you again for coming and for your interest in serving, and we will adjourn this hearing at this time.

Mr. MCGOWAN. Senator, thank you.

Senator CARPER. Thank you. This hearing is adjourned.
[Whereupon, at 11 a.m., the Committee was adjourned.]

APPENDIX

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)
Robert William McGowan
2. **Position to which nominated:**
Governor of the United States Postal Service
3. **Date of nomination:**
September 30, 2008
4. **Address:** (List current place of residence and office addresses.)
5. **Date and place of birth:**
November 15, 1941
6. **Marital status:** (Include maiden name of wife or husband's name.)
Divorced
7. **Names and ages of children:**
Meghan McGowan 27, Kevin McGowan 24 and Daniel McGowan 22
8. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.
09/1955 to 06/59 Saint Vincent Ferrier Catholic High School, High School Diploma 09/1959 to 05/1963, Vallejo Junior College 09/1963 to 05/67 University of Nevada no degree received
9. **Employment record:** List all jobs held since college, and any relevant or significant jobs held prior to that time, including the title or description of job, name of employer, location of work, and dates of employment. (Please use separate attachment, if necessary.)
01/1983 to 01/2007 Washoe County Assessor's office, County Assessor, Value property of reasons of taxation, Administer yearly budgets in excess of 6 million dollars as well as supervise as many as 93 employees. 01/1979 to 12/1982 State of Nevada -Attorney General's Office, Special Investigator. 1/1973 to 12/1978 Clark County Assessors Office. Licensed property appraiser. I have also worked in the Entertainment department of Ascuaga's Nugget Hotel, and a photo journalist for the Nevada State Journal
10. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, State, or local governments, other than those listed above.
Appointed by the governor as an Ambassador for Economic Development in the early 80's. . During my terms as Washoe County Assessor served on several tax advisory work shops. Elected to the Executive Board of the International Association of Assessing Officers.
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.
None
11. **Memberships:** List all memberships, affiliations, or and offices currently or formerly held in professional, business, fraternal, scholarly, civic, public, charitable or other organizations.

REDACTED

Chancellor Delta Sigma Pi ,Professional business fraternity, Vice President University of Nevada Alumni Association, Founding President Truckee Meadows Habitat for Humanity, Community Advisory Committee, Renown Health Systems. Reno Host Lions, The Prospectors Social Club. And President Keep Truckee Meadows Beautiful. Elected to Executive Board of the International Association of Assessing Officers(IAAO)

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. Chair of the Truckee Meadows Democratic Alliance Elected six, four year terms, as the Washoe County Assessor
- (b) List all memberships and offices held in and services rendered to any political party or election committee during the last 10 years. Washoe County Democratic Central Committee and volunteer
- (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. \$20 per month to the Washoe County Democratic Party. In 2004 contributed to the John Kerry Presidential race..\$100.00

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. International Association of Assessing Officers(IAAO)

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. As the washoe County Assessor I testified before both the state; assembly and senate taxation committees on pending legislation; during my 24 years as County Assessor I also gave several speeches on the Assessors Office as well as property tax code and policy. I have no copies of any of these presentations.
- (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?
~~Speaker~~ Reid put my name forward to the White House.
~~Senator~~
- (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment? My twenty four years as an elected Assessor dealing with government agencies, personal, vendors, budgets and the public should be an asset that I can bring to the table in discussions with the Board of Governors regarding issues involving the United States Postal Service

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? This is a part time board, currently I am retired.

Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain. No;

- 2. 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

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

No

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

Yes

- 5. 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. There none
- 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. As the Assessor of Washoe County Nevada I testified on property tax matters when requested by the state assembly and senate

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? I agree to comply with all request.

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.
NO
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. . In serving as Assessor of Washoe County, Nevada I was named in several actions in my official capacity; Also , I was named individually in one action, I was dismissed from the action by the court.
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. NONE
5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination. With the help of a great staff I was able to take advantage of the advances in electronic data –processing which enabled the office to work smarter, reducing cost and over the course of time refunding more than \$2 million dollars to the general fund.

E. FINANCIAL DATA

REDACTED

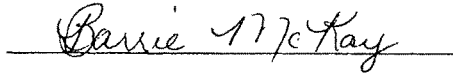
All information requested under this heading must be provided for yourself, your spouse, and your dependents. (This information will not be published in the record of the hearing on your nomination, but it will be retained in the Committee’s files and will be available for public inspection.)

