

GAO

Report to the Chairman, Subcommittee
on the Postal Service, Committee on
Government Reform and Oversight,
House of Representatives

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U.S. POSTAL SERVICE

Issues Related to
Governance of the
Postal Service





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The Honorable John M. McHugh
Chairman, Subcommittee on the Postal Service
Committee on Government Reform and Oversight
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we obtain information on Postal Service governance issues. You indicated that the views of current and former members of the Postal Service's Board of Governors would be particularly useful to the Subcommittee as it deliberates its current legislative proposal to reform the U.S. Postal Service (USPS).¹ Our objectives in this report were to (1) identify any major areas of concern, including specific issues, that current and former members of the Postal Service Board of Governors have about the Board and their suggested legislative changes; (2) compare the major characteristics of the Postal Service's Board of Governors with the characteristics of selected boards of other government-created corporations or corporation-like organizations² to identify similarities and dissimilarities—particularly as they relate to the major areas of concern identified by current and former Board members; and (3) provide additional information on governance issues that might be helpful to the Subcommittee as it deliberates Postal Service reform.

We also discuss areas where some, but less than a majority of, current and former Board members indicated legislative attention is needed. Additionally, we identify governance topics discussed with current and former members where none believed legislative attention is needed.

We draw no conclusions nor make any recommendations concerning the governance issues raised by the interviewees and their suggested legislative changes.

¹Postal Reform Act of 1997, H.R. 22, 105th Congress (1997).

²As agreed with the Subcommittee, we did not restrict our comparisons to only those organizations legislatively designated as "government corporations." Comparisons were made with The National Railroad Passenger Corporation (AMTRAK), Australia Post, Canada Post, Corporation for Public Broadcasting (CPB), Federal National Mortgage Association (Fannie Mae), Federal Deposit Insurance Corporation (FDIC), Federal Home Loan Mortgage Corporation (Freddie Mac), Rural Telephone Bank (RTB), and Tennessee Valley Authority (TVA). We also attempted to include the Communications Satellite Corporation (COMSAT) in our study. However, after agreeing to participate, COMSAT did not furnish the requested information.

Background

The Postal Service is a corporation-like organization that was created by the government to provide postal services and to help bind the nation through the personal, educational, literary, and business correspondence of the people. Over the years, the government has created a number of corporations or corporation-like organizations to fulfill a variety of public functions or purposes of a predominately business nature. Historically, such organizations have been created on an individual need basis with the characteristics and functions of each being tailored to its specific mission. In general, these organizations can be identified under certain categories, such as wholly-owned government corporations, mixed-ownership government corporations, government-sponsored enterprises (GSE), or government-created private corporations. Grouping these government-created corporations and corporation-like organizations into these categories can be helpful because such organizations share certain common characteristics. However, for comparative purposes, it should be noted that even within these categories, the organizations are structured and governed in a variety of ways. Therefore, for purposes of this report, we found it more helpful to review each organization in our study individually without regard to any particular category under which it may be identified. Appendix I contains additional information about government-created corporations and corporation-like organizations.

The Postal Reorganization Act of 1970 (1970 Act) created the Postal Service, designated it as an independent establishment of the executive branch, and created a Board of Governors to be its governing body. The Postal Service is not identified as falling under any particular category of government corporation or government-created corporation-like organization. The Postal Service has reported that it is not a government corporation; however, it is frequently considered by others to be one and has been previously included in major government corporation studies done over the last several years.

According to the Postal Service, its Board of Governors is comparable to the board of directors of a private sector corporation. The Board of Governors directs the exercise of the powers of the Postal Service, directs and controls its expenditures, reviews its practices, and conducts long-range planning. It sets policy; participates in establishing postage rates; and takes up matters, such as mail delivery standards and capital investments and facilities projects exceeding \$10 million. It also determines the pay of the Postmaster General (PMG) and approves the pay of other Postal Service officers. By statute, the Postal Service is to maintain compensation and benefits for all officers and employees on a

standard of comparability with the private sector. However, no officer or employee can receive pay in excess of the rate for level I of the Executive Schedule—currently \$148,400.

