A Next-Generation, Proactive Postal Regulatory System

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Recently, there have been concerns from a few quarters about the postal regulatory system. The dissatisfaction presents challenges as well as opportunities for improvement. The Postmaster General, for his part, wondered aloud whether the Postal Regulatory Commission is necessary. The comment may have been made in jest and to prod the Commission to act expeditiously, although he followed it up with scathing criticism of regulatory oversight during a Congressional hearing. The comments reflect the reality that Postal Service and stakeholder petitions must be considered by the Commission prior to implementation, an unwelcome interval for executives with private-sector experience in less regulated industries.

The comments did call for a reminder that, in 1970, Congress coupled the creation of a corporate-like Postal Service with a public, sectoral regulator. Congress envisioned this regulated-utility structure as an alternative to the former model of legislative control over day-to-day postal affairs. Postal management enjoys greater latitude to manage the business than their pre-1970 counterparts, but at the same time, Congress has prioritized transparency and accountability for America's postal operator. A dedicated expert regulator provides transparency and accountability with greater speed and certainty than the former oversight system.

More frequently, and certainly not in jest, other stakeholders and observers have suggested that the Commission be "proactive" in addressing economic and operational challenges created by changes in the postal system. This sentiment is worth considering as the system experiences a continued decline in mail volume, high inflation affecting the broader economy, aggressive redesign of the processing and delivery networks, and concerns about service performance. The Commission is working to be more agile in responding to these developments and there is an interest in becoming more proactive.

Anticipating and adapting to an evolving postal system is the first goal in the Commission's new 5-year strategic plan. But the Commission's ability to achieve this goal and respond in an agile manner is not assured: relying solely on traditional regulatory approaches may hamper the Commission's ability to meet stakeholders' demands for proactivity and

timeliness. As it is required by law to do this time of year, the Commission is applying most of its meager resources to issue comprehensive backward-looking compliance reports for fiscal year 2022, a period that started nineteen months ago. It is also a five-member bipartisan body that, like most multi-member commissions, policymakers designed to have friction which sometimes prevents moving quickly in any policy direction.

What does a more proactive next-generation postal regulator look like? Even in the historically lumbering governmental arena, it may be possible to build a proactive and agile regulatory environment by deploying modern knowledge and information systems, leaning on those systems to improve evidence-based policymaking, and engaging citizens and users of the postal system in collaborative platforms. Doing so will require tweaking the status quo and timely coordination among multiple parties.

A Yawning Capacity Gap

There is a large overall gap in financial, human resource, and IT capacity between the Postal Service and the Commission. This gap contributes to limitations in the structure for overseeing the Postal Service, including a misalignment between information management capacity, and responsibility (or incentives) for providing transparency and data analysis among the federal postal agencies. The Postal Service is a large and sophisticated information user that must rely on data to run its internal operations as well as interactions with employees, customers, suppliers, and third-party intermediaries and mailing experts who help customers access the postal system. Yet it has little inherent incentive to make raw, unedited data easily available in usable formats, or to produce understandable and cogent analyses on a significant scale for stakeholders, oversight bodies, and the general public. The Commission's mission is to provide transparency and accountability of the Postal Service (and it has, on its own initiative, developed vehicles for doing so as well as requiring the Postal Service to publish information), but it has historically lacked the capacity to provide information transparency and analytics on a large scale.

We see this misalignment of capacity and responsibility for information transparency in reporting on service performance, such as the new dashboard required by law. The Postal Service, which invented the ZIP Code, has argued against offering granular service reporting data by ZIP Code on the dashboard due to the cost of such reporting. (There is also some question for now about the reliability of such granular reporting). In a compromise, the Commission required the initial dashboard to allow users to enter their ZIP Code and see reports for the corresponding Postal Service District, a much broader geographic segment (there are more than 40,000 ZIP Codes, compared to 50 Districts), until ZIP Code reporting is more feasible.

