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NOMINATION OF STEPHEN CRAWFORD

HEARING

BEFORE THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

NOMINATION OF STEPHEN CRAWFORD TO BE A GOVERNOR, U.S. POSTAL SERVICE

JULY 12, 2012

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NOMINATION OF STEPHEN CRAWFORD

THURSDAY, JULY 12, 2012

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

The Committee met, pursuant to notice, at 3 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Thomas R. Carper, presiding.

Present: Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. The Committee will be in order.

We welcome our colleague and our nominee and at least part of his family, I think. I am going to ask, Senator Cardin, if you will just lead us off. And, once you have presented, I think you have a lot of other things on your plate, but you are welcome to stay for as long as you can. Thank you for being here. It is great to see you.

TESTIMONY OF HON. BENJAMIN L. CARDIN, A U.S. SENATOR FROM THE STATE OF MARYLAND

Senator CARDIN. Mr. Chairman, first, thank you very much for allowing me to introduce a great Marylander, Steve Crawford, and I thank you for the courtesy; and let me just, if I might, tell you how pleased I am that Dr. Crawford is willing to allow his name to come forward for this very important position.

He has proven his leadership in both the private and public sectors. I think he is well suited for the U.S. Postal Service Board of Governors at this critical time in the history of our Postal Service.

As the U.S. Postal Service confronts the challenges of a multibillion-dollar shortfall, the agency needs Dr. Crawford's intelligence, his expertise, and his leadership skills. He has experience in this area. He has proposed a number of innovative initiatives for changing the U.S. Postal Service's business model in a paper the agency commissioned, including creating new revenue streams via savings accounts and hybrid electronic services.

His ideas on open source innovation and collaborative innovation, that is, harnessing the creativity of employees and customers in building a better Postal Service, are particularly, I think, relevant to the needs of the reforms within the postal system.

At the same time, Dr. Crawford understands the importance of smart reforms that preserve important mail delivery services in our communities. As we continue to build a 21st Century Postal Serv-

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ice, his vision for an efficient and reliable service is critical to the agency's future success.

Let me just point out some of Dr. Crawford's leadership experiences. He was the Executive Director at the Center for International and Security Studies in the School of Public Policy at the University of Maryland.

He was the Executive Director of the Governor's Workforce Investment Board; and as you know, that is very much involved in the type of issues that are going to be confronting the Postal Service. He was successful in getting the Maryland General Assembly to give adequate budget support to those efforts, which is not an easy task, showing his political ability.

He helped develop the National Policy Association where he served as the Vice President and the Chief Financial Officer. He became Director of the National Governors Association's Division of Social, Economic, and Workforce Programs, again showing his experience at all levels of government.

He was Deputy Director of the Metropolitan Policy Program at the Brookings Institution. Today, Dr. Crawford is a research professor at George Washington University in the Institute of Public Policy where he manages public policy projects.

He has a wealth of experience in the public and private sectors related directly to the challenges being faced by the U.S. Postal Service.

Dr. Crawford holds a Bachelor's Degree from Cornell, a Ph.D. in Economic and Political Sociology from Columbia University, and a Master's Degree in Public Finance from Wharton Business School at the University of Pennsylvania—quite impressive credentials.

He has a strong history of civic engagement in Maryland, including the American Red Cross and the Frederick County Substance Abuse Advisory Council. He served our Nation in the U.S. Army where he earned six medals, including a Bronze Star and the Combat Infantryman Badge in Vietnam.

The Postal Service needs people like him who can deal with the crisis that is currently being confronted in a direct way, but always mindful of the responsibilities to the public. I am honored to present him to you and urge the Committee to consider his nomination as promptly as possible.

Thank you Mr. Chairman.

Senator CARPER. We thank you very much.

I would ask the witness, is there anything he said that you would disagree with? [Laughter.]

I have been watching your wife right behind you, Mr. Crawford, and she is sitting there nodding her head. She is saying, Senator Cardin knows my husband pretty well.

Those are mighty nice things to say about anybody and especially our nominee. Senator Cardin, thank you so much. Take care.

Today, we are here to consider the nomination of Stephen Crawford to be a member of the Postal Service's Board of Governors.

I think it is great whenever one of the Senators, sometimes both of them, are able to come by and introduce a witness. It says a lot about the regard that they have for you. We have a whole lot of respect for Senator Cardin. So, it is good that he could come.

I know our nominee is aware that the Postal Service has been facing challenging, even dire, financial trouble for some time. The trouble will come to a head in the coming months, and the Postal Service is reporting record losses each quarter and hemorrhaging, we are told, about $25 million each day.

By the end of this fiscal year, it is likely it will not have enough money to meet its health and workers' compensation obligations; and by sometime in 2013, we are told it will not have enough money to continue operations at all.

I would like to say that the situation is dire, but it is not hopeless. This is a set of problems that we can fix, and the legislation that we passed here in the Senate will go a long way toward allowing the Postal Service to heal itself.

We need for our friends in the House to pass a bill. I will probably say this a couple of times in my comments. We need for the House to pass a bill so that we can go to conference and hammer out an even better bill than we have passed in the Senate.

But the Postal Service operates, as we know, at the center of a $1 trillion mailing industry that puts as many as 8 million men and women to work every day. It is a key cog in our economy. Its continued vitality is an important part of our efforts to get the economy moving again, and at a time of so much economic uncertainty, we cannot afford to let the Postal Service collapse or even to intimate that it might collapse. It is not helpful at all.

As I said earlier, the Senate has passed legislation that attempts to address the Postal Service's near-term financial crisis and give it some of the tools it needs to address long-term challenges, not just by working on the cost side, but also making sure that we allow the Postal Service to do some good work on the revenue side to grow revenues.

Our bill would clean up the Postal Service's books by refunding the more than $10 billion it has overpaid into the Federal Employees Retirement System and setting up a less aggressive schedule, I think a more realistic schedule, for funding postal retiree health obligations.

But even what we have done here in the Senate bill I think is probably more conservative than most State and local governments and perhaps more than most businesses with respect to pre-funding retiree health obligations.

But a portion of the pension refund that would come back to the Postal Service from a Federal Employees Retirement System refund would be used to encourage about 100,000 postal employees to retire, an effort that could save as much, we are told, as $8 billion per year. That is almost half of what they are losing.

Our bill would also push the Postal Service to streamline its processing, delivery, and retail networks, albeit at a more gradual pace than postal management would have liked.

These provisions would allow the Postal Service to achieve billions of dollars in savings while preserving levels of service that many customers rely on.

If these cost-cutting efforts do not prove sufficient in the coming years, the Postal Service will be permitted to move forward with more aggressive efforts.

But our bill, as I said, does not just focus on cuts, it also encourages the Postal Service to be more entrepreneurial, something I understand our nominee has been an advocate for in recent years. It does this in part by pushing the Postal Service to find innovative ways to bring in more mail volume and make the best use of the valuable system it maintains in order to deliver the mail to every home and business 6 days a week.

As I said before, our bill is not perfect. Anything this complex is unlikely to be perfect or to solve every single problem and challenge facing the Postal Service.

But it gets us, I think, most of the way there; and depending on how serious the Postmaster General and his team are about continuing to cut costs in a smart way and to make effective use of the tools that we provide for them, the legislation has the potential to get us to our goal of financial stability for the Postal Service, and that, given where we are today, will be a good day's work.

Our nominee before us today, Mr. Crawford, has significant academic, research, and public policy experience; and I am interested in learning more today about how that experience would benefit the Postal Service during this difficult, trying time.

I would also like to hear more about how Dr. Crawford's background will help him, if confirmed, in working with the rest of the Board of Governors to tackle the major management challenges that they face, not just this year, but in years to come.

Senator Brown may be joining us in a little bit. If he is able to join us later, then we will recognize him for whatever comments he wishes to make. If he wants to submit a statement for the record, we will be happy to have that.[1]

Dr. Crawford has filed responses to a biographical and financial questionnaire. He has answered pre-hearing questions submitted by the Committee. He has had his financial statements reviewed by the Office of Government Ethics.

Without objection, this information will be made part of the hearing record with the exception of the financial data, which are on file and available for public inspection in the Committee office.

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

Dr. Crawford, I am going to ask you to please stand and raise your right hand.

Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. CRAWFORD. I do.

Senator CARPER. All right. Let us give you a chance to give your full statement. If there is anybody in the audience that you would like to introduce, you are more than welcome to do that.

Please go forward.

[1] The prepared statement of Senator Brown appears in the Appendix on page 19.

TESTIMONY OF STEPHEN CRAWFORD[1] TO BE A GOVERNOR, U.S. POSTAL SERVICE

Mr. CRAWFORD. Thank you, Mr. Chairman. I am pleased that my wife, Liliane Floge, is here with me. She may have to leave early to pick up our 12-year-old daughter who is at a camp performance, but we will see how that plays out.

Senator CARPER. Mrs. Floge, it is very nice to see you. Thank you for coming. Thank you for your willingness to share your husband with our country one more time.

Were you all married when he was in the military?

Mr. CRAWFORD. No.

Senator CARPER. Please proceed. You can talk for as long as you want. Usually we say you have 5 minutes, but you can talk for as long as you want. If it gets to be about 6 o'clock, we will wrap it up. [Laughter.]

Mr. CRAWFORD. Chairman Carper, thank you for the opportunity to testify today. I am truly honored to be nominated by the President to serve on the Board of Governors of the U.S. Postal Service, and I am pleased to share with the Committee how, if confirmed, I would approach the responsibilities involved.

As you know, the Postal Service faces enormous challenges. In assessing them, I find it helpful to keep in mind the magnitude of what is at stake. In my view, the Postal Service remains a vital national asset. It directly employs almost a half million Americans, and it makes possible a $1 trillion mailing industry that, as you just said, employs 8 million others.

Although mail volume has declined from its 2007 peak, the Postal Service still delivered 168 billion pieces of mail last year to more than 150 million households and businesses. Many of these households depend on those deliveries for essential services that they could not afford were it not for the Postal Service's important commitment to universal service.

Similarly, many small businesses, non-profits, publishers, and other mailers depend on the Postal Service's internationally recognized efficiency and reliability.

Amazingly, this vital institution now finds itself on the verge of insolvency. It is in these dire straits, I believe, for three main reasons: The growth of electronic communications and resulting diversion of First Class Mail; the recent recession and its lingering impact; and the unique regulatory environment in which the Postal Service operates.

