Supplemental Comments to the President's Commission on the United States Postal Service

Submitted By:

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Introduction

The Mailing Industry CEO Council takes this opportunity to supplement its initial comments to address specifically issues by governance of the Board of Governors. We believe that an effective Board can play a vital role in providing guidance and governance to a "new" USPS.

Recent events have caused Congress to enact the Sarbanes-Oxley Act of 2002, a far-reaching set of reforms targeted at the board rooms of U.S. and non-U.S. public companies. These reforms center on enhancing accountability, integrity and transparency of affected companies in a system that depends upon directors to act with integrity in their oversight capacities. It is evident to the Mailing Industry CEO Council that several of these reforms aimed at restoring investor confidence in industry apply equally to the USPS, and particularly its Board of Governors, and can ensure confidence of the mailing industry and Congress in the professional, independent oversight of a qualified Board. Most significantly, these reflect best practices that have long existed in effective boards of public and private organizations.

We commend the current Governors for good, initial steps already taken to implement voluntarily some of the Sarbanes-Oxley procedures. But implementation should not depend on the makeup of the Board at a given time. Rather, this Commission should recommend that Sarbanes-Oxley and other reforms be institutionalized as a matter of law.

I. Size of the Board and Terms of Appointment

Current law provides for nine presidentially appointed Governors (the "Governors"), no more than five of whom can be from the same political party, serving a term of nine years. The nine Governors in turn appoint the Postmaster General ("PMG") and the Deputy Postmaster General ("DPMG"), and these eleven make up the "Board of Governors." The law reserves certain important matters, such as decisions to implement rates and classifications, to the Governors and excludes the PMG and DPMG from participating in them.

While expertise can be accumulated over time, the need to evaluate continued performance and the availability of opportunities to add fresh approaches and new ideas is overriding. Governors should be appointed for terms no longer than five years. Of course, at the end of a term the President may choose to reappoint the sitting Governor to a successive term, with due consideration of limiting the overall term of service, e.g. two full terms, as well as possible age limits.

II. Qualifications of Governors

Today, the law contains no standards against which the President, in appointing Governors, measures candidates. While a laundry list approach to qualifications is not helpful, we strongly recommend requiring that nominees for Governor be individuals with experience in managing large public or private enterprises, organizations, or institutions, and that the President consider the desirability of including as Governors individuals who possess relevant experience or competence in finance, law, labor relations, and manufacturing or distribution operations.

Similarly, it is strongly recommended that the Governors establish a procedure for review of the continuing qualification of a sitting Governor who experiences significant changes in other roles and responsibilities, and for communicating their conclusions and recommendations to the President.

III. Frequency of Board of Governors Meetings

In light of the recommendations of these Supplemental Comments concerning its oversight responsibilities and committee structure, we recommend that the Board of Governors consider whether to change its bylaws to reduce the frequency and/or length of its meetings. This would not limit in any way the operation of the committees of the Board, where a significant portion of the deliberation and decision-making of the Board of Governors would be conducted.

IV. Roles and Responsibilities of the Board of Governors

The primary responsibility of any board should be oversight. Directors are not and cannot be responsible for the day-to-day running of a large, complex organization. The specific responsibilities of the Governors or the Board of Governors, as applicable, should be centered on the following:

a. Selection of the USPS management, including the Postmaster General and the Deputy Postmaster General
b. Direction, control and approval of significant capital expenditures as part of its obligation of financial management and oversight; the Board should reevaluate the purpose, appropriateness and effectiveness of the applicable threshold for expenditures requiring prior Board approval (currently $10 million) in an enterprise the size and breadth of the USPS

c. Long-range planning

d. Approval of the Postal Service's budget and financial statements, again as part of its obligation of financial management and oversight

e. Determining the compensation of the Postmaster General, the Deputy Postmaster, the Chief Operating Officer, the Chief Financial Officer, the Chief Marketing Officer, the Vice President for Human Resources and the General Counsel and such other senior officers of the Postal Service as it may designate. Current statutory limitations on the compensation of senior managers should be eliminated.

f. Adopting rates, fees, classifications and product offerings and services for the USPS.

V. The Use of Committees

Today, the Board of Governors acts through three standing committees: Audit and Finance; Capital Projects; and Strategic Planning. Each Committee has a charter which has been adopted by the Board, but only the Audit Committee has made that charter public.

The Mailing Industry CEO Council believes that in order to fulfill its responsibilities, the Board of Governors should be required to re-organize its committee structure and develop and publish a charter for each committee. We propose a committee structure along the following lines:

Audit and Finance – primarily responsible for overseeing the audit functions, both internal and independent, as well as reviewing budgets and expenditures; similar to rules proposed by the stock exchanges for public companies, this Commission should recommend that the law require that at least one member of this committee have experience or expertise in dealing with financial reporting, accounting or finance

Capital Projects – eliminate, as it is part of the Audit and Finance Committee role

Strategic Planning – primarily responsible for long-range planning and review of future services and products that allow for the continued viability of the USPS

Compensation and Employment – primarily responsible for determining the skills required for employees of the USPS, managing labor relations and the hiring and compensation of senior management

Governance – primarily responsible for determining committee structure and membership and establishing a process for continuing evaluation of the roles, responsibilities and performance of the Board and the committees

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