Few facts better illustrate the overall capacity gap than the contrast of an 82-person Commission team working to oversee the over-600,000-employee, $80 billion Postal Service. The Commission handles multiple comprehensive rate cases, hundreds of negotiated service

agreements, and several mandated reports each year, even as problems emerge that don't fit into this standard jam-packed schedule. Given sufficient time and resources, the talented Commission staff can tackle the issues before the agency, including novel ones. But both time and resources are scarce due to the limited funding and lack of up-to-date technology combined with tight statutory and regulatory deadlines. With limited funds, the Commission tends to work with a tiny number of individual academic and private sector experts or with small entities to supplement the staff sporadically, while the Postal Service utilizes large contractors regularly.

After the 2006 Postal Accountability and Enhancement Act included the Commission in the appropriations process (though it receives postal ratepayer rather than tax dollars), it received $15 million in FY 2008, rising to $17 million in FY 2021. This was a decrease in inflation-adjusted terms, widening the capacity gap. The capacity gap increased despite the growing complexity of the postal and shipping sector and the resulting regulatory demands. Last year, a postal reform law reversed the appropriations experiment, returning the Commission to the decades-long prior arrangement based on budget submissions to the Postal Service Governors, with some procedural protections for the Commission.

This was an important step, but only that, in addressing the capacity gap. This dynamic is clear to observers with a variety of perspectives on government. It was striking to see a senior fellow of this free market think tank, Paul Steidler, recently recommend an increase in funding for the Commission, after calling last year for the Commission to be "at least tripled in size." While an expansion on that scale seems unlikely, a substantial increase in Commission capacity is needed to meet today's demands.

There are paths for the micro agency to remain small while being more proactive and continuing to deal with matters efficiently. In the modern economy, scaling problems can be resolved relatively cheaply by small entities using information technology to empower talented personnel: think of the ecommerce entrepreneur starting a multibillion-dollar shopping platform from their garage, or the young person launching a website from their parents' basement. Postal customers and third-party service providers are already among the sophisticated participants in this modern economy.

Building and leveraging information technology, dexterity in managing and analyzing information, and collaboration with stakeholders can narrow the capacity gap. Doing so would further the first three goals identified in the Commission's 2023 – 2028 strategic plan. Adopted unanimously four months ago, it calls for the micro regulator to:

1) Anticipate and adapt to an evolving postal system through a responsive and trusted regulatory framework;
2) Enhance and expand communication of accurate and relevant information to postal stakeholders, policymakers, and the general public; and

3) Develop an internal infrastructure to support and strength our regulatory capabilities through adaptive policies, efficient processes, and scalable platforms.

The bipartisan Foundations in Evidence Based Policymaking Act of 2018 also directs federal agencies to be more proactive in organizing, managing, and analyzing data to inform public policy. The Commission's current Chief of Staff, Rob Borden, helped guide that legislation and its predecessors through Congress as a senior staffer. Former Congressman and House Oversight and Government Reform Committee Chairman Davis may have put it best long ago as a Fairfax County executive: "Knowledge is power. The more information you have, the faster you move it and deploy it, the better decisions you're going to make. That's the future of business, and government should be able to benefit from the same things."

It is past the time to adapt this vision for the postal regulatory system.

Assessing the Present Capacity Gap and Moving Into the Future

As a result of years of underfunding, the Commission experiences gaps in its data management infrastructure and human capital that are threatening its ability to modernize and keep pace with the entity it regulates. By necessity, it operates as a data-focused agency, yet lacks a centralized information management system and inventory of the information it holds. The lengthy, detailed reports that the Commission issues rely on the professionalism and herculean efforts of small teams of lawyers, analysts, and paralegals. These efforts are laudable, but based on manual processing of data, and they are not scalable without better use of technology. Building upon or transferring prior regulatory work to new contexts is difficult, as analysts often need to manually recompile data and rebuild analytical methods for individual projects.

Another example of insufficient infrastructure relates to the format and organization of postal data received by the Commission. While the Commission has collected information about the Postal Service going back to 1971 (and beyond), it resides in a voluminous body of PDF and Excel files scattered about the Commission website. It is difficult both for internal analysts and outside researchers to search this information.