AFFIDAVIT

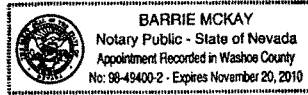
ROBERT WILLIAM MCGOWAN being duly sworn, hereby states that he she has read and signed the foregoing Statement on Biographical and Financial Information and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.



Subscribed and sworn before me this 17 day of OCT,
2008



Notary Public



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

I. Nomination Process and Conflicts of Interest

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

Senator Harry Reid recommended me to the White House as a candidate for this Board of Governors position.
2. Were any conditions, express or implied, attached to your nomination? If so, please explain.

No.
3. What specific background and experience affirmatively qualifies you to be a Governor of the Postal Service?

My knowledge of government and management will allow me to help guide the Postal Service in its responsibility to serve the American public. I have had experience in balancing public service with fiscal responsibility.
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.

There are no issues that I am aware of that would require me to recuse myself. If such an issue arose, I would consult the Postal Service's ethics official and follow her advice.

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

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

I have a long history of public service. I served as the elected Assessor of Washoe County, Nevada for 22 years -- from January 1984 through December 2006. I was responsible for administering a budget in excess of 6 million dollars per year, as well as supervising as many as 93 employees. While this is small in scale in comparison to the Postal Service, it provided me significant management experience. I have also served on the Executive Board of the International Association of Assessing Officers (IAAO), which has given me experience in serving on boards.

I believe that the Postal Service provides a vital public service to the American people. I would like to use my experience and skills to ensure the Postal Service continues as an affordable, effective means of communication.

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

I believe the Board of Governors should operate like a board of directors for a company. A Board typically sets policies and reviews management's activities to ensure that the Board's direction is being fulfilled.

8. What do you see as the main challenges facing the Postal Service? What do you believe should be the Board's to priorities in meeting those challenges?

The Postal Service has to address impacts of the continued diversion of bills and business communications to the Internet. I understand that the current economy has also created significant financial challenges for the Postal Service. I believe the Board's role is to work with Postal leadership to develop strategies to address these serious problems.

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 is responsible for educating himself on the issues confronting the Postal Service and providing guidance and oversight to Postal management. My years of public service have given me the ability to understand the needs of the people served by the Postal Service and guide Postal managers in addressing the challenges confronting the Postal Service.

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

Governors and management can best work together to meet the challenges facing the Postal Service?

I believe the Board's role is to provide oversight, and management's role is to run the Postal Service on a day-to-day basis. Postal management has years of experience in providing world-class service to Americans. The Board can assist management by providing feedback regarding the current situation facing the Postal Service and in devising strategies that respond to those challenges.

11. The Governors are chosen to represent the public interest generally. How do you plan to interact with various stakeholders interested in postal issues, and how do you think as a Governor you can appropriately take their ideas into account?

I think I must have an opportunity to fully understand all the challenges facing the Postal Service. Then, I would look forward to meeting and discussing issues of concern with various stakeholders, which I believe will enhance my service on the Board.

12. Generally, what contributions do you hope to make during your tenure on the Board of Governors, if confirmed?

I hope to provide effective leadership and oversight on Postal policy issues.

III. Policy Questions

Postal Reform

13. In December 2006, after years of work by the members of this Committee and many others, the Congress enacted the Postal Accountability and Enhancement Act (P.L. 109-435). Generally, how do you believe the Board of Governors should provide leadership in working with Congress and postal stakeholders to ensure that this postal reform legislation is effectively implemented?

I am not familiar with the detailed provisions of the law. However, I generally believe that the Board's role is to provide guidance to management and to interact, as appropriate, with stakeholders. I look forward to learning more about the Postal Act should I be confirmed.

14. One of the primary challenges of this landmark legislation is 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 the Postal Accountability and Enhancement Act to ensure that these challenges are appropriately met?

It is my understanding that the role of the Board and the Postal regulator changed under the new law. I believe the Board must fulfill the duties laid out in the new law, while management and the regulator must adapt to their changed responsibilities.

15. During debate on the postal reform legislation, there was much debate about whether it was realistic to expect the Postal Service to operate under a strict inflation-based rate cap.
- a. Considering the impact on the Postal Service of the current economic downturn and the recent volatility of fuel costs, do you believe the Service can function successfully under the new rate-cap system?