While there seems to be broad agreement on these causes of the Postal Service's deficit, there is considerable disagreement about how to fix it.

Some emphasize cutting costs by consolidating facilities, reducing delivery frequency, and/or changing service standards. Some emphasize increasing revenues by adding new products and services. Some call for adjusting the price cap, and many call for changing the current requirements for pre-funding the health benefits of future retirees.

I believe that the challenges are so severe that the Postal Service should explore all the above as, in fact, it has been doing, aided re-

[1] The prepared statement of Mr. Crawford appears in the Appendix on page 23.

cently by the Senate's passage of S. 1789. I say that as someone whose past experience has included privileged opportunities to examine the Postal Service's problems in broad terms.

Yet, if confirmed, my views might evolve as I learn more. As a board member, I would consider all reasonable options and make decisions based on my sense of what is best for the country and the long-term health of the Postal Service. I would approach these decisions as someone who listens carefully and communicates honestly, takes seriously the interests of all involved parties, and yet believes strongly in innovation and leadership.

I believe that my prior experience has prepared me well to serve on the Board and to make distinctive and significant contributions to its work. To be sure, I have never managed an organization of more than 50,000 employees. However, I have advised and worked closely with the top leaders of such organizations, especially State governors, but also corporate Chief Executive Officers (CEOs) and university presidents.

I have also conducted research, published articles, and advised on the kind of business model innovation needed to harness new technologies and adapt to changing markets.

A research colleague and I recently briefed, at her request, Undersecretary of Education Martha Kanter and her senior staff on our ideas for streamlining higher education, another industry where rising costs and online alternatives are calling into question the traditional business model.

Finally, as a member of the Obama-Biden transition team and later as a consultant to the Postal Service, I have had wonderful opportunities to assess the problems and potential solutions facing the Postal Service, the mailing industry, and such related government agencies as the Postal Regulatory Commission (PRC) and the Office of the Inspector General.

In closing, I would like to thank the Committee for its impressive efforts over many years to provide the policy framework needed to enable the Postal Service to accomplish its vital mission. It is clearly a difficult task in today's rapidly changing environment, but I am optimistic that good solutions are within reach.

I look forward, if confirmed, to working with the Committee, with you, and with all the Postal Service's stakeholders on crafting and implementing such solutions. I appreciate the opportunity to testify today and welcome your questions.

Senator CARPER. Thank you. That was a very good statement. I am sorry that more of my colleagues were not here to hear it.

I will start our questioning today with three standard questions that we ask of all the nominees. First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. CRAWFORD. No, Mr. Chairman, there is not.

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. CRAWFORD. No, sir.

Senator CARPER. And finally, 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. CRAWFORD. I do.

Senator CARPER. In that case, we can go on to these other questions. These are maybe a little harder to answer, but we will give it a shot.

Legislation signed into law by President George W. Bush in 2006 requires that by 2015, at least four members of the nine-member Board of Governors have experience managing large organizations; and I, as I said earlier, co-authored that legislation with Senator Collins and a number of our colleagues.

Our goal with this particular provision was to encourage the President to send nominees for the Board with relevant business experience, something that was sorely lacking on that body at the time. We now have some governors with business experience on the Board, but frankly not as many as we had hoped to have at this point when we were drafting the 2006 law.

Would you take a couple of minutes to share with us your thoughts on the 2006 qualification criteria for the Board and also about what you think you would bring to that body, if confirmed?

Mr. CRAWFORD. I am happy to. For sure, I have never run an organization of 50,000 people or anything like it. I headed an independent agency of Maryland State Government. The full State government was an organization of 80,000, but I headed a small agency with a small staff. We did oversee all of the work force development operations around the State, but that is not what the authors of the Postal Accountability and Enhancement Act had in mind when they were talking about experience running a large logistics firm or some sort of big enterprise like that.

I applaud the Committee's thinking. Fifty thousand is a high bar given that nowadays there are many CEOs of very impressive high-tech companies who would be disqualified.

But putting aside the 50,000, it seems to me the bigger issue here is having some experience in working with leaders in industry and the private sector, but also having some connection to the public policy side of these issues because clearly, the Postal Service is not a purely private enterprise.

And, I think that I have useful experience—as an Executive Director of three organizations, as someone who has worked in State government, as someone who has worked in the private sector, as someone who has been in think tanks where we analyze public policy issues, especially issues of innovation and economic growth and the kinds of new business models that are increasingly talked about as critical. And I would just add here, one issue is that as technologies change, quite often the old business models are now not well suited to exploiting their full potential; and yet changing business models is very tough once you have an established pattern.

So, I have had the opportunity to delve into the literature and work with experts on that area and would hope that will enable me to contribution in that respect.

But I am very serious about the innovation side. I think there are great opportunities for the Postal Service, and I think my back-

ground working on open source innovation and variants of that will be useful and different from what some of the other Board members bring to it.

Senator CARPER. Thank you for those comments.

When we met in my office earlier this week, you shared with us, and you mentioned here again today, your work on the Obama-Biden transition team. Would you talk a little bit about that experience and how it relates to the Postal Service, please?

Mr. CRAWFORD. I am happy to. It was an extraordinary experience for me. I think like most Americans, I sort of took the Postal Service for granted. My mail is there every day; I go out and get it. Sometimes my *Economist* magazine, if it did not arrive Saturday, I had to wait until Monday. That sort of annoyed me a little bit.

But as soon as I plunged in as part of the transition team, I found myself interviewing members of the Postal Regulatory Commission, members of the Board of Governors, all the senior managers in the Postal Service, the leaders of all the unions, and the mailers and their associations.

And so, I had an extraordinary opportunity to get a look at the big picture for the mailing industry and the critical role the Postal Service plays in that. But I also had my eyes opened to the challenges that the Postal Service faces because even then it was clear—the growth of e-mail and declining volumes and the increase in the number of delivery points.

So I wrote a paper for the transition team that is a private paper, but everybody knows that the number of delivery points goes up by more than 1 million a year and at the same time the volume of mail goes down every year.

Senator CARPER. When do you think it peaked? What year?

Mr. CRAWFORD. Well, I have heard different stories on this—2007 is the peak that I used in my opening statement and that is, I think, correct, although I occasionally see other figures put out there.

Senator CARPER. When did you actually do this transition team work? Was it at the tail end?

Mr. CRAWFORD. In 2008–2009. The deficits and the pre-funding of the retirees health benefits and all sorts of issues were there already, but they just did not seem as serious as they do now.

Senator CARPER. I presume others were working with you on this?

Mr. CRAWFORD. I was the head of the team, and it was a very small team. I had some assistants who helped out.

Senator CARPER. What conclusions did you reach then about a path forward for the Postal Service to avoid the kind of cataclysmic problems that have occurred since? What conclusions, if any, did you reach that might be helpful for us today?

Mr. CRAWFORD. I said many of the things that appear in S. 1789. I was terribly pleased to see the bill shape up the way it did because it seemed to me——

Senator CARPER. Are you suggesting that we may have plagiarized the work of your report, which no one has ever seen on the Committee?

Mr. CRAWFORD. I would love to flatter myself, but I know better.

Senator CARPER. All right.

Mr. CRAWFORD. I said the Postal Service has to do something to increase revenues and cut costs. The volume is going down. Maybe there has to be some streamlining and rightsizing. I am not sure of the best way to do that.

Maybe it has to be considering the frequency of delivery. Maybe it has to be considering shorter operating hours at small post offices that now serve towns that are smaller than they used to be.

It was easy to put all of these options out there. I am not sure I appreciated all of the politics that are involved. But I also talked a lot about new products and services and innovation. I talked at considerable length about crowd sourcing and the Web 2.0 opportunities for not just having passive information available on Web sites, but having a dialogue going back and forth, and I talked about having contests for kids to design stamps.

We see this going on even in the National Aeronautics and Space Administration with volunteer astronomers identifying craters on heavenly bodies. I mean, it is extraordinary the resources that are out there. And so I did say quite a bit in my paper to the Administration about maybe hybrid mail, maybe postal savings accounts——

Senator CARPER. You talked about hybrid mail, I think, but just tell us what you mean by that.

Mr. CRAWFORD. By hybrid mail, I mean when the post office of origin scans the envelope from people who participate in this service and emails to the designated recipient an image of the front and back of the envelope. Let us say I am on vacation or I am a consultant and a road warrior. I open up my laptop, and there is an email from the Postal Service that says you have the following mail in your mailbox at the point of origin. You can decide whether you want us to send it on to you in its original hard copy form—maybe it is a graduation diploma and you want that desperately—or we can scan the contents inside the envelope if you give us permission—we have a high-tech security system—and email you an electronic version of the contents and you will get that immediately wherever you are, or we can throw it out.

So, that has been experimented with in Switzerland. I have not updated my knowledge of how that works, and I am not advocating that for the U.S. Postal Service. In fact, it may be obsolete, given the rapid changes in technology; but when I mentioned it, that is what I had in mind.

Senator CARPER. Thank you. I asked John Kilvington, who is sitting behind me and is our subcommittee staff director and has worked on these issues for a number of years, how that might relate to the concept of electronic mailboxes. And, my sense is that it does not.

Is that a concept that you have thought about then when you were doing your work?

Mr. CRAWFORD. I certainly did not back then, and there is still a great deal more I would like to learn about electronic mailboxes. I do think that there may be opportunities for the Postal Service to get into the business of identity creation and authentication services—electronic identity. The number of passwords that people struggle with and the opportunities for fraud are becoming serious

issues in our society, and the Office of Inspector General has produced a paper on this that I find quite interesting.

I know less about electronic mailboxes than I would like to know. I would like to learn more about that, but this related service may be an opportunity.

Senator CARPER. Maybe someday you will have the opportunity to be the expert on the Board of Governors on electronic mailboxes.

Mr. CRAWFORD. I would like that.

Senator CARPER. Let me just say, it is one thing to pass legislation. My hope is that the House will pass a bill, I do not care, any bill, and just call it a postal bill and pass it on suspension, voice vote, and we will go to conference and hammer something out that is hopefully a better bill than the Senate bill and a lot better than no bill.

It is one thing to pass legislation, hopefully thoughtful legislation, but give us some idea, if confirmed, how you would work with your colleagues to put into action some of the ideas that are in our bill, a bipartisan bill, that apparently you considered 3 years ago.