Last year, the Commission created a unit tasked with creating a centralized program to manage, organize, and serve information for internal and external users. The Commission is working on a pilot program to establish centralized information management for its staff who conduct the analysis and external stakeholders and members of the public who rely on the Commission as a source of postal information. However, this effort is currently led by a team of one busy staff member, with the hope that the Commission can add potentially two additional staff members in the coming months. The Commission's strategy and interest in being a proactive regulator notwithstanding, its resource constraints and lack of modern infrastructure threaten its progress.

Not only does the Commission suffer from a lack of modern data management tools, it also experiences human capital constraints relating to its small size. The Commission's Office of Accountability and Compliance (OAC) is a small group of multitasking, energetic economists and technical analysts led by experts in regulatory economics, but the team presently lacks an internal specialist with an engineering or operations research background. These specialties are relevant to analyzing the efficiency and performance of one of the largest and most complex networks in the world, including any differential effects of that network on rural, suburban, and urban areas. The Commission's staff have been able to engage outside experts in engineering or operations on an *ad hoc* basis, if at all, as network design, service performance, and efficiency matters have become more prominent.

The Commission has established a plan for growth, targeted to respond to the changing postal sector and increase its capacity and postal expertise. Last year, its first year out of the appropriations process, the Commission was able to create a tiny analytics unit as a hub for network-related expertise in OAC, but so far it has been staffed mainly by reassigning talented personnel with relevant experience in statistical and economic analysis – adding to their already full workload. The analytics group recently completed its first major project, digging into longstanding operational and cost issues afflicting flat-shaped mail. The unit can still be considered in a promising yet vulnerable startup stage, as it will need additional support.

The agency could clearly use additional experts with network engineering and operations backgrounds, data engineers, and information management specialists, as well as project and program managers. The reinforcements would support the core team in proactive yet disciplined and non-politicized analysis of service and efficiency issues, complementing the Commission's traditional regulatory work.

As mentioned earlier in this article, the 2022 postal reform legislation provides an important opportunity for improvement, insofar as it changed the way the Commission is funded. The new budget process has helped stabilize the Commission's resources. The FY 2023 budget included $20.6 million approved by the Postal Service Governors, plus nearly $4 million from a combination of Commission funds that had previously been held in reserve and a Technology Modernization Fund (TMF) award for modernizing data management. If the Commission properly leverages the new budget environment, it can be more proactive.

Throughout the postal community, including at the Commission, there is renewed concern about the impact of massive, proposed changes to the network, which have the potential to affect services. The worry, however, needs to be paired with the information-gathering and analysis tools needed to address these operational changes in a meaningful manner. Without such tools, the skills and vision of the talented but stretched staff are underutilized, largely limited to technical review of cost coverages, compliance with rate caps and floors, and highly constrained reactive advice on service changes. Proactive analysis of service and efficiency issues, and creative methods of allowing the public to access regulatory data to support the mission of providing transparency and accountability, are limited.

Whether or not the Commission should be increased to three times its present size (which would make it .04 percent the size of the Postal Service), as Mr. Steidler recommended, the present capacity gap remains yawning and leaves the Commission far short of what is needed to meet the expectations of stakeholders and the public. If the Commission is serious about making good on its strategic plan and understanding the impact of ongoing service changes, it must upgrade its information management and analytical resources and cautiously expand its personnel complement. The current infrastructure is reflective of a legacy Commission overseeing a relatively static postal network and industry.

A Path to Modernization

Modernizing the infrastructure of postal regulation could narrow the capacity gap in a cost effective, even frugal fashion, while laying the foundation for a more agile regulatory system that addresses some stakeholder dissatisfaction. This is a multistep process, and the path described below is one approach (there will be some temporal overlap between the three phases).

1) Phase One: Foundation of Information Infrastructure and Personnel

- Find, inventory, organize, automate, and serve information held by the Commission to support internal experts, allowing them to be more efficient and focus on analysis rather than manually scraping together data and methodologies on a task-by-task basis. This work is behind the scenes, but critical.