The Board consists of 11 members, including (1) 9 Governors appointed by the president, with the advice and consent of the Senate, to 9 year staggered terms; (2) the PMG, who is appointed by the Governors; and (3) the Deputy Postmaster General (DPMG), who is appointed by the Governors and the PMG.

By law, Governors are chosen to represent the public interest and cannot be representatives of special interests. They serve part time and may be removed only for cause. Not more than five of the nine Governors may belong to the same political party. No other qualifications or restrictions are specified in law. The 1970 Act provided for each Governor to receive an annual salary of \$10,000, plus \$300 a day and travel expenses for not more than 30 days of meetings each year.³ The act providing appropriations⁴ to the Postal Service for fiscal year 1997 increased the Governors' annual salaries to \$30,000 per year, but the \$300 daily meeting allowance remained unchanged.

Results in Brief

A majority of current and former members of the Postal Service Board of Governors whom we interviewed said legislative attention was needed in three broad areas. However, there was not a consensus among the members on what the specific issues were within each area of concern, or what legislative changes should be considered to address their concerns. The major areas of concern were the Board's authority, Board members' compensation, and Board members' qualifications. Within these broad areas of concern, the most frequently cited issues were (1) the limitations on the Board's authority to establish postage rates; (2) the inability of the Board to pay the PMG more than the rate for level I of the Executive Schedule—currently \$148,400; (3) the Board's lack of pay comparability with the private sector; and (4) qualification requirements that are too general to ensure that Board appointees possess the kind of experience necessary to oversee a major government business.

³Public Law 99-190, enacted in December 1985, amended the 1970 Act to increase the number of paid meeting days from 30 to 42.

⁴The USPS is essentially a self-supporting organization; however, it is authorized to receive three types of appropriations: public service, transitional costs, and revenue foregone. Appropriations received in fiscal year 1996 totaled about \$130 million, which accounted for about 0.2 percent of its total revenues.

Our comparison of the Postal Service's Board of Governors with nine other boards of government-created organizations showed both similarities and dissimilarities. Similarities indicate that these boards were created to function much like private sector corporate boards. For example, all 10 boards were exempted from some statutes and regulations that other government departments and agencies are required to follow. Dissimilarities, however, reflect the amount of flexibility the boards were given to operate like private sector corporations. We noted many differences reported among the selected government-created organizations in ratemaking processes, compensation practices, and the processes used to appoint board members. (See app. IV for detailed information about similarities and dissimilarities among the boards of selected government-created organizations.) For example, the Postal Service's ratemaking process requires that its rate increases be reviewed by a third party; the ratemaking processes reported by five other organizations included in our study did not involve a third-party review.

We also identified four broad areas where some of the interviewees, but less than a majority, believed legislative attention was needed. These areas were the Board's mission and responsibilities, the Board's relationship with Postal management, the Board's accountability and performance measures, and Board composition. The most frequently cited issues in these areas were (1) uncertainties as to how far the Board should go in letting the Postal Service compete and operate like a private sector corporation, (2) the limited specificity in law concerning the Board's oversight responsibilities, and (3) perceptions that the Chief Postal Inspector may not have all the independence the position requires. Finally, there were two areas that we raised for which none of the interviewees believed legislative attention was warranted. These areas were Board staffing and the Board's legal status.

The interviewees' concerns about many issues, such as Board authority, accountability, and how far to let the Postal Service go in competing and operating like a private sector corporation, are issues being grappled with in the larger context of streamlining government operations. A recent Congressional Research Service study prepared for the Senate Committee on Governmental Affairs notes a renewed interest in government corporations and discusses the probability that even more government corporations will be created in the next decade as government struggles to find ways to make organizations more productive.⁵ The study notes that the major challenge will be holding government corporations accountable

⁵Managing the Public's Business: Federal Government Corporations (S. Prt. 104-18, Apr. 1995).

for their policies and operations while at the same time allowing them sufficient financial and administrative discretion to operate efficiently and effectively—the same challenge that Congress faces in reforming the Postal Service.