But how would you work with your colleagues to put some of these ideas into action and to further improve the Postal Service's financial condition?

Mr. CRAWFORD. There are two issues. One is if the legislation passes, then it is a matter of implementing it aggressively and as rapidly as possible, and that is a challenge for a big organization.

So, it seems to me that the Board's role is to push, to ask tough questions, and to urge the Postal Service to get on with the task at hand.

But if the legislation gets considerably changed from what is in S. 1789 because of conference committee compromises, then maybe there will not be a Chief Innovation Officer in the legislation. Maybe there will not be a requirement for an Advisory Council.

In that case, once I got a little bit more comfortable with my colleagues and got to know them, I would say to them, why do we not do this anyway? Why do we need legislation in order to have a Chief Innovation Officer? Can that not be done on our own in the Postal Service? And, I would urge action on some of these things just because they are good ideas.

If it is trying out some new service, then it seems to me you have to have careful market testing and the PRC involved, and the legislation talks about those.

It seems to me that you have to be careful about pilots and experimenting and testing out new ideas, whether it is for digital verification services or postal savings accounts or whatever the little item might be—or not so little, like fishing licenses with State governments and things. We need trial and error and learning.

One of the challenges for the Postal Service, to be honest, is to have a culture of innovation and to feel free to occasionally make mistakes because that is what happens when you are in an entrepreneurial situation. You learn by sometimes being wrong, pulling back, and trying something else.

Senator CARPER. This gives me an opportunity to inject one of my favorite quotes. No one ever quotes Richard Nixon, at least not on our side of the aisle. But Richard Nixon used to say, "The only

people who do not make mistakes are the people who do not do anything."

And you said a mouthful with respect to having an atmosphere that invites experimentation, invites innovation and creativity, particularly with respect to raising revenues, and does not discourage postal employees, managers, and others from being innovative and creative and knowing that if there is a failure, hopefully not of any consequence, it is not the end of the world, particularly if there are five things that work to grow revenues or to reduce the growth of expenses.

One of the big jobs, I think, that the Board will have is to help create that environment for innovation and creativity and to not just say we are going to do things pretty much the way we have always done them and we are going to get stability and sustainability simply on the expense side.

There is plenty that can be done and should be done on the expense side, but I think there is some real potential on the revenue side, and we have to pursue that with a lot of vigor.

That is not going to be something that we are going to necessarily impose on you, although there is some pretty strong language in the Senate bill to encourage that. But the Board needs to drive that.

Talk to us about 5-day versus 6-day a week delivery, please.

Mr. CRAWFORD. Well, I mentioned earlier that it is sometimes frustrating when my *Economist,* a magazine I subscribe to, does not arrive on Saturday. Especially if it is a holiday Monday, I do not get it until Tuesday, and there is a new one on the newsstand by Friday. So, it is getting dated quickly.

So, I would hate to see Saturday delivery eliminated, and yet, and I have said this in an article that I wrote, I think the option has to be kept on the table as a last resort. If we are unable to balance the books and cover costs, then at least we should carefully look at whether there are real savings involved by eliminating Saturday delivery.

I would hate to see it come to that. I would hate to see the service go down, and there is some risk that revenues will go down and usage of the Postal Service would go down. Those are things we need to have the freedom to experiment with and learn about.

It seems that the public is pretty ready to accept it, if it is necessary. Seven out of 10 in the surveys seemed to say that they would be OK with cutting out Saturday delivery.

But personally, it is my great hope that through increases in productivity, through increased revenues through new services and products, through other forms of rightsizing, we can avoid that.

But I am very happy that the bill includes the possibility of getting there. We just have to be realistic if it comes to that. We may need to consider it.

Senator CARPER. I have encouraged friends at the National Association of Letter Carriers and the current leadership and the previous leadership to do what I think they tried to do a number of years ago, and that is to negotiate with management to see if there is some way to continue to sustain Saturday delivery, but maybe to do it in a different compensation structure than may occur on the other 5 days.

Mr. CRAWFORD. Yes.

Senator CARPER. And do it in a way that allows us to continue Saturday delivery, but is more cost-effective. I know there has been some serious efforts to do that in the past, and my hope is that we will see some serious efforts that flow out of any legislation that we develop.

Talk to us about standards of delivery. We have been operating to date on one- to three-day delivery, a lot of overnight delivery, but everything pretty much done within 3 days, at least within the continental United States.

Mr. CRAWFORD. Yes.

Senator CARPER. Talk to us about the modified one-day delivery that is inherent in our legislation. What are your thoughts about that and how that relates to mail processing centers. We have about 480 of them across the country today. I think there is an interest in going to maybe 325.

And also please comment on the 33,000 post offices that we have and the interest in trying to find a way to save money with the way we run our post offices, but at the same time to continue to provide a menu of options for more rural communities for the mail service in their communities.

Mr. CRAWFORD. These are tough issues.

Senator CARPER. You know what? They were, and I think we have come to a pretty good place. And a lot of people have worked on this. We got help from the folks in unions, ideas from them, from the rank-and-file employees, from management, and from customers. Democrats and Republicans worked on this here. I think we have come to a pretty good place. I think the Postal Service showed a fair amount of creativity.

But what are your thoughts?

Mr. CRAWFORD. I am entirely comfortable with S. 1789's handling of the closing of small post offices, the provisions for reduced window hours, and the consolidations of two post offices that are nearby, but maintaining access and service, perhaps village postal offices or some alternative retail outlets.

It seems to me there is a lot of creative leeway there to try to maintain access for people for whom it is essential, and I respect that.

On the processing facilities and the service standards, there is a relationship between how quickly mail has to get a certain distance. It it is overnight or first-class mail, then there are more overtime hours and the use of equipment is compressed into a smaller time frame.

It has to do with the point of entry and the time of entry. And so there are lots of variables in this one. But it seems to me that a compromise is emerging that allows some processing centers to be consolidated and the number of them reduced and at the same time to maintain service standards.

So, I am not an expert on these things, but from what I can gather, reading the bill, that looks very positive to me.

Senator CARPER. All right. Thank you.

For someone who might be watching this hearing from someplace across the country, there are roughly 33,000 post offices in communities across the country, and a lot of them have postmasters. Some

of them pay their postmasters $50,000–$60,000 a year to mainly sell $15,000–$25,000 worth of stamps a year, and that is not a viable business strategy for long.

But, rather than say we are going to close post offices, what we have done is say if there are 13,000 post offices with economic challenges, why do we not give the communities a menu of options? They can say we would like to have our own post office.

We may not need to have it open 6 days a week, 8 hours a day, but we would like to have it open 6 days a week, or we would like to have service at least 2, 4, or maybe 6 hours a day.

The post office may not need to have a postmaster. The Postal Service can incentivize a postmaster who is eligible to retire, receive benefits and a pension, and come back to work 2 or 4 hours a day and earn some extra money.

For some postmasters, that would be attractive; for others, it would not. But that is one option.

Another option is co-location with supermarkets or convenience stores or such. Another option is rural delivery. Rather than people coming into a post office and picking up the mail, have rural delivery; and maybe when they stop for lunch at a gas station or at a convenience store, folks may want to buy stamps or drop off packages for mailing, they can meet their rural letter carrier at that location.

There is a bunch of different options; but the idea is to say it is not one way, one size does not fit all, but to provide the communities with some options and then to have a real conversation, a real negotiation. Maybe in the end, let the communities vote, maybe vote-by-mail, to say which of those options they like.

And vote-by-mail is, I think, a great idea for States. We have a couple of States—Oregon and Washington—who are already doing that. One of our Senators from Washington State said to us a couple of months ago, I think she said that—I do not know, maybe it was Oregon—they had vote-by-mail a couple of years ago and their participation was in the low 70s. Very good.

They are looking to get maybe 80 percent turnout this time. That is terrific compared to a lot of places in this country where it is barely 50 percent.

I think there is an opportunity maybe to do something more cost-effectively, that is, encourage more people to vote, get better results for less money, and provide a nice piece of business for the Postal Service, too. That might work.

Those are the kinds of things we have to be thinking about.

I have a question here on pre-funding retiree health benefits. I think we have already heard from you on that, and I will give you a question in writing to explore a bit more on that.

I have at least one more question then. In the coming months if Congress and the Administration are unable to come to agreement on postal reform legislation, the Postal Service will need to make some tough decisions about how to preserve operations with a dwindling amount of cash.

This will be put, if you are confirmed, in your lap and the lap of the other Governors. But if you are confirmed, how would you direct the management of the Postal Service as it seeks to keep the business running during this crisis that we would face?

Mr. CRAWFORD. Well, I think the Postmaster General has made it clear that you have to set priorities if you cannot pay all your bills. Right?

So, the first priority is to deliver the mail, and that is important to the whole Nation's commerce, to our economy. It is unimaginable to think what would happen if suddenly that stopped.

So, to do that you have to pay people's salaries and you have to pay suppliers, pay for the fuel for the vehicles. So, those are the first priorities.

There has already been a delay in paying the $5.5 billion prefunding annual payment for the retirees health benefits, and that could happen again with $11.1 billion due in August. I guess the first installment is due on August 1 and the rest by September 30.

So, do those payments get delayed again? Workers' compensation—I suppose those payments are further down the list than the payment of salaries.

Senator CARPER. Let me just ask, do you have anything else that you want to add or take away? Is there anything you asserted that you would like now to reverse and take a diametrically opposed position?

Are you happy with what you have been able to put on the table? Do you want to refine anything?

Mr. CRAWFORD. No. I am excited about the opportunity. I am impressed by the seriousness of the challenges before the Postal Service and very hopeful that the House will produce a bill, it will go to conference, something will happen before September 30 that will create a Federal Employees Retirement System refund, and some things will start happening that will give the Postal Service the flexibility it needs.

And then it seems to me the job for the Board, for management, for the whole Postal Service and the wonderful employees is to implement; and that is a big challenge in itself. It is nice to have flexibility, but you have to use it well.

I would not be interested in this position if I were not optimistic that solutions are within reach. But I look forward to talking to lots of others in the industry because I know that there are no silver bullets. We need to put together a very creative package to get through this. I think it can be done, and I am excited about it. I thank you for the opportunity.

Senator CARPER. You are quite welcome. We appreciate the President's submitting your name to us and giving us an opportunity to consider that nomination, and we appreciate very much your willingness to serve.