While I am not familiar with the Postal Service's financial data, I do believe that in these troubled economic times, raising postal prices above the rate of inflation could do more harm than good by driving away customers.

- b. Many suggestions have been made on ways that the Service could reduce costs and improve productivity. What do you think the Service should do with respect to these circumstances? How should the Board be involved in identifying areas for cutting costs and improving efficiency in postal operations?

I think any organization – public or private-- must always look for ways to cut costs and improve productivity. For example, I moved the Assessor's office into the digital age, making forms and other data available on-line. I was then able to take advantage of the increased productivity by reducing the office budget. The Board, in its oversight role can provide guidance on areas where the Postal Service can make changes without adversely affecting service.

16. The debate on postal reform legislation covered fundamental questions about the role of the Postal System in our nation, including the nature of the Service's universal service obligation, and the scope of its authority to offer new services and products in the competitive marketplace.
- a. To what extent do you believe the Postal Accountability and Enhancement Act set those issues to rest?
- I am not familiar enough with the specific provisions of the new law to respond.
- b. The Postal Accountability and Enhancement Act 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." What are your views on the types of products it would be legal and appropriate for the Postal Service to offer?

I believe that the Postal Service should focus on those products and services it does best. However, I also think that it may be appropriate for the Postal Service to explore new areas, if that will help protect Postal finances and service to the American people.

Postal Rates

17. One of the core principles of the Postal Accountability and Enhancement Act 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?

It is my understanding that the Postal Service has committed to giving mailers more notice about upcoming price changes than is required. I also believe that the Postal Service is working hard to keep mailers informed about its plans for products and prices.

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

I believe the Postal Service could use any new pricing flexibility to try to retain its current customers and attract new business; much like any other business would do.

19. The Postal Accountability and Enhancement Act codified the Postal Service's ability to enter into special classifications with mailers, referred to as Negotiated Service Agreements (NSAs).

- a. What opportunities do you see for the Postal Service to create profitable NSAs?

I do not have enough information to answer this question.

- b. Generally, what are your views about the desirability and effectiveness of NSAs under various circumstances?

Generally, if the Postal Service has the opportunity to work with customers to retain or increase business in a way that would help the bottom line, I would be supportive of that effort.

20. Some have expressed concerns that the amount of the Postal Service's worksharing discounts may not be adequately covered by the actual cost savings achieved.

- a. In general, do you believe that the postal reform law has set an appropriate standard to govern when worksharing discounts are and are not allowed?

I do not have enough information about the new law's standard to respond.

- b. How do you think the Postal Service should address situations where the discounts have long exceeded avoided costs?

While I am not aware of the specific situation referred to, I believe it is incumbent upon the Postal Service to ensure its pricing meets the new law's requirements.

Facility Closings and Relocations

21. One of the major initiatives discussed in the Service's Transformation Plan was its goal to optimize its mail processing and distribution network to reduce costs and improve efficiency. Recently, the Service has been implementing numerous consolidations of mail processing facilities. Many stakeholders have questions about these consolidations.

- a. For example, some have said that the Postal Service has failed to adequately involve affected communities in the decision making process. What are your views on this issue?

It is my understanding that the Postal Service has revised its public communications policies and that the Government Accountability Office has favorably reviewed the revised policy.

- b. What information do you believe the Service should provide to the public about proposed consolidations of mail processing operations and closings of mail processing facilities, and how widely do you believe such information should be disseminated to affected communities and stakeholders?

While I am not familiar with the specific information currently provided, I believe the Postal Service should share information, as long as that information is not proprietary or otherwise confidential.

- c. What should the Service do to ensure that its decisions related to closing postal facilities take appropriate account of community views and priorities and are fair and objective and perceived to be so?

I have some experience with responding to members of the public who are not happy with a government entity. While I believe the Postal Service, or any government agency, should provide information about the path they are pursuing, I also recognize that providing that information does not necessarily garner public support.

22. Some stakeholders are concerned about the potential decline in delivery services resulting from consolidations and workforce realignment. Can and should the Board ensure that delivery performance does not decline as a result of facility consolidations?

