

## **Recommendations Adopted by the Commission Report of the Co-Chairs**

The Commission Co-Chairs submit the following recommendations to the Commission:

1. **Governance.** *In order to establish a governance structure that exemplifies the best practices of similarly-sized private sector corporations, the Co-Chairs recommend that the current Postal Service Board of Governors be transformed into a corporate-style Board of Directors with broad authority to oversee Postal Service operations. Further, the Co-Chairs recommend that the Board of Directors consist of three Directors appointed by the President, the Postmaster General, and eight independent Directors initially selected by the three Presidentially-appointed Directors with the concurrence of the Secretary of the Treasury. Thereafter, the eight independent Directors would be selected by the full Board of Directors with the concurrence of the Secretary of the Treasury. All Directors should be selected based on business acumen and other experience necessary to manage an enterprise of the Postal Service's size and significance. Terms for all Directors should be three years with a mandatory retirement age of 70.*
2. **Management flexibility.** *The Co-Chairs recommend that the Board of Directors and senior Postal Service management be given greater flexibility to manage without the limitations imposed by statutory constraints. Specifically, the Subcommittee recommends: 1) allowing Postal Service management the flexibility to take advantage of corporate best practices as discussed in subcommittee recommendations; 2) allowing the Postal Service to set rates within limits established by a new Postal Regulatory Board without obtaining prior approval; 3) repealing the sub-limits placed on annual borrowing for capital and operating needs within the existing \$3 billion annual limit on borrowing; and 4) allowing the Postal Service to retain earnings subject to limits established by the Postal Regulatory Board.*
3. **Accountability and Public Policy Oversight.** *In order to ensure that a Postal Service management with greater latitude has appropriate oversight, the Co-Chairs recommend that the Postal Rate Commission be transformed into a new Postal Regulatory Board with the responsibility to protect the public interest and promote public confidence in the fairness and transparency of postal operations. The new Postal Regulatory Board should have authority to: review and refine the scope of the Postal Service's universal service obligation; clarify and refine the scope of the postal monopoly; regulate rates for non-competitive products and services; establish limits on the accumulation of retained earnings by the Postal Service; ensure financial transparency; obtain information from the Postal Service, if need be, through the use of new subpoena power; and review and act on complaints filed by those who believe the Postal Service has exceeded its authority. The Co-Chairs recommend that the new Postal Regulatory Board be comprised of three members who are appointed by the President and confirmed*

*by the Senate, and that no more than two should be members of the same political party. Members of the Postal Regulatory Board should be selected solely on the basis of their demonstrated experience and professional standing.*

4. **Rate-setting Procedures.** *The Co-Chairs recommend that the existing rate-setting process be replaced with an incentive-based rate-setting methodology in which the Postal Regulatory Board: 1) establishes base-line rates and rate ceilings for non-competitive products and services; 2) reviews, in advance, rate requests for non-competitive products and services that exceed established rate ceilings; and 3) ensures that rates for competitive products and services are not cross-subsidized by revenues generated by non-competitive products and services. The Co-Chairs also recommend that the Postal Regulatory Board, upon written complaint, be authorized to conduct after-the-fact reviews of rate increases for non-competitive products and services, and, if necessary, to require adjustments to these rates when they are inconsistent with established rate ceilings. The Postal Regulatory Board should also be authorized to review, upon written complaint, whether a rate for a competitive product or service is being cross-subsidized by revenue generated by non-competitive products or services and to take appropriate remedial action. In conducting after-the-fact reviews, the Postal Regulatory Board should ensure that affected parties have an opportunity to participate, but should also ensure that the time-frame for the review is dramatically reduced from those permitted under the existing rate-setting process. The Co-Chairs suggest that participation by interested parties be limited to written submissions, and that all procedures require a final determination within 60 days.*