I like to kid around a little bit, and we have done that some here today. Having said that, the situation that the Postal Service faces is dire. It is serious. We know that.

But there is hope in a hopeless world, and there is, I think, reason to be hopeful for the Postal Service, too. I will say again, the legislation that we passed with a bipartisan majority in the Senate does not solve all the problems. It does not make the Postal Service viable or profitable forever. But I think it helps get them headed back in the right direction, and it is something that can be improved upon, and it needs to be.

I know you worked for National Governors Association and had the opportunity to call any number of governors, from States and territories, governor. I was wondering, did you ever think in those years that someday people would refer to you as governor?

Mr. CRAWFORD. I did not.

Senator CARPER. And you would not have to run for the office, would not have to raise a dime, kiss a baby, or do any of that?

Mr. CRAWFORD. That is true.

Senator CARPER. This is a way to get to be called governor. Now people can call you governor, if you are confirmed, maybe for the rest of your life, and they will not know that you did not have to set up a super PAC or any of that stuff.

Mr. CRAWFORD. Will you speak to my wife and my 12-year-old about this?

Senator CARPER. I will. All governors have first ladies or first husbands. It is a package deal.

I think that is it. The record will remain open for our colleagues if they would like to submit statements for the record or if they have questions that they would like to ask you. I think their deadline for doing that is noon tomorrow. So, I expect you might hear from some. We would ask you to respond promptly.

With that having been said, this hearing is adjourned. Thank you so much.

Mr. CRAWFORD. Thank you, Mr. Chairman.

[Whereupon, at 3:50 p.m., the Committee was adjourned.]

APPENDIX

Opening Statement of Senator Thomas R. Carper
July 12, 2012
Crawford Nomination Hearing

The committee will come to order.

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

As I know our nominee is aware, the Postal Service has been in dire financial trouble for some time. This trouble will come to a head in the coming months. The Postal Service is reporting record losses each quarter and hemorrhages about $25 million a day. By the end of this fiscal year, it won't have enough money to meet its health and workers' compensation obligations. By sometime in 2013, it won't have enough money to continue operations at all.

The Postal Service operates at the center of a $1 trillion mailing industry that puts as many as 8 million men and women to work each day. It's a key cog in our economy. Its continued vitality is an important part of our efforts to get our economy going again. At a time of so much economic uncertainty, we can't afford to let the Postal Service collapse.

The Senate has passed legislation that attempts to address the Postal Service's near-term financial crisis and give it some of the tools it will need to address its long-term challenges.

Our bill would clean up the Postal Service's books by refunding the more than $10 billion it has overpaid into the Federal Employees Retirement System and setting up a less-aggressive schedule for funding postal retiree health obligations.

A portion of the pension refund would be used to encourage about 100,000 postal employees to retire, an effort that could save as much as $8 billion per year.

Our bill would also push the Postal Service to streamline its processing, delivery, and retail networks, albeit it at a more gradual pace than postal management would have liked. These provisions would allow the Postal Service to achieve billions of dollars in savings while preserving levels of service that many customers rely on. If these cost-cutting efforts don't prove sufficient in the coming years, the Postal Service would be permitted to move forward with more aggressive efforts.

But our bill doesn't just focus on cuts. It also frees the Postal Service to be more entrepreneurial, something I understand our nominee has been an advocate for in recent years. It does this in part by pushing them to find innovative ways to bring in more mail volume and

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make the best use of the valuable system it maintains in order to deliver the mail to every home and business six days a week.

Our bill is not perfect. It does not solve all of the Postal Service's problems. But it gets us most of the way there. And depending on how serious the Postmaster General and his team are about continuing to cut costs in a smart way and to make effective use of the tools we give them, it has the potential get us to our goal of financial stable – even thriving – Postal Service.

The nominee before us today has significant academic, research, and public policy experience. I'm interested in learning more today about how that experience would benefit the Postal Service during this difficult time. I'd also like to hear more about how Dr. Crawford's background will help him if confirmed in working with the rest of the Board of Governors to tackle the major management challenges they face in the coming months and years.

Prepared Statement of Senator Scott P. Brown
Committee on Homeland Security and Governmental Affairs
Crawford Nomination for Postal Board of Governors
July 12, 2012

The Postal Service today is clearly at a crossroads. Every day that passes is another day that pushes the Postal Service closer to the brink of insolvency. Many have argued that this is simply a result of burdensome statutory obligations placed on the Postal Service at a time when the economic situation was much different than today. Others have pointed out that the Postal Service is simply being forced to face a new reality brought on by new technology and accelerated by the recession. Regardless which reason you favor, all can agree that some hard choices must be made to allow the Postal Service to continue to serve this country successfully in the future.

The fact remains that first class mail volume, the largest contributor to postal revenue, is on the decline and there is no rebound in sight. This has forced the Postal Service to find ways to right-size its delivery network and reduce capacity to meet current volume levels. This process must move forward in a responsible way that is sensitive to the needs of communities and small businesses and recognizes the valuable service of postal employees.

That said, the Postal Service can only do so much without some help from Congress. Lifting some of these legislative restrictions will give the Postal Service a substantial financial boost in the near term. That is why I, along with Senators Collins, Carper, and Lieberman worked hard to develop a comprehensive bipartisan reform bill and get it passed through the Senate this spring.

During the development of the bill, we talked to many different stakeholders and received valuable input from a number of important organizations with a long history of postal oversight, advocacy, and expertise. This included the Postal Service itself, the Postal Regulatory Commission, the Government Accountability Office, and all of the postal employee unions. Yet, as I stated previous during the nomination hearings last month, we heard little from the Postal Board of Governors directly on most of the important issues being deliberated and discussed as part of the reform legislation.

This is concerning because of the important role that the Board of Governors plays in setting policy for the Postal Service and the oversight responsibilities it has in ensuring that those policies are implemented successfully.

Speaking as the Ranking Member of the Subcommittee of jurisdiction over the Postal Service, I expected that the Board of Governors would have a larger role to play in helping to develop legislative policy that will have a far reaching affect on how the Postal Service will operate and find its financial footing in the future. Considering Dr. Crawford's experience researching new business models for the Postal Service, this type of perspective could be helpful in future considerations for postal legislation.

We are obviously waiting on the House of Representatives to consider their own postal reform bill in the very near future. Yet, as we have recently found out, they may not consider a bill before the lame-duck session after November. This is deeply troubling considering the statutory obligations the Postal Service is required to meet before the end of the fiscal year.

There is universal agreement that the time for action is now. It is imperative that Congress pass a bill this year in order to get the Postal Service on a path to financial solvency and future long-term success. This is obviously no easy task. When the Senate considered our bill on the floor, there was plenty of debate on the right combination of solutions. The Postal Service impacts many important stakeholders and thoughtful consideration is required across many viewpoints. I am confident, however, that our bill included a set of proposals that will finally put the Postal Service on a sustainable fiscal path that will support employees, communities, and businesses alike.

There is no doubt that declining mail volumes will continue to place significant fiscal strain on the Postal Service in the future. The Postal Service must continue to adapt its business model to ensure both its financial survival and maintain the level of service so many Americans and businesses rely on. The Board of Governors has an important role in that process. Should he be confirmed, I hope our nominee will take that responsibility seriously and work with Congress in a more meaningful way in the future.

Regardless, I want to thank our nominee and his friends and family for their service and for being here today. Thank you Mr. Chairman.

Prepared Statement of Senator Benjamin L. Cardin
July 12, 2012

Mr. Chairman, today I have the pleasure of introducing to you an outstanding Marylander, Stephen Crawford. He's proven his leadership in both the private and public sectors. He is well suited for the U.S. Postal Service's Board of Governors at such a critical time for the agency.

As the U.S. Postal Service confronts the challenge of a multibillion dollar shortfall, the agency needs Dr. Crawford's intelligence, expertise and leadership skills.

Dr. Crawford has a keen understanding of the need to build a postal service for the 21st century—one that can adapt to the ever-changing needs of an increasingly digital economy.

He proposed a number of innovative initiatives for changing USPS's business model in a paper the agency commissioned, including creating new revenue streams via savings accounts and hybrid electronic services. His ideas on open-source innovation and collaborative innovation—that is, harnessing the creativity of employees and customers in building a better post office, are particularly intriguing.

At the same time, Dr. Crawford understands the importance of *smart* reforms that preserve important mail delivery services in our communities. As we continue building a 21st century post office, his vision for an efficient *and* reliable service is crucial to the agency's future success.

I've witnessed Dr. Crawford's natural inclination for leadership firsthand. He had previously served as Executive Director at Center for International and Security Studies in the School of Public Policy at the University of Maryland, where he also taught.

He later became Executive Director of the Governor's Workforce Investment Board, an independent agency of the Maryland State Governor. Under his visionary leadership, Dr. Crawford was able to get the support from the State General Assembly for an adequate budget and worked tirelessly to improve employment, training, and literacy programs in our state.

He then brought his expertise in economic and workforce development to the National Policy Association, where he served as Vice President and CFO.

Afterwards, he became Director of the National Governors Association's Division of Social, Economic and Workforce Programs, where he helped governors around the nation address issues concerning economic and workforce development, human services and criminal justice. Following his time there, he served as Deputy Director of the Metropolitan Policy Program at the Brookings Institution.

Today Dr. Crawford is a research professor at George Washington University in its Institute of Public Policy, where he manages public policy projects.

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Dr. Crawford holds a Bachelor's Degree from Cornell, a Ph. D. in Economic and Political Sociology from Columbia, and a Masters Degree in Public Finance from Wharton Business School at the University of Pennsylvania. Dr. Crawford has a strong history of civic engagement in Maryland, including at the American Red Cross and the Frederick County Substance Abuse Advisory Council.

Dr. Crawford has served his nation in the U.S. Army, where he earned six medals, including a Bronze Star and the Combat Infantryman's Badge in Vietnam. The Postal Service needs people like him, who can bravely look at a crisis head-on and see it as an opportunity.

Through his decades of service and leadership, Dr. Crawford has demonstrated that he is more than up to the task of serving on the U.S. Postal Service's Board of Governors.

Prepared Statement of Stephen Crawford
July 12, 2012

Chairman Carper, Ranking Member Brown [or Collins], and members of the Committee, thank you for the opportunity to testify today. I am truly honored to be nominated by the President to serve on the Board of Governors of the U.S. Postal Service, and I am pleased to share with the Committee, how, if confirmed, I would approach the responsibilities involved.