Yes, I believe it is incumbent upon the Board to ensure that efficiency efforts do not diminish service provided to the American public.

23. The postal reform legislation required the Postal Service to establish modern service standards and to regularly provide publicly available information about its delivery standard performance. What amount of disclosure is appropriate to Congress, mailers, and the public on the Service's performance in meeting deliver standards?

It is my understanding that the Postal Service has long provided quarterly updates about First-Class Mail service. That seems to be appropriate.

Transparency and Accountability

24. The Postal Accountability and Enhancement Act calls for a significant amount of transparency and accountability from the Postal Service. For example, the Postal Service will be required to file regular financial statements modeled after the requirements placed on private businesses under Sarbanes-Oxley. The Postal Service will also need to better measure service performance and agree to abide by service standards.
- a. How do you think that these measures will improve and make more valuable the service that the Postal Service provides?

While I am not sure that revised financial statements will improve the value of the mail, I do believe that service standards and service measurement is a valuable tool for mailers to have in deciding whether to use the Postal Service.

- b. The purpose of increased transparency is to make the Postal Service more accountable. However, 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?

Transparency is a good goal. If the reporting requirements become too extensive, however, they can become burdensome and expensive. I would have to become more familiar with the data currently provided and maintained by the Postal Service before I could provide any further recommendations.

Mail Safety and Security

25. 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?

This is a homeland security issue and I do not have enough familiarity to comment at this time. It is important for the future of the Postal Service that the American public has trust in the mail.

26. 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?

This requires a balance between the safety of the public and Postal employees and the ability to move the mail, not unlike what any American experiences today at an airport. I do not have enough experience with the specifics of the Postal Service's efforts to make any judgments.

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

While I do not know if additional funding is necessary, I would generally say that homeland security costs should be funded by the Federal government and not the users of the mail.

28. 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?

From what I am aware, I believe the Postal Service has done a great job of addressing these new threats. While no system is perfect, the Postal Service should do everything it can to maintain trust and credibility.

Workforce-Related Issues

29. As large numbers of postal executives, managers, and supervisors to retire, how can the Board work with postal management to address these challenging succession, continuity and associated cost issues?

This is an issue being faced by almost every employer in the nation. In the Assessor's office, I used the annual budget process as an opportunity to review the overall plan for developing talent within the office. It is important for the Board to provide guidance to Postal management on the need to continually develop talent within the Postal Service.

30. In your view, has the Postal Service taken sufficient advantage in recent years of the opportunity retirements offer to re-shape the workforce?

I do not have sufficient information to respond.

31. How do you believe the Postal Service can ensure that whatever steps it takes to realign its workforce are consistent with its universal service obligation and with any existing strategies on related issues such as automation, facilities consolidations, and work sharing?

The Board's role is to ensure that management is aware of the imperative to deliver affordable service to the American public, while it addresses workforce and efficiency issues. I believe it is possible to achieve both goals together.

32. Concerns have been raised that the Postal Service has adopted a policy of greater contracting out mail delivery work in urban and suburban areas. It is argued that contracting out mail delivery will cause poor service, will compromise security in this era of terrorism, and will reduce accountability. The Postal Service disagrees with these concerns, and believes that contracting out of mail delivery is needed to control costs. Under what circumstances and conditions do you believe it is appropriate for the Postal Service to use contractors to perform work traditionally performed by its bargaining-unit letter carriers?

While I am not familiar with the specifics, I believe an organization must balance costs, security, and performance against the requirements of a collective bargaining agreement. The provisions of the collective bargaining agreement must be followed.

33. Performance-based compensation systems have been implemented for postal executives, as well as managers and supervisors. GAO and others have argued that the success of performance-based compensation systems depends on the credibility, validity, transparency, and fairness of the performance measures and their implementation. Do you agree with this view? What do you believe the Board can do to help ensure the credibility and success of the any performance-based compensation systems at the Service?

The credibility of the Postal Service's performance-based compensation system depends on whether it is implemented fairly. The Board should review the compensation system to ensure its even-handedness and oversee its implementation regularly.

34. Concerns have been raised regarding diversity within the Postal Service, particularly in the profile of top executives and as a result of contracting practices. What role do you see for the Board of Governors in addressing these concerns?

Like the compensation system, I believe the Board should review the hiring policies and practices of Postal management on a regular basis to ensure that the Postal Service is availing itself of the best talent available to it.