Scope and Methodology

To identify current and former members' areas of concern, including specific issues and their suggested legislative changes, we (1) interviewed all 11 members of the current Board (including the PMG and DPMG); and (2) interviewed 2 former Governors appointed after December 1, 1985, whom we were able to contact. We also interviewed the PMG's predecessor and the PMG serving at the time of the 1970 Postal Service reorganization. The latter also served as the first Chairman of the Board of Governors. Appendix II lists the interviewees included in our study, position(s) held, and date(s) of appointment.

We sent each interviewee a list of questions, judgmentally grouped into broad areas, prior to our interview. This list guided our interviews (see app. III). We asked each interviewee if he or she had any issues or concerns within each of the broad areas. If the interviewees had concerns, we asked them to elaborate and identify any specific legislative action(s) they believed Congress might want to consider. We also offered interviewees an opportunity to discuss any other concerns related to the Board.

For each broad area discussed, we tallied the number of interviewees who believed legislative changes were either needed or not needed. If interviewees did not definitely answer yes or no, we did not include their answers in our tallies.

To compare the characteristics of the boards of other government-created organizations with those of the Postal Service Board, we developed and sent a matrix to 11 boards,⁶ including the Postal Service Board. The matrix covered 73 characteristics, grouped in such broad categories as (1) the board's mission and responsibilities, (2) the board's authority, (3) board members' compensation, and (4) board composition. In developing and refining our matrix and interview questions, we researched and reviewed available information on the structure and characteristics of public and private corporate boards, reviewed prior work we had done on government corporations, and consulted with knowledgeable individuals on Postal Service Board activities.

⁶The matrix was sent to 11 boards; however, COMSAT did not furnish the information we requested.

Except for the Postal Service, we judgmentally selected the government-created organizations included in our study in order to have a mix of the various types. We selected two government-sponsored enterprises, two wholly-owned government corporations, two mixed-ownership government corporations, and two federally created private corporations.⁷ In making these selections, we used our recent report on government corporations,⁸ as well as other prior work we had done, to identify organizations of various types. To provide a broader range of organizations for comparison purposes, we also selected two foreign postal administrations—Canada Post and Australia Post. We selected these organizations primarily because of our previous work in this area.⁹ These organizations were described in a recent Price Waterhouse report¹⁰ as among the most “progressive postal administrations.”

In this report, we highlight differences between the Postal Service and the other government-created organizations as they apply to the four issues most frequently cited by current and former Board members as needing legislative attention. Some of the other issues raised by the interviewees, however, were outside the scope of our matrix. Therefore, we did not have sufficient information to make comparisons with the other government-created organizations on all of the issues raised by the interviewees. Appendix IV contains selected details from the matrices. We did not verify the boards’ responses to our matrix. However, we did ask each of the boards that completed our matrix to review their respective sections of appendix IV for accuracy.

To provide the Subcommittee with additional information on governance issues that might be helpful in its deliberations on postal reform, we reviewed a broad range of available literature affecting both public and private boards. The result of our literature research is included in our discussions of governance issues.

⁷COMSAT was one of the two federally created private corporations selected for inclusion in our study.

⁸See our report Government Corporations: Profiles of Existing Corporations (GAO/GGD-96-14, Dec. 13, 1995).

⁹U.S. Postal Service: A Look at Other Countries’ Postal Reform Efforts (GAO/T-GGD-96-60, Jan. 25, 1996).

¹⁰A Strategic Review of Progressive Postal Administrations: Competition, Commercialization, and Deregulation (Price Waterhouse LLP, Feb. 1995).

We conducted our review at postal headquarters in Washington, D.C., between July 1996 and April 1997 in accordance with generally accepted government auditing standards.

We requested comments on a draft of this report from the PMG and the Chairman of the USPS Board of Governors. Their comments are discussed at the end of this letter and included as appendixes V and VI, respectively.