As you know, the Postal Service faces enormous challenges. In assessing them, I find it helpful to keep in mind the magnitude of what's at stake. In my view, the Postal Service remains a vital national asset. It directly employs almost a half million Americans, and it makes possible a $900 billion mailing industry that employs 8 million others. Although mail volume has declined from its 2007 peak, the Postal Service still delivered 168 billion pieces of mail last year to more than 150 million households and businesses. Many of these households depend on those deliveries for essential services that they could not afford were it not for the Postal Service's important commitment to universal service. Similarly, many small businesses, nonprofits, publishers and other mailers depend on the Postal Service's internationally recognized efficiency and reliability.

Amazingly, this vital institution now finds itself on the verge of insolvency. It is in these dire straits, I believe, for three main reasons: the growth of electronic communications and resulting diversion of First Class Mail; the recent recession and its lingering impact; and the unique regulatory environment in which it operates. While there seems to be broad agreement on these causes of the Postal Service's deficit, there is considerable disagreement about how to fix it. Some emphasize cutting costs by consolidating facilities, reducing delivery frequency and/or changing service standards. Some emphasize increasing revenues by adding new products and services. Some call for adjusting the price cap, and many call for changing the current requirements for prefunding the health benefits of future retirees.

I believe that the challenges are so severe that the Postal Service should explore all the above, as in fact it has been doing, aided recently by the Senate's passage of S. 1789. I say that as someone whose past experience has included privileged opportunities to examine the Postal Service's problems in broad terms. Yet, if confirmed, my views might evolve as I learn more. As a board member, I would carefully consider all reasonable options and make decisions based on my sense of what is best for the country and the long-term health of the Postal Service. I would approach these decisions as someone who listens carefully and communicates honestly, takes seriously the interests of all involved parties, and yet believes strongly in innovation and leadership.

I believe that my prior experience has prepared me well to serve on the Board and to make distinctive and significant contributions to its work. To be sure, I have never managed an organization of more than 50,000 employees. However, I have advised and worked closely with the top leaders of such organizations, especially state governors but also corporate CEOs and university presidents.

As the executive director of Maryland's state workforce investment board, I headed an independent state agency that worked closely with the Governor's office. As a senior manager at the National Governors Association, I worked with many governors, and headed the team that

staffed Janet Napolitano's year-long Chair's Initiative, *Innovation America*. That initiative involved a task force co-chaired by Governor Tim Pawlenty that included Intel board chair Craig Barrett, eBay CEO Meg Whitman, Dupont Chair & CEO, Charles Holliday, Jr., JPMorgan Chase CEO Jamie Dimon, Microsoft COO Kevin Turner, Symantec chair John Thompson, and university presidents Wayne Clough, Shirley Ann Jackson and Michael Crow. This initiative produced several publications, called *Governor's Guides,* and hosted a number of regional and national meetings of governors and other state leaders on how to promote innovation.

As a deputy director of the Brookings Institution's Metropolitan Policy Program, I worked with state officials, mayors, university presidents and business and civic leaders on efforts to promote innovation-based economic development and revitalize older industrial cities. For example, I oversaw an initiative in Ohio that resulted in a remarkable conference in Columbus that brought together, in a way rarely done, state and local leaders from the private, nonprofit and public sector, including the governor, mayors, university and Chamber presidents and corporate and civic leaders. Later, as the Vice President for policy and research at the Corporation for Enterprise Development, I had the great pleasure of briefing Delaware Governor Jack Markell in his Dover office, as well as senior White House and Department of Commerce officials.

I have also conducted research, published articles and advised on the kind of business model innovation needed to harness new technologies and adapt to market changes. A research colleague and I recently briefed, at her request, Undersecretary of Education Martha Kanter and her senior staff on our ideas for streamlining higher education, another industry where rising costs and online alternatives are calling into question the traditional business model. Finally, as a member of the Obama-Biden transition team and later as a consultant to the Postal Service, I have had wonderful opportunities to assess the problems and potential solutions facing the Postal Service, the mailing industry, and such related government agencies as the PRC and the Inspector General's office.

In closing, I would like to thank the Committee for its impressive efforts over many years to provide the policy framework needed to enable the Postal Service to accomplish its vital mission. It is clearly a difficult task in today's rapidly changing environment, but I am optimistic that good solutions are within reach. I look forward, if confirmed, to working with you and all the Postal Service's stakeholders on crafting and implementing such solutions. I appreciate the opportunity to testify today and welcome your questions.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.) Stephen Crawford

2. **Position to which nominated:** Governor, United States Postal Service Board of Governors

3. **Date of nomination:** June 7, 2012

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

   Home: REDACTED

   Office: George Washington Institute of Public Policy
   805 21st Street, NW Suite 625, Washington, DC 20052

5. **Date and place of birth:** 11/22/1942 in Doylestown, PA

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

   Married to Liliane Pasquale Floge

7. **Names and ages of children:**

   REDACTED

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

   Choate School, Wallingford, CT, 1957-60, high school degree, 1960
   Cornell University, Ithaca, NY, 1960-64, BA, 1964
   Wharton Business School, U. of Pennsylvania, 1967-69, MGA, 1971
   Columbia University, 1971-1977, Ph.D., 1985

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.

   Please see attached.

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

    Consultant, Commission on Maine's Future, 1988

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Member, Frederick County Substance Abuse Advisory Council, mid-1990s
Major, Maryland Defense Force (official state militia), 1995-2000
Member, Frederick Community College Community Advisory Council, late 1990s
Member, Frederick County Board of Education, 2000-2002

11. **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.

Consultant, Maine chapter, National Society for Multiple Sclerosis, 1980s (not sure year)
Member, Board of Directors, Frederick County (MD) chpt of American Red Cross, 1990s
President, Crawford and Associates, 1995-97
Member, Frederick County Chamber of Commerce, mid-late 1990s
Consultant, Brookings Institution, 2009
Consultant, Corporation for Enterprise Development (CFED), 2010-11

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

Sigma Phi (fraternity at Cornell University), 1961-64
Veterans of Foreign Wars, 1994-present (lifetime member)
American Legion, 1994-98 (estimate)
Vietnam Veterans of America, 1994-98 (estimate)
Carroll Creek Rotary Club, 1995-2002
American Sociological Association, 1975-present (estimate)
Eastern Sociological Association 1980-94 (estimate)
Social Science History Association, 1980-88 (estimate)
The Tocqueville Society, 1976-90 (estimate)
Council for European Studies (Columbia University), 1978-90 (estimate)
Center for European Studies (Harvard University), 1982-90 (estimate)
National Society of Fund Raising Executives, 1988-94 (estimate)
American Society of Association Executives, 1988-96 (estimate)
National Association of Workforce Development Professionals, 2009-11
Association for Public Policy Analysis and Management, 2003-06, 2009-10 (estimate)
Sloan Community Indicators/Government Performance Consortium, 2008-09

13. **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.

President, United Democrats of Frederick County, 1998-99
Candidate (Democrat) for Congress in MD's 6th CD in 1994 & 1996; nominee in 1996

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

Member, Obama-Biden Transition Team, 2008-09

(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.

Please see attached.

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

Bronze Star
Cross of Gallantry with Gold Star (Republic of Vietnam's equivalent of Silver Star)
Combat Infantryman's Badge
Public Finance Fellowship, Wharton Business School, University of Pennsylvania
President's Fellowship, Columbia University
Inter-University Consortium for Political Research Summer Fellowship
Council for European Studies Pre-dissertation Fellowship
Distinction, Ph.D. comprehensive examination, Columbia University
National Endowment for the Humanities Summer Stipend
Fulbright/Hayes Group Study Abroad Award
Fulbright Research Award for research in France & England
Nonresident Senior Fellow, Brookings Institution

15. **Published writings:** Provide the Committee with a list and two copies of any books, articles, reports, or other published materials which you have written. These items can be provided electronically via e-mail or other digital format.

Please see attached.

16. **Speeches:**

(a) Provide the Committee with a list and 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 a list and copies of any testimony to Congress, or to any other legislative or administrative body. These items can be provided electronically via e-mail or other digital format.

(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.

Please see attached.

17. **Selection:**

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

I believe that I was chosen for some or all of the following reasons: 1) I served on the Obama transition team as the agency review team leader for the Postal Service and PRC; 2) I subsequently wrote a paper for the Postal Service on a new business model; 3) representatives of both the mail industry and the postal unions submitted letters recommending me for a BOG appointment; 4) I have relevant expertise on business innovation; and 5) I have broad experience as a manager, policy analyst and board member at universities, think tanks and in government.

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

All the above, but especially my past work on innovation, my knowledge of postal issues and players, my experience working with unions and management (at the Governor's Workforce Investment Board, the National Policy Association, and as a school board member), and my reputation for fairness and independence.

B. EMPLOYMENT RELATIONSHIPS

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

No. Since this appointment is a part-time one to a Board, I plan to continue my working as a part-time Research Professor at George Washington University.

19. 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.

My only plans are to continue my current arrangement with GWU, as explained in (18).

20. 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

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

No

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

Yes

23. 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.

Yes. I left Brookings – and was not replaced -- after the Vice President and I mutually agreed that his experiment in having a second deputy was not working well enough to justify the expense at a time when program revenues were declining. At CFED too, the organization faced tremendous budgetary challenges, and the President who hired me determined that I was not raising enough money for them to financially sustain my position.

C. POTENTIAL CONFLICTS OF INTEREST

24. 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 Council of Economic Advisors' 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 Council's designated agency ethics official.

25. 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 VP for Policy & Research at the nonprofit, CFED, I oversaw a federal policy team that urged Congress and the Administration to take actions in line with our policy agenda, which called for expanding opportunities for low-income Americans to save for emergencies and retirement and to acquire such "assets" as, a home, a business, and additional education and skills (human capital), and do the same for their children. The following link is to CFED's federal policy page and provides details on specific measures it supported: http://cfed.org/policy/federal_policy_advocacy/

At Brookings Metropolitan Policy Program, we urged Congress and the Administration to consider new ways of investing in infrastructure and promoting innovation and economic development, but we did this as think tank experts providing information, not as lobbyists. The National Governors Association had a lobbying department, but there was an intentional "wall" between it and the Center for Best Practices where I worked and which focused on assisting governors to address common state issues.