- Continue to add talent: in recent months, the Commission has added a few excellent lawyers, economists, IT, cybersecurity, and program management staff. More is needed in these areas, with particular emphasis on data management, engineering or operations expertise, project management, and securing IT and information resources.

- The Commission's staff need more access to and training with tools such as infrastructure as a service, cloud-based data management platforms, data lakes or data warehouses, databases, GIS software, and data visualization software. This means adding a critical mass of capacity among both IT management and analytical staff.

- This foundational phase is underway at the Commission and is starting to ramp up, though more slowly than appropriate, with a TMF award to support information management, a second TMF award aimed at bolstering cybersecurity, and small steps in the FY 2023 budget. But this progress will be

jeopardized if more steps are not taken in the FY 2024 budget to fund the acquisition of critical tools for organizing, analyzing, and protecting information.

2) Phase Two: Make Information More Accessible to Stakeholders and the Public

- The first TMF award will be applied towards deploying information externally in a more accessible and comprehensible manner, including visualizations and dashboards.

- Aided by the TMF award, the Commission will deploy a new, public-facing dockets system and a new website this year.

- Looking forward, the Commission should make greater use of "open data" principles, making data available in machine readable formats, and facilitating end users' ability to search, filter, combine, and download formatted or raw data, rather searching through PDF files. Where appropriate, application programming interfaces (APIs) can facilitate access to and use of Commission-hosted data in bulk. Government agencies, as well as private sector and nonprofit organizations, have been doing this widely for well over a decade.

3) Phase Three: Collaborative Regulatory Platform(s)

Collaborating on information platforms can allow organizations and individuals to report what they are experiencing in the marketplace, informing postal policy from the ground up. This already occurs in a more piecemeal fashion with qualitative information, as customers report complaints to the Commission, the Postal Service, and the Postal Service Office of Inspector General (USPS OIG, which also serves in the same role for the Commission as a result of last year's postal reform law). In Washington, interest groups deploy advocates with selective slices of information.

Using APIs, open collaborative platforms can allow ground-up reporting and use of qualitative and quantitative data with sizeable data sets that reveal trends and concerns. The platforms can also facilitate lateral information-sharing between peer organizations, a skill the World Economic Forum recently described as key source of competitive advantage across multiple industries. There is some evidence that information transparency and collaboration in this manner may provide alternative, or at least complementary, models to traditional, slow regulation. There are multiple examples within and outside of the postal world:

- The USPS (and PRC) OIG has helped to set the pace for government in this area, using analytics platforms that combine data from separate sources to allow for cost-effective detection of waste, fraud, and abuse with a significant return on investment.

- The National Oceanic and Atmospheric Administration (NOAA) has facilitated reporting and information gathering from multiple stakeholders, including individual citizens, proving great value for those who can easily view the resulting weather data.

- The Federal Communications Commission has worked with citizen volunteers and stakeholders to measure broadband performance.

- Late in 2021, the Federal Maritime Commission launched the Maritime Transportation Data Initiative to work with stakeholders to standardize data elements and facilitate data sharing among entities in the supply chain.

- Large-scale data reporting is critical to customs enforcement, which intersects extensively with the postal world. The Postal Service provides advance electronic data to U.S. Customs and Border Protection under the STOP Act to address concerns over importation of opioids.

In the postal regulatory context, this approach may help the Commission to identify geographic hotspots of poor mail-delivery performance using different sources of quantitative data. Currently, customers or elected officials often bring such hotspots to our attention through localized anecdotes, or the problems are uncovered by poring through Postal Service reports across wide geographic areas months after the fact. A more integrated, scalable approach could allow policymakers, regulators, stakeholders, and the public to benchmark and compare the shared information with long-reported government data.

For example, when weather is used to explain anomalies in the quality of mail delivery, it could be helpful to evaluate the correlation and causation linking severe weather events and service. That could involve gathering data from multiple sources — including NOAA — in a way that facilitates such analysis and applying GIS tools to analyze the data. Software could also help visualize the results to better inform policymakers and citizens. We could do much more in this area.