Areas Where a Majority of Interviewees Believed Legislative Attention Is Needed

A majority of the current and former members of the Postal Service Board of Governors whom we interviewed believed legislative attention may be warranted in three areas—the Board’s authority, Board members’ compensation, and Board members’ qualifications. Although there was no consensus among the members on the specific issues within each area of concern, several issues were mentioned frequently, and a number of legislative changes were offered for consideration. The most frequently cited issues were (1) the limitations on the Board’s authority to establish postage rates; (2) the inability of the Board to pay the PMG more than the rate for level I of the Executive Schedule—currently \$148,400; (3) the Board’s lack of pay comparability with the private sector; and (4) qualification requirements that are too general to ensure that Board appointees possess the kind of experience necessary to oversee a major government business.

Board’s Authority to Establish Postage Rates

The issue most frequently cited by current and former Postal Service Board members as needing legislative attention was the limitations on the Board’s authority to establish postage rates. Ten of the 15 interviewees believed that the current ratemaking process adversely affects the Postal Service’s ability to compete with its private sector competitors. They were concerned that the current ratemaking process is too restrictive and therefore limits the Postal Service’s ability to quickly adjust postage rates in a highly competitive and rapidly changing marketplace. Three of the remaining five interviewees did not comment specifically on this issue, and two said the current ratemaking process should not be changed.

Under the current ratemaking process, the Postal Service, through its Board of Governors, is to propose changes to the Postal Rate Commission (PRC)—an independent regulatory agency established in the executive branch—and request that it issue a recommended decision. PRC, after holding public hearings and reviewing data provided by the Postal Service, is to provide the Postal Service Board of Governors with its recommended

decision concerning proposed rate changes. By law, this process can take up to 10 months. After receiving a recommendation from PRC, the Governors can approve, reject, or allow the recommended rates to take effect under protest; or, under certain circumstances, the Governors can modify a PRC decision. However, before the Governors can modify any PRC-recommended rates, they are required to return the rate case to PRC for reconsideration. After PRC renders a further rate decision, the nine Governors can modify that decision only by a unanimous vote—a task that some members said was almost impossible to achieve because, in their experience, the Governors seldom agree unanimously on any issue. In fact, there has been only one instance—in 1980—where the Governors modified a PRC recommendation for First-Class postage.

Interviewees suggesting legislative attention in this area offered a number of changes for consideration. Two suggestions were mentioned most frequently. One suggestion was to use administrative law judges to hear rate cases and make recommendations to the Board—rather than going through PRC. The members believed this change would streamline the ratemaking process and still give due consideration to the views of the mailing community. The other suggestion was that the Board be given the authority to override a PRC recommended rate decision with something less than a unanimous vote. For example, suggestions were made that the unanimous vote requirement be changed to either a majority or a two-thirds majority vote. Other legislative changes offered for consideration included (1) giving the Board authority to raise rates within legislatively established parameters (e.g., allow the Board to raise postage rates annually up to the increase in a designated index, such as the Consumer Price Index¹¹); (2) restricting PRC's ratemaking role to monopoly mail¹²—and a related suggestion allowing the Postal Service to establish private sector-type subsidiary companies that would compete directly with private carriers of nonmonopoly mail; and (3) legislatively requiring that PRC render its rate decisions in much less time than the 10 months currently allowed by law. One interviewee, however, said the law should not be changed to require faster decisions from PRC because, given current complex ratemaking requirements, it is unreasonable to expect faster decisions. The two interviewees who said the current ratemaking process

¹¹The Consumer Price Index measures average price change using a specified market basket representing all goods and services purchased for everyday living. The index measures the same basket relative to a designated base period.

¹²Monopoly mail is mail protected by the Private Express Statutes (laws that restrict the private carriage of letter mail). See our reports *U. S. Postal Service: Pricing Postal Services in a Competitive Environment* (GAO/GGD-92-49, Mar. 1992); and *U.S. Postal Service: Postal Ratemaking in Need of Change* (GAO/GGD-96-8, Nov. 1995).

should not be changed agreed that the current ratemaking process negatively affected the Postal Service's ability to compete with private sector carriers. However, they believed a better way of addressing the ratemaking issue was to create a PRC-type body to regulate private sector carriers' rates rather than change the ratemaking process within the Postal Service.