26. 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

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

No

28. 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

29. 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.

Not that I know of.

30. For responses to question 30 [29], 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

31. 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

___Stephen Crawford_____, 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.

Stephen Crawford

Subscribed and sworn before me this 5th day of July, 2012

Notary Public

Jacqueline Y. Watts
Notary Public, District of Columbia
My Commission Expires 5/14/2014

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

JUN 2 0 2012

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 (OGE Form 278 or SF 278) from any Presidential nominee for a position on the Board of Governors of the United States Postal Service, along with a written opinion from this Office regarding any possible conflicts of interest.

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

We have reviewed the report and have obtained advice from the agency concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is an ethics agreement outlining the actions that the nominee will undertake to avoid conflicts of interest. Unless a date for compliance is indicated in the ethics agreement, the nominee must fully comply within three months of confirmation with any action specified in the ethics agreement.

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

Sincerely,

Walter M. Shaub, Jr.
Deputy General Counsel

Enclosures – REDACTED

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

I. Nomination Process and Conflicts of Interest

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

   I believe that I was chosen for some or all of the following reasons: 1) I performed well on the Obama transition team as the team leader responsible for the review of the Postal Service and Postal Regulatory Commission (PRC); 2) as an independent consultant to the Postal Service in 2009, I investigated the challenges the Postal Service faces and wrote a paper on needed changes in its business model; 3) representatives of the mailing industry and the postal unions submitted letters recommending me for appointment to the BOG; 4) I have relevant expertise on business models, open innovation, and crowd sourcing; and 5) I have broad experience as a senior manager, chief financial officer, policy analyst and board member at universities, think tanks and in government.

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

   No, none.

3. What would be your priorities as a Governor?

   They would be to get the Postal Service 1) to implement any new legislation rapidly and effectively; 2) to be more open and innovative in its general approach to problems, by, for example, establishing a Chief Innovation Officer as proposed in S. 1789 and making greater use of crowd sourcing; and 3) to build consensus among the various stakeholders as they deal with shared-sacrifice issues that are bound to be contentious.

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

   I have a wealth of relevant experience as an Army officer, industrial sociologist, public policy analyst, senior manager, and board member. I have served as the executive director of three organizations, including the Governors Workforce Investment Board in Maryland (an independent state agency at the time), and as a senior manager at the National Policy Association, National Governors Association, Brookings Institution, and Corporation for Enterprise Development. While I have never personally led an

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organization of more than 50,000 employees, I have advised and worked closely with the top leaders of such organizations, especially state governors, but also corporate CEOs and university presidents. In addition, I have expertise on business models, open innovation and corporate strategy. Finally, as a member of the Obama-Biden transition team and later as an independent consultant to the Postal Service, I developed considerable knowledge of the Postal Service and the challenges it faces, as well as those facing its Inspector General's office, the Postal Regulatory Commission, and the mailing industry at large.

5. 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, none.

6. 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, none.

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

7. If confirmed, what specific contributions do you hope to make during your time on the Board of Governors?

If confirmed, I aim to contribute in at least three specific ways that reflect my particular strengths. The first is to use my research and analysis skills to scrutinize management reports (financial and otherwise), seek additional information, ask probing questions, and follow up regarding answers. The second is to promote a culture of innovation at the Postal Service, to institutionalize specific innovation mechanisms (such as crowd sourcing, appointment of a chief innovation officer and creation of an advisory council, as proposed in S. 1789), and to encourage the exploration of new products and services. The third is to build better bridges between the Board and stakeholder groups and between the Board and its oversight bodies, by communicating frequently with them and by encouraging "interest-based" rather than "positional" collective bargaining.

8. How would your experience as a Research Professor at the George Washington Institute of Public Policy help to inform and guide your decisions as a Postal Service Governor?

My current research focuses on innovations that could greatly improve productivity in higher education, an industry that is reeling from increasing prices and student debt.

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Advances in information technology and online education are very promising, but will not achieve their potential without new, open business models to harness them. This research has given me new insights into business model innovation – insights that I believe are applicable to the challenges being faced by the Postal Service.

I would add that I have been a Research Professor at GWU for only about a year. I spent the previous 15 years in senior management positions in state government, think tanks and associations, positions that often involved working directly with governing boards, corporate CEOs, union leaders, and state and federal government officials, including members of Congress. The goal in most of those jobs was to advance innovation, entrepreneurship, and economic and workforce development at the firm, industry and regional level. I think that experience helped me to grasp quite quickly the complexities of the postal industry when I was reviewing the Postal Service and Postal Regulatory Commission for the Obama-Biden transition team, and I think it will continue to prove useful if I am confirmed for service on the Board of Governors.

9. The Postal Board of Governors (the Board) is responsible for directing the powers of the Postal Service, including its financial, accounting, and operational functions. How have your professional experiences provided you with the necessary business skills to effectively govern the Postal Service?

As the Vice President for Finance and Administration at the National Policy Association, I served as the organization's treasurer and chief financial officer and as the secretary of its board. As an executive or division director in other jobs, I had broad responsibility for developing budgets, raising the needed funds, and preparing or reviewing statements of income and expenditure, assets and liabilities, and cash flow. It has helped that I took courses in accounting and finance as a graduate student at the Wharton Business School.

10. What do you see as the principal mission of the Board? What do you see as its principal responsibilities?

The principal mission of the Board is to direct the exercise of the powers of the Postal Service. This includes directing and controlling its expenditures, overseeing its operational performance and practices, conducting long-range planning, and setting policies on postal matters. The Board is also responsible for hiring the Postmaster General (PMG) and Deputy Postmaster General (DPMG), and for approving officer compensation, major contracts, and capital investments exceeding $25 million in cost.

11. 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? How should the Board of Governors work with postal management to address these challenges?

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The main challenge facing the Postal Service is to increase revenues and/or reduce costs enough to stop running deficits while continuing to provide affordable, universal service to American households and businesses. The top priorities in meeting that challenge are changes in the timetable for funding future retirees' health benefits, greater freedom to streamline operations and provide new services, development of a business model that is not predicated on continued expansion, and the creation of a more innovative culture. The Board should work with Postal Management in a collaborative and non-micro-managing fashion without abdicating its responsibility to ask tough questions, ensure fiscal responsibility, and provide strategic leadership.

12. 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?

The responsibilities of individual Board members are to identify and investigate critical issues; prepare well for and contribute thoughtfully to Board discussions; communicate appropriately with management, Congress and other stakeholders; and conduct oneself with integrity at all times. My relevant training and experience include earning a Bronze Star as an infantry officer in Vietnam, obtaining an MBA and PhD at Wharton and Columbia, writing a well-reviewed book on industrial change, winning the Democratic nomination for Congress in Maryland's 6th Congressional District, working with three boards as an executive director, and serving on a county school board and many committees.

13. 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 that the role of the Board is to provide general oversight of and strategic and policy direction to the Postal Service, as well as to fulfill its fiduciary responsibilities, hire the PMG and DPMG, and communicate effectively with key stakeholders, including Congress and the PRC. The role of management is to manage the Postal Service, which includes not only operations but also the conduct of needed research and pilot programs and developing recommendations to the Board for changes in major policies or practices.

14. The Governors are chosen to represent the public interest generally. How do you plan to interact with various stakeholders interested in postal issues and how do you think as a Governor you can effectively represent their interests?

I know and respect many of the leaders of the Postal Service, postal unions, and mailing industry associations, and if confirmed I expect to maintain those relationships and listen carefully to those leaders' concerns. At the same time, I aim never to lose sight of the fact

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that these leaders are paid to represent their organizations' interests and that those interests, even when taken together, are not the same as the public interest.
It is especially important in this time of financial crisis for Board members to discern and stand up for the public interest. That requires considerable intellectual sophistication as well as strength of character, for it is far from obvious how to calculate the implications of various policy changes for "the public," "the economy" and "the country." This is especially so in the case of the Postal Service because of the uncertain meaning or permanence of its universal service obligation, price cap, and mandate to be self-sufficient, and the uncertain value and options for financing the external benefits (often intangible, as in a small town's identity) it produces. As a Governor, I would strive to promote as informed and honest a dialogue as possible about all of this -- both on the board and in communications with the various stakeholders.

15. As you are aware, the Postal Accountability and Enhancement Act of 2006 requires that by the end 2015, at least four members of the Board of Governors have experience managing an organization of 50,000 employees or more. What are your views on this requirement for appointment to the Board of Governors?

    I am aware of this provision in the PAEA, and respect the thinking that gave rise to it. My main concern is that the threshold seems rather high at a time when some of the country's largest (in sales), most innovative and most profitable firms employ far fewer than 50,000 employees.

III. Policy Questions

Postal Reform and Financial Issues

16. The U.S. Postal Service continues to experience volume and revenue losses. The Postal Service ended Fiscal Year (FY) 2011 with a net loss of $5.1 billion. USPS would have lost an additional $5.5 billion if it had made the annual retiree health benefits payment required under the Postal Accountability and Enhancement Act of 2006 (PAEA) (P.L. 109-435). Congress delayed the Postal Service's statutorily required FY2011 deadline until August 1, 2012. (H.Rept. 112-331). Further, the Postal Service reported a loss of $3.3 billion for the first quarter of FY2012 and $3.2 billion for the second quarter.

    a. In your view, what is the Board of Governor's role in overseeing USPS's efforts to improve its financial condition and exercising its flexibility to increase postal revenue and cut costs, while also meeting its universal service obligations and other statutory requirements?

       The role of the Board is to work with Congress and senior postal management to promote the development and implementation of realistic plans for cutting costs and increasing revenues. This involves the responsible downsizing of the Postal Service to

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better align its capacity with its reduced volume of activity while still meeting its universal service obligation. It also involves exploring new products and services that could leverage existing capacity, and adjusting operations to the ongoing shifts in the mail mix, keeping in mind the differences in their contributions.

b. How does this differ from the role of the Postal Regulatory Commission (PRC) or the role of Congress?

The role of the Board is to proactively steer the Postal Service. The role of the PRC is to ensure adherence to laws and regulations, to respond to requests from the Postal Service, especially for price increases, and to address complaints from third parties. The role of Congress is to provide general oversight, to establish a policy and regulatory environment that enables the Postal Service to provide outstanding service without drawing on public resources, and to represent the public interest.