35. The Postal Service is subject to Occupational Safety and Health Act (OSHA) workplace safety laws in the same manner as private-sector employers. How can the Board of Governors help ensure compliance with this law and encourage efforts to improve the safety of the workplace?

The role of the Board is to ensure that the Postal Service complies with all applicable statutes. I believe oversight in this area is also necessary. It is my understanding that the Postal Service has been very successful in reducing the number of on-the-job injuries over the past several years.

36. 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?

While I am aware that the Postal Service and its unions have had a rocky relationship in the past, it is my understanding that relations have improved significantly. I believe open and honest give and take between the parties yields the best relationship and one that will allow both sides to achieve its goals.

37. 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?

As I mentioned, I believe two-way, open and honest communication is the best path to cooperation between the two parties. The Board should provide guidance to management on those types of issues.

38. Is there anything in your past experiences that demonstrate or sheds light on your approach or views in the area of labor-management relations?

My view is that labor is the most important component of making a product or offering a service. It is vital that any organization respects the dignity of labor; without that, you do not produce the quality product or service that will keep an organization competitive in the market-place. In the Assessor's office, my employees were represented by the Washoe County Employees Association, so I have familiarity in dealing with a union workforce.

IV. Relations with Congress

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

Yes.

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

Yes.

V. Assistance

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

These answers are my own. I consulted with the Postal Service Government Affairs staff in the development of my answers.

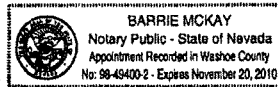
AFFIDAVIT

I, ROBERT MCGOWAN 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 7 day of NOV, 2008.

Barrie McKay
Notary Public





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

October 16, 2008

The Honorable Joseph I. Lieberman
Chairman
Committee on Homeland Security
and Governmental Affairs
United States Senate
Washington, DC 20510-6250

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 for the United States Postal Service, along with a written opinion from this Office regarding any possible conflicts of interest.

Therefore, I am forwarding a copy of the financial disclosure report of Robert W. McGowan, who has been nominated by President Bush for the position of Governor on the Board of Governors for the United States Postal Service. Because Mr. McGowan is not expected to serve more than 60 days in any calendar year, the enclosed report and this letter are submitted to you in accordance with your committee's confirmation procedures and will be available for public inspection only to the extent provided by your practices. There is no authority under the Act for public release of this material by the executive branch.

We have reviewed the report and have obtained advice from the United States Postal Service concerning any possible conflict in light of its functions and the nominee's proposed

The Honorable Joseph I. Lieberman
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duties. Also enclosed is a letter dated October 6, 2008, from Mr. McGowan to the agency's ethics official, outlining the steps Mr. McGowan will take to avoid conflicts of interest. Unless a specific date has been agreed to, the nominee must fully comply within three months of his confirmation date with any action he agreed to take in his ethics agreement.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert I. Cusick". The signature is fluid and cursive, with the first name "Robert" being particularly prominent.

Robert I. Cusick
Director

Enclosures

Senator Susan M. Collins
Additional Questions for the Record
Nomination Hearing of Robert McGowan
November 17, 2008

1. **The Postal Accountability and Enhancement Act of 2006 provides that nominees to the Board of Governors must “be chosen solely on the basis of their experience in the field of public service, law or accounting or on their demonstrated ability in managing organizations or corporations (in either the public or private sector) of substantial size; except that at least 4 of the Governors shall be chosen solely on the basis of their demonstrated ability in managing organizations or corporations (in either the public or private sector) that employ at least 50,000 employees.”**

Please explain how your past experience qualifies you for this position, including any specific professional qualifications or experiences that have prepared you for a position on the Board of Governors.

I have been a public servant for 34 years, the last 24 of which have been as an elected department head administering a budget in excess of six million dollars and managing a staff of approximately 100 employees.

As department head, I initiated a staffing analysis and productivity review of all department functions with a goal to identify available equipment and new technology that would enable staff to work smarter, refine job tasks and eliminate redundancies, and forecast priorities for the upcoming fiscal year. While the complexity and amount of work increased in the Assessor’s office, I successfully reduce employee complement and returned to the general fund more than two million dollars from our budget.

Using web technology, my office was also able to allow access to our information and forums 24 hours per day.