Our survey of nine other government-created organizations showed some similarity between the ratemaking processes of the Postal Service and the processes reported by two other organizations—Australia Post and Canada Post. No similarities were apparent at the other seven organizations.

According to Australia Post, its Board of Directors sets prices for all products and services. The board must notify the Minister for Communications and the Arts of any intention to alter the price of the standard postal rate and the Minister has the opportunity to disallow it. Although it has no direct authority over the price, the Australian Competition and Consumer Council has the opportunity to consider any proposal and make its views known to the Minister as part of his/her consideration of proposed price alterations.

According to Canada Post, its Board of Directors oversees virtually all ratemaking decisions. This includes decisions for such products as basic domestic and international single-piece letters, international printed matter, and some registered mail products. Once new postage rate regulations are proposed, interested parties are given a 60-day period during which they can provide written comments on the rate change.

For various reasons, the ratemaking process at the Postal Service contrasts sharply with the reported ratemaking processes at Fannie Mae, Freddie Mac, AMTRAK, FDIC, and TVA. Each of these organizations is permitted to set prices in a manner very much like any private sector corporation—i.e., independent of a third-party review or approval. Ratemaking processes at the RTB and the CPB are not comparable to the Postal Service's ratemaking process. At the RTB, its Board of Directors makes loans at legislatively established rates. At the CPB, there are no products or services sold and, therefore, no ratemaking procedures.

Proposed legislation introduced in Congress in January 1997 to reform the Postal Service, H.R. 22, proposes significant changes to the ratemaking process and to the long-standing relationship between the Postal Service

and PRC. Current law requires that the Postal Service file a request with PRC for changes in rates for services offered. H.R. 22 would change that requirement. It would divide postal products into two categories, noncompetitive mail and competitive mail.¹³ Noncompetitive mail would include those products, such as First-Class Mail, for which there are few alternatives to the Postal Service. For products in the noncompetitive mail category, the Service would establish rates using a price cap based on the Gross Domestic Product Chain-Type Price Index¹⁴ modified by an adjustment factor, which PRC would determine every 5 years. Once the cap was established, the Postal Service would generally be able to adjust prices annually without filing a request for change with PRC.

Competitive mail, such as Express Mail, would include those products facing full competition within the marketplace. The Postal Service could price competitive products as it saw fit, without filing a request for change with PRC. However, Postal Service pricing of competitive mail would be subject to the constraints of the antitrust laws as well as requirements that rates cover the Service's costs and make a reasonable contribution to overhead. PRC would conduct annual audits of the Postal Service to ensure it was acting in compliance with the law with respect to both noncompetitive and competitive products. Adoption of the ratemaking proposals in H.R. 22 would increase the ratemaking similarities between the Postal Service and Canada Post and Australia Post.

In testimony before your Subcommittee on the Postal Service on July 10, 1996, the PRC Chairman noted that proposed legislation to reform the Postal Service included several proposals that would increase the Postal Service's flexibility to price its products. He also noted that under the proposed ratemaking process, provisions for multiple reconsideration and judicial reviews of rate decisions would be eliminated. Generally, the Board has adjusted rates every 3 years or so against a backdrop of an extensive body of public input. Under H.R. 22, the Board could be adjusting many rates as often as annually. The PRC Chairman said that the current system of multiple checks and balances is, in some instances, too much of a good thing. At the same time, however, he cautioned about going too far in the opposite direction.

¹³Generally, the terms "noncompetitive mail" and "competitive mail" are synonymous with "monopoly mail" and "nonmonopoly mail."

¹⁴The Gross Domestic Product is the value of all final goods and services produced within the borders of the United States in a given period, whether produced by residents or nonresidents. The Gross Domestic Product Chain-Type Price Index is the featured measure of prices in the national income and products accounts. Changes in the price level are calculated using the weights of adjacent years.