17. Mail volumes and revenues are continuing to decline and First-Class Mail is projected to significantly decline over the next decade.

a. How can the Postal Service remain viable in a market where e-commerce and electronic communication and payments are increasing?

Delivering a declining volume of mail to an expanding number of delivery points makes improving productivity extremely difficult. The problem is exacerbated by the shift in the mail mix such that the most profitable product, First-Class Mail, accounts for a shrinking portion of the mail. Yet, a recent OIG analysis identifies three market segments that do have good growth prospects: direct mail advertising, standard mail and two-and-three day package services, in part because they benefit from eCommerce. The challenge is to change public policy and corporate culture to better leverage these strong market segments while managing the decline of other segments and aggressively exploring the market for new products and services, including digital postal services.

b. How can the Postal Service work with the technology sector in order to utilize and improve its existing network?

It is already doing a fair amount (e.g., Intelligent Mail, fuel efficient vehicles) and planning for additional technology-based initiatives, sometimes in collaboration with private-sector partners, so I'm not sure what more to suggest here. A recent report by the OIG spells out some promising opportunities in the area of digital identity creation and authentication services. It probably makes sense to explore the use of "hybrid" mail and Web 2.0 crowd sourcing techniques. And I very much like S. 1789's provision for a Chief Innovation Officer and related advisory commission, a provision that closely resembles a recommendation I made in my 2009 report.

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c. What new actions should the Postal Service take to maintain its viability and competitiveness?

The Postal Service should do more to leverage its unique assets, including its post offices, last-mile capability, and reputation for security. It should also change its business model from one premised on volume growth to an "open" or even "open platform" model (see the writings of Henry Chesbrough) that emphasizes innovation and contribution. It should introduce promising new products and services, including digital ones, and it should engage the public in the process (through crowd sourcing). Finally, it should develop a more entrepreneurial and innovative culture, by, for example, having its executives attend workshops at organizations like the LUMA Institute in Pittsburgh.

18. What are your views on the "universal service standard" and the various delivery methods currently employed to carry out this mandate (e.g., six day delivery, the overnight delivery standards)?

I regard the universal service standard as a fundamental principle of the Postal Service, one without which the function of "binding the nation together" would ring hollow, and one I strongly support. At the same time, I do not believe that universal service requires a specific frequency of delivery or distance for overnight delivery. For that reason, I am comfortable with the provisions in S.1789 that would allow five-day delivery under certain conditions. The larger point here is that the mail provides an essential service, and that more frequent and rapid deliveries are better than less frequent and rapid ones. Yet, falling mail volumes and a mandate to be self-sufficient make it important to cut costs, and it seems appropriate to consider public opinion in deciding whether and how to do so.

19. The Postal Service continues to experience 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 be very proactive when it comes to asking tough questions about what the Postal Service is and is not doing to reduce operating expenses and what the results are of such efforts. At the same time, it needs to take into account the expertise of the Postal Service's senior management and not try to micro-manage operations.

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?

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The same principles that apply to cutting costs apply similarly to increasing revenues. There are already some excellent public-private partnerships, including with UPS and FedEx, that take good advantage of the Postal Service's special "last mile" capacity.

20. The Government Accountability Office (GAO) included the Postal Service on its high-risk list in 2011, because of its financial condition. GAO added the Postal Service's financial condition on its high-risk list in 2009 after removing USPS in 2007. In your view, what should be the Postal Service's strategy for improving its financial condition and restructuring its business model to ensure its long-term viability, in addition to any factors that the Postal Service has announced as part of its new business model?

The Postal Service has already laid out promising plans for achieving short-term viability, including reducing excess capacity and exploring the possibility of managing its own health insurance plans. It may need to do more, however, to change its business model from one predicated on increases in mail volume to one that emphasizes contributions. In addition, it should do more to fully realize the potential of the market segments that show potential for growth, and it should focus intensely on creating and offering new products and services and on developing a culture of innovation throughout the organization.

21. On April 25, 2012, the Senate passed the 21st Century Postal Service Act of 2012 (S. 1789). This legislation includes major reforms to help USPS cut costs and generate revenue. The Board of Governors issued a statement in response to the Senate's action, and stated that "the Senate's bill would not enable the Postal Service to return to financial viability." Do you agree with the Board of Governors' statement? Please explain.

I understand the desire of USPS and its BOG for even greater freedom to reduce costs, but my own view is that S. 1789 represents a major improvement in the status quo. I especially like the changes it makes in the timetable for prefunding future retirees' health care, its allocation of FERS pension overpayments to incentives for early retirement, its granting of new flexibility for the Postal Service to manage its own health insurance plans and to ship alcoholic beverages, and its creation of the position of a Chief Innovation Officer and establishment of the Sustainability and Innovation Advisory Commission to provide guidance to the Board. I also regard the fact that it passed in the Senate by a 62-to-37 vote as an impressive achievement in this highly partisan climate.

22. In response to the Senate's action on S. 1789, the Board of Governors stated that it is "inappropriate to delay the implementation of 5-day delivery."

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

I hope the Postal Service can avoid reducing the frequency of mail delivery, but think it should have the flexibility to do so in the event it is otherwise unable to balance its

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budget. This is a difficult issue. Five-day delivery would require painful adjustments by certain customers while undercutting one of the Postal Service's competitive advantages. Yet six-day delivery makes it tough to maintain, much less improve delivery productivity in the face of falling volumes. Moreover, a recent New York Times/CBS News poll suggests that 7 in 10 Americans support eliminating Saturday delivery if that will help the Postal Service end its operating deficits. Thus, my position is that five-day delivery should be an option, but one to which the Postal Service would resort only after it had exhausted all other reasonable alternatives for putting its financial house in order.

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

There is some risk that reducing mail delivery to five days per week would hasten the decline in mail volume and revenues, but I think that risk is small and manageable. Any eventual change in delivery frequency must be accompanied by vigorous efforts to lessen or mitigate effects on customers. This will require good communications and cooperation among all stakeholders. If confirmed, I will push the Postal Service to work to preserve as much volume and revenue as possible.

23. S. 1789 permits the Postal Service to provide non-postal products and services, provided that the PRC determines that the provision of such product or service meets the following criteria: (1) it utilizes the Postal Service's processing, transportation, delivery, or retail network or technology; (2) it is consistent with the public interest and a demonstrated demand for the Postal Service to provide the services; (3) it would not create unfair competition with the private sector; (4) it will be undertaken in accordance with federal laws applicable to the provision of such product or service; and (5) it has the potential to improve the net financial position of the Postal Service.

a. What non-postal products do you believe USPS should be allowed to offer? Why?

I think the Postal Service should be allowed to offer digital identity and authentication services and state and local government document procurement services similar to those it now offers for passports. That is not to say it should offer these services, for that would depend on the outcomes of market testing, but simply that it should be allowed to do so. I would also like to see the Postal Service consider offering small postal savings accounts of the kind that it did from 1911-1966 and that exist in many other countries. It is not clear that the Postal Service could make money on these, and they may raise issues of inappropriate competition with the private sector. Yet, the U.S. needs to increase its savings rate, and there are about 52 million unbanked and underbanked adults in the country who stand to benefit from such services. There are no doubt many other ways to leverage the Postal Service's network and "last mile" asset, and I favor the use of well-managed crowd sourcing to generate new ideas.

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b. Do you believe the standards under S. 1789 are sufficient?

Yes.

24. There are differences of opinion about the privatization of the Postal Service. Privatization of the Postal Service would (1) end the Postal Service monopoly on first-class mail and mailbox use; (2) limit current Postal Service authority to search, seize, detain, inspect, and examine certain mail matter; and (3) end the mailbox use monopoly. What are your views on privatization?

I am against privatization of the U.S. Postal Service.

Postal Rates

25. 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?

The Postal Service already strives to provide such predictability, especially around postal pricing, but it could improve its systems for ensuring deliveries by a specific date and enabling mailers to track movement in real time. This is an issue for mail recipients as well, especially those depending on the timely delivery of medications but also on weekly newspapers and magazines. Sometimes my *Economist* arrives on Friday, sometimes Saturday (which would not be possible if Saturday delivery were ended), often on Monday, and sometimes on Tuesday following a three-day weekend. When fully implemented, the Intelligent Mail barcode system should help, but there is yet more that could be done, some of which I believe the Postal Service is exploring with mailers and vendors. I would encourage a very proactive approach to all this.

Facility Closings and Relocations

26. How do you believe the Board should be involved in decisions to realign postal retail and mail processing networks, including decisions to close specific facilities?

In my view, the Board should not get involved in decisions about specific facilities. Rather, it should focus on the reasonableness and impact of the criteria for closing facilities, giving special attention to alternatives, such as reduced window hours, and to the availability of other access points, such as nearby post offices or new "village post

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offices." The Board should also monitor the response of mailers, postal employees, and especially the affected public to proposed facility closings, consolidations, and related changes, for this would enable it to better gauge the value of the services involved and thus the real downside of reducing operating expenses this way. This is analogous to surveys of public opinion regarding Saturday delivery.

27. 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 provide careful oversight of the process to ensure that the criteria for communications are adequate and applied consistently and to monitor reactions by customers and employees. It can do this by reviewing the criteria, asking good questions about satisfaction with them as guidelines, requiring and examining evidence concerning their application in practice, and listening to representatives of employees and customers.

28. 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?

I don't know enough about this issue to offer a thoughtful answer. If confirmed, I would look forward to learning much more about the potential of alternate retail channels.

Workforce-Related Issues

29. The Postal Service has been reducing its workforce through hiring freezes, early retirements, and incentive payments for some targeted attrition, but still had excess employees in some areas. Does the Postal Service have sufficient flexibility to adjust its workforce to changes in mail volume? If not, what additional flexibility is needed?

Given the scale of workforce reductions that have already occurred, I think it has sufficient flexibility. However, I am pleased that S. 1789 authorizes the use of the FERS refund to finance further incentives for retirement.

30. 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 work with management to ensure as constructive a relationship as possible with the postal unions and management associations, in part by promoting the use of "interest-based" rather than "positional" bargaining. Yet, it should also back

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management's efforts to secure reasonable sacrifices by all stakeholders at a time of unsustainable deficits.

