Homeland Security and Governmental Affairs Committee Hearing for Jeffrey Zisk, nominee for Commissioner to the Postal Regulatory Commission.

Good morning and thank you to Chairman Paul, Ranking Member Peters and members of the Homeland Security and Governmental Affairs Committee. I appreciate the time that each of you are taking from your busy schedules to conduct this Hearing.

Please allow me to spend just a few minutes and give a brief description of my background. I graduated from Vanderbilt University in 1979 with a Bachelor of Engineering degree in Mechanical Engineering. I've been an entrepreneur ever since graduating. I started my first company in 1985 and have started a total of five companies since that time. I've been in retail, manufacturing, technology and the last twenty-five years in logistics. I started a third-party logistics business specializing in fulfillment for internet retailers in 2000, sold it in 2012, bought it back in 2018 and then sold it again in 2021. When I left the business, we had approximately 10 million square feet of warehouse space in nineteen facilities.

A common theme in all of the business that I started was a focus on technology to deliver a strategic operating advantage. When I bought back the logistics company in 2018, it was a turnaround situation with declining sales and failing operations. During the four years that I owned it, we revamped the technology, grew sales by 5X and turned a profit within twelve months. I put together a solid management team from scratch and together we executed at a very high level.

My professional experience over the last forty-seven years is a great match for the Commissioner role on the Postal Regulatory Commission and will be complimentary to the other four Commissioners as we all strive to change the direction of the Postal Service.

I'm looking forward to joining the Commission at this critical time for the United State Postal Service. I'm supportive of the PRC being a strong, independent data-driven regulator; however, I also believe that the PRC and Postal Service need to collaborate to solve the many issues that challenge the Postal Service. Without collaboration, I'm afraid we'll have more of the same and that places risk on the survival of the Postal Service.

Below are a few areas whereby collaboration could provide positive changes to the Postal Service:

1. Rates – I've performed a cursory analysis of the Market Dominant ratemaking system and while I'm not a proponent of raising the price of the first-class stamp, I do see opportunities within other Market Dominant sub-products. As a

reminder, Market Dominant revenue is approximately 58% of the total Postal Service revenue with an average of $0.46 revenue per piece (a first-class stamp is $0.82). Below is a chart of the "revenue per piece" by sub-product.

Class / Product Group	Pieces (billions)	% of MD Volume	Revenue ($ billions)	% of MD Revenue	Avg. revenue per piece
First-Class Mail	42.2	~41%	~26.0	~55%	**~$0.62**
— Single-piece letters & cards	~9.6	~9%	~7.0	—	~$0.73
— Presort letters & cards	~31.5	~31%	~17.0	—	~$0.54
— Flats & other	~1.1	~1%	~2.0	—	~$1.80
USPS Marketing Mail	56.8	~56%	~15.8	~34%	**~$0.28**
Periodicals	2.4	~2.4%	~0.88	~2%	**~$0.37**
Package Services	~0.4	~0.4%	~0.9	~2%	**~$2.25**
Other (Free Mail, etc.)	<0.4	<0.5%	small	small	low
Total Market-Dominant	**~102.1**	**100%**	**~$47**	**100%**	**~$0.46**

Further analysis is needed to determine the correct pricing strategy while maintaining price inelasticity.

2. Service performance – while the Postal Service has made great strides since the stagecoach, service performance has been a challenge when trying to manage



declining volumes, cost increases and outdated guidelines. I believe the Postal Service should implement a technology so that essential mail (drug delivery,

etc.) is delivered 6-7 days per week, but non-essential mail (significantly discounted rates) is delivered less than 6 days per week. Delivering in a timely manner what people need is essential but non-essential mail should be commensurate with the prices paid to mail it.

3. Universal Service Obligation (USO) - the USO is the collection of legal and regulatory requirements, not a single, fully detailed statute, that obligate the Postal Service to provide a baseline level of postal service to everyone in the country, regardless of location or profitability. I believe the PRC should work with the Postal Service and this Committee to overhaul the USO to reflect the current levels of mail volume, technology enhancements and standards to support today's mail demands.

4. Logistics (and operations) – while I have only had access to publicly available information, it does appear to me that there are areas whereby the Postal Service operations can be improved to increase performance and profitability. Greater insight is needed in order to provide detailed ideas, but I'll reiterate, I believe opportunities do exist.

5. Financial accountability – I'd like to reiterate that I've only had access to publicly available information and also share that I have not been in the role as a Commissioner so "I don't know what I don't know" and certain opinions that I have might change. From what I see, the Postal Service does provide an analysis as to whether or not a Market Dominant sub-product is "compensatory" (revenue covering attributable costs). I have two issues that I'd like to review; (1) certain products are non-compensatory (revenue does not cover attributable costs) like Marketing Mail Flats and (2) I think the cost accounting should be reviewed and enhanced to incorporate all costs, including overhead, not just attributable costs. Revised accounting would most likely show that most products are not profitable but give us targets to make changes.

6. Additional revenue streams – not only should we look in the rear-view mirror to fix Postal Service issues, but it is also imperative to look ahead. Partnering with state, local and tribal governments, enhancing technologies, mining data, leveraging the Postal Service retail footprint and many other areas need to be explored to generate billions of high margin revenue. While the PRC was established to regulate the Postal Service monopoly, it shouldn't be beyond its

scope to leverage the monopoly in ways that don't harm other companies but instead help them.

The PRC and Postal Service are at a crossroads. How we move forward will determine the longevity and sustainability of postal service in the United States. The $9 billion that the USPS lost last year and the $25 billion it has lost over the last three years is not sustainable. Changes need to be made now as time is of the essence. My skills include making thoughtful and calculated decisions supported by real data. I have a high sense of urgency to make a real difference.

Lastly, I only have one agenda and that's to serve my country and help reform the great institution of the USPS. I am not looking to use this position to advance my career; but instead, work with all stakeholders to ensure the USPS performs on its mission and operates a profitable and sustainable business.

We owe a debt of gratitude to those who started the United States Postal Service two hundred and fifty-one years ago and we shouldn't take our mission lightly. While the challenges are difficult, they are not impossible. With the support of the Postal Service and this Committee, the PRC can play a pivotal role in "righting the ship". I look forward to being part of this journey.

Jeffrey B. Zisk
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