Ratemaking issues were again discussed at a hearing before your Subcommittee on the Postal Service on April 9, 1997. Witnesses included economists who helped formulate and design price cap plans for telecommunications and utility regulatory entities, as well as experts in antitrust laws, telecommunication regulation, postal arbitration, and contracts. Differences in opinion among these witnesses as to how well price caps would work for the Postal Service indicate that the debate over the Postal Service's pricing system and the roles of the Board of Governors and PRC have not yet been resolved among all interested parties. The issue of ratemaking is a central part of the ongoing congressional deliberations related to the proposed postal reform legislation (H.R. 22).

Board's Authority to Pay PMG

The second most frequently cited issue was the Board's inability to pay the PMG more than the rate for level I of the Executive Schedule—currently \$148,400.¹⁵ Eight of the 15 interviewees said the Board should be given more flexibility to compensate the PMG so that pay could be more comparable with the private sector. One interviewee strongly disagreed that compensation changes were needed, and the other six interviewees had no comment on the issue.

The eight interviewees who believed the Board should have more flexibility to compensate the PMG were concerned that because of the pay cap, the Board might have a difficult time filling future PMG vacancies with highly qualified candidates. They were concerned that many highly qualified candidates might not even consider the position of PMG because of more financially lucrative positions in the private sector. These eight interviewees suggested legislative consideration be given to removing the pay cap on the PMG's pay. As an alternative, one of the eight interviewees said legislative consideration should be given to allowing the Board to award the PMG performance-based bonuses over and above the legislated pay cap.

The one interviewee with an opposing view did not believe the Board would have a difficult time attracting highly qualified candidates to the PMG position at the current salary. That interviewee said people are attracted to the position because of its status and the desire to serve the public—not because they are seeking a highly paid position.

¹⁵By statute, all officers and employees of the Postal Service are to be paid at a level commensurate with the private sector. However, that same statute restricts the Board from paying the PMG more than level I of the Executive Schedule.

Our survey of nine other government-created organizations showed that the PMG's pay is in line with the reported pay received by the top officials in those organizations where pay is legislatively capped. Five of the nine organizations had legislative pay caps similar to the Postal Service's. Those organizations were TVA, RTB, FDIC, AMTRAK, and the CPB. However, two organizations—Fannie Mae and Freddie Mac—were not subject to legislative pay caps. According to information provided by Fannie Mae and Freddie Mac, the chief executive officers (CEO) at these two organizations were paid substantially more than the PMG. Data provided show that in 1995, the CEOs at Fannie Mae and Freddie Mac were each paid more than \$1 million, compared to the \$148,400 paid the PMG.

Our ability to make pay comparisons with the CEOs at Canada Post and Australia Post was limited because both organizations said they consider this information to be private. Information provided by Canada Post shows its CEO's pay is set by Canada's Governor in Council¹⁶ and was in the neighborhood of \$200,000 (U.S.) in 1995.¹⁷ Australia Post did not provide specific information on its CEO's pay but said the pay is set at a level that takes into account both public and private sector considerations.¹⁸

Executive compensation is, has been, and will likely continue to be, a hotly debated issue in both the public and private sectors. Recent literature on executive compensation in the private sector shows the issue to be sharply focused on the amount of compensation paid executives in comparison to the health of the company, returns to investors, and wages paid nonmanagerial employees. For example, *Business Week* reported in April 1997 that the average pay increase for top executives in U.S. companies last year was 54 percent, compared with an average increase of 3 percent for U.S. factory workers. It also reported that the average CEO in the United States was paid 209 times more than the average U.S. factory worker. According to the literature, the spread in pay between these two groups has continued to widen since the 1980s. As time passes, however, more and more private sector executives are reportedly seeing their compensation challenged by stockholders and employee unions who

¹⁶The Governor in Council is a special committee of the Cabinet with responsibility for approving government regulations, including regulations for setting postal rates. For additional information on ratemaking at Canada Post, see our report *Postal Reform in Canada: Canada Post Corporation's Universal Service and Ratemaking* (GAO