31. 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 am not sure, but am open to additional measures for evaluating and promoting diversity within the Postal Service. I think diversity is important not only for the familiar and still compelling reasons of fairness and equal opportunity, but also because studies show that truly diverse work teams – teams in which the workers represent a wide variety of backgrounds, experiences and outlooks, bring more perspectives to bear on problems they are trying to solve and thus are more likely to come up with creative solutions.

32. 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?

This is a challenge in organizations that are gradually downsizing, and there may be lessons to learn from other industries that have coped with it – autos, railroads, etc. One option to investigate is phased retirement. Many retirement-eligible supervisors, managers and executives are weary of working full-time but would like to keep working part-time and/or part-year. In doing so, they could save their employer money while continuing to share their valuable experience. It may be that issues concerning health and pension benefits may make phased retirement too difficult in the Postal Service, or it may be that it already exists. But if it doesn't, it seems worth considering, especially for the postmasters of small post offices who may soon see their window hours cut substantially.

33. 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 favor performance-based compensation systems, but only if the system is well designed. Key issues are how performance is measured, how easy it is to earn a high score, whether to grade on a curve, how much of a bonus one gets for scoring highly, how easy it is to game the system, and whether it fosters resentment among those who are not eligible. There are organizations – for example the Society for Human Resource Management – that have great expertise in this area.

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34. 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?

The Board can review the safety and compliance data, including trends and comparisons with other industries. It can also examine the Postal Service's systems and programs for promoting health and safety, ensure that employees have adequate opportunities to suggest improvements, and recommend additional incentives based on members' experience in other organizations.

35. 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 think good labor-management relations are very desirable. By "good," however, I do not mean cozy so much as characterized by honesty and mutual respect. Back when the postal workforce was growing and the Postal Service prospering, this was not very difficult. Now, with the Postal Service running unsustainable deficits and focused on cutting costs, its relationships with its unions and management associations are understandably tense. The letter carriers are understandably upset by the prospect of ending Saturday delivery, the postal clerks and mail handlers by plans to consolidate many processing facilities, and the postmasters by moves to close thousands of small post offices. These are realities with which management must deal as wisely as possible, and it's the Board's role to provide smart, sound guidance and oversight.

36. 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 a member of a school board that negotiated successfully with teacher unions, I participated in joint (union-employer leadership) training in "interest-based" collective bargaining and found it achieved better results than the normal "positional" bargaining. I do not know whether the Postal Service and its unions abide by the principles of interest-based bargaining but if not I would encourage investigating them. In any event, it is important for the Board to recognize the pain to labor involved in the current downsizing, communicate honestly and effectively with postal workers and their representatives, and still do what must be done to ensure the Postal Service's survival and success.

37. The Board of Governors approved a deferred compensation package in excess of $800,000 for former Postmaster General Potter, which is still being paid out. What is your opinion on this decision?

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I don't know enough about the agreement that led to this decision, and so am reluctant to venture an opinion. I will say that at a time when the Postal Service is losing billions of dollars a year and asking other stakeholders to make sacrifices, it is important for top leadership to set the example.

Mail Safety and Security

38. 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 do not know enough about the current safety and security programs to venture an intelligent opinion. I look forward to learning much more if confirmed.

39. 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?

The goal is not to eliminate all risk; we don't do that even in building bridges, where the standard may be strong enough to resist a 1-in-1,000 year, not 1-in-10,000 year, earthquake. Rather, the goal is to minimize risk to the point where additional reductions would involve disproportionately small gains for disproportionately large expenses. That said, it is important to keep in mind that part of the Postal Service's brand value stems from its reputation for security and safety. If maintaining that reputation requires additional efforts in the face of new threats, the additional expenses are probably warranted.

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

Under the current law, the Postal Service is expected to be self-sufficient. True, there are subsidies for the blind and a few others, but the goal is to generate enough revenue to cover costs. That, however, is increasingly problematic, given declining mail volumes, fluctuating fuel prices, and the PAEA's price cap, so if mail security costs rise significantly, something will have to give. That is, either service will have to be cut, prices raised faster than the consumer price index, or subsidies increased. I would want to know more about how the affected parties feel about these different options before favoring one over another, though I would also be influenced by independent analyses of the long-run implications of different actions for the economy and the Postal Service.

41. 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?

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Beyond the obvious – quick and honest acknowledgement of problems and serious efforts to address them -- I do not know at present what steps the Postal Service should take to maintain the trust and credibility of its employees and ensure customers that the mail is safe. These are matters about which I look forward to learning much more if confirmed

IV. Relations with Congress

42. 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?

I do.

43. 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?

I do.

V. Assistance

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

They are my own. I have shared them with the Postal Service's office of government affairs and considered their comments in a few cases, but I alone wrote these responses and am responsible for them.

AFFIDAVIT

I, Stephen Crawford, 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 10th day of July, 2012.

Notary Public

Jacqueline Y. Watts
Notary Public, District of Columbia
My Commission Expires 5/14/2014

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Senator Jon Tester
Additional Questions for the Record
Nomination of Stephen Crawford to be Governor, U.S. Postal Service
July 12, 2012

1. In October 2009, you wrote a paper for the Postal Service that discussed cutting costs by letting people opt out of daily mail delivery. What impact would that have on revenues at the Postal Service?

   The proposed idea was to explore lowering delivery costs *without* reducing revenues, based on the assumption that if a customer voluntarily chooses to pick up mail at the post office, she would not regard the change as a reduction in service and therefore would not make any less use of postal services. For instance, this option might be attractive to someone who works in close proximity to a post office. She or he could opt for a post office box over home delivery knowing that it could conveniently visited during the day. This might be particularly attractive to someone who regularly receives packages but who doesn't have someone at home to receive them and doesn't want the package left at the door. Under such a scenario, the Postal System could reduce costs while providing more options to customers, which ultimately could result in *more* revenue.

   However, there is a risk that some customers would not pick up their mail daily, which in turn could make it less interesting for some organizations and businesses to send mail advertising an upcoming event, sale or other time-sensitive matter.

   Therefore, I am not advocating such a change so much as proposing consideration of it as one possible way to streamline operations. The larger point is to explore new ideas, involve a wide range of experts and concerned parties in the examination and discussion of them, and then, for those that still seem promising, conduct valid tests ---small pilots-- of them in practice.

2. Understanding that S. 1789 provided a minimum of two years of continued six-day service, what is your position on maintaining Saturday delivery for the Postal Service?

   As I said in response to the Committee's policy pre-hearing questionnaire (p. 9): "...Thus, my position is that five-day delivery should be an option but one to which the Postal Service would resort only after exhausting all other reasonable alternatives for putting its financial house in order." I would just make two additional points here: First, I would want to carefully examine studies of the impact on revenues, to determine whether such a change might prove self-defeating. Second, I am comfortable with S. 1789's provisions for dealing with this issue.

3. Do you support the Board of Governor's decision to award former Postmaster General Potter a salary and compensation package totaling $800,000? Why or why not?

Not knowing the prior agreements with the PMG and not having been party to the Board's discussion and decision-making, I do not feel qualified to judge. I will say that at a time when the Postal Service is losing billions of dollars annually and asking other stakeholders to make sacrifices, it is important that top management lead by example.

4. Do you see the future of the Postal Service as a private enterprise like FedEx or do you think the unique situation of the Postal Service and the promise for universal service is worth preserving?

I think the promise of universal service is worth preserving, and don't consider privatization a viable option. We've had a public postal service since Ben Franklin was the Postmaster General. I see no good reasons to pursue privatization and its many risks.

5. How would you like to see the role of the Board of Governors improve?

I think the current Board would agree that its role is to provide general oversight of and strategic and policy direction to the Postal Service, as well as to fulfill its fiduciary responsibilities, hire the Postmaster General and Deputy Postmaster General, and communicate effectively with key stakeholders, including Congress and the PRC. To the extent that there are concerns about the performance of these roles, I would stress that, if confirmed, I would put a special emphasis on: 1) asking informed, probing questions of senior management, especially about financial performance, and following up regarding answers; 2) promoting innovation and a culture of innovation; and 3) improving communications with key stakeholder groups and oversight bodies, especially Congress.

6. How could the Senate-passed S. 1789 have been improved?

From management's point of view, it is desirable, especially in this time of fiscal crisis, to have as much flexibility as possible to cut costs, adjust prices, and introduce new products and services. Management's argument is that it would not abuse greater flexibility because: 1) it is not in its interest to do so, and 2) the PRC remains an effective check on it. As someone who may soon be on the Board, I understand these views.

That said, I am nevertheless satisfied with S. 1789 and very impressed that it won bipartisan passage by a vote of 62-37. I especially like its provisions for refunding the FERS surplus, restructuring the schedule for prefunding future retirees' health benefits, allowing USPS to negotiate with stakeholders to operate its own health plan, and creating a Chief Innovation Officer and related advisory council. I also like the sections allowing the mailing of beer and wine, the co-location of other federal field offices, and the providing of official documents (e.g., hunting licenses) for state and local governments.

Senator Mark Begich
Additional Questions for the Record
Nomination of Stephen Crawford to be Governor, U.S. Postal Service
July 13, 2012

1. What role do you see for the Bypass Mail program in providing rural Alaskans with universal service?

   Though I look forward to learning more about the Bypass Mail program, from what I do know, it plays a vital part in ensuring that the Postal Service meets its universal service obligation to rural Alaskans. By providing shipping services to customers at Parcel Post rates, it contributes to the economy by enabling households and small businesses in remote areas to obtain supplies at a reasonable price for the transportation involved. Clearly covered by the universal service obligation, these customers are entitled to receive shipping services at the Parcel Post rate, and the Postal Service has determined that the Bypass Mail Program is an effective means to meet this obligation given the transportation and postal processing infrastructure available in Alaska.

2. Are you supportive of the Bypass Mail program?

   I am. It appears to be an effective way for the Postal Service to meet its universal service obligation in Alaska, while at the same time enabling the delivery of goods that are vital to prosperity of individuals, communities and the state.

3. What if any changes do you think should be made to the Bypass Mail program?

   If confirmed for service on the Board of Governors, I look forward to learning more about the program, and I look forward to being able to offer more thoughtful opinions about how it might be improved. While much will depend on what I learn, any improvements must ensure that the universal service obligation to the customers in Alaska is met, while simultaneously achieving greater efficiency and cost savings in the Postal Service. I look forward to asking postal management probing questions and closely monitoring whether all appropriate and productive alternatives have been duly considered.

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