Sharing information and connecting data sources could also help the Postal Service and stakeholders work together to troubleshoot emerging or longstanding issues in the network. For example, there may be opportunities to improve communication between entities to address issues such as hours-long truck traffic jams to drop off mail at postal facilities, and poor interfaces between mail and processing equipment. Given timely and relevant information, mailers and third-party service providers harmed by bottlenecks might have both the capacity and incentive to help resolve them (by, for example, routing trucks to facilities with shorter wait times or more quickly changing preparation of mail that interacts poorly with Postal Service automation).

These systems would allow regulators and stakeholders to be more proactive in a way that emphasizes facts over vitriol, and evidence, disciplined experimentation, and innovation over conjecture and anecdotes. This is the promise of modern, data-driven multistakeholder governance and regulatory systems.

Making the Choice to Move Towards a Nimble and Responsive Regulatory System

Observers might describe a Commission using modern infrastructure and systems in this manner as accelerating the continued evolution from the pre-2006 Postal Rate Commission, a regulator centered on all-consuming cost-of-service rate cases that took place every three years and could last several months. The post-2006 Postal Regulatory Commission presides over far more frequent, shorter rate proceedings and has the critical statutory authority to redesign price regulation. It is among the policymaking bodies dealing with a postal ecosystem that presents more difficult challenges than existed prior to 2006, mainly a long-term decline in mail volume that started in 2008 and is reshaping the economics of the industry.

The postal community will need to tailor innovative solutions for this changing market, rather than rehashing old answers which may no longer be appropriate. More than any policy or a single tangible output, the hallmark of a proactive next-generation Commission will be the ability to contribute to this process by leveraging ever-expanding bodies of knowledge; facilitating collaboration between internal and external experts; developing and testing new solutions more rapidly; and adapting them to changing circumstances in an iterative manner.

The next-generation Commission should be better able to meet expectations in multiple ways:

- Greater speed and agility, a common concern of the Postal Service and stakeholders. The increased capacity can allow the Commission to initiate more inquiries on developing issues rather than reacting to petitions.

- Better user experience and user interfaces, including the new website and new dockets system with enhanced searchability; informative data visualizations; and new tools to allow access to information by external users.

- Collaborative, data-driven transparency as a supplement, more timely complement and at times, an alternative to traditional regulation.

- Better informed postal policy, both inside and outside of the Commission. Policymakers, stakeholders, the public, and observers should have access to more timely overviews of operational and market issues than is provided by annual reports. They will also have more tools to track and compare changes in the postal system over time.

This is not a particularly ambitious tech-based transformation. Rather, it proposes to adapt well-established practices developed and implemented throughout the government over the past decade or more. It reflects the way the modern economy and regulation works broadly. It is not partisan or ideological. This path builds on policies and practices put into place by both major political parties as well as nonpartisan entities. It should not depend on or be tied to any one chairman, appointee, or individual at the Commission or any other entity. This foundational work should be important to all of us.

This type of modernization, accessibility, and transparency, or something similar, is what every citizen and stakeholder should be able to expect of government. The wheels of government generally turn slowly, but the postal regulatory system has a moment of opportunity which includes the TMF awards and the new budget process entering its second fiscal year on October 1, 2023. Neither opportunity can be wasted. We hope regulators and the postal community will work together towards building the capacity for the proactive and nimble approach desired by so many stakeholders, with the FY 2024 budget cycle as an upcoming portal.

This modernization cannot happen overnight, but stakeholders should hold the Commission's leadership accountable for evolving and provide insights on the shape of that evolution. Postal stakeholders are experts on information and marketplace issues critical to the future of the sector, such as customer experience and delivery quality. Their input and sophistication are critical, notwithstanding the inevitable policy disagreements between regulators and stakeholders.

Each cycle in which postal regulation fails to make progress on this vision is a step back and imperils long-term adjustments needed in the sector. In government, opportunities for progress, even incremental, can be infrequent. We must proactively make the most of the opportunities facing the postal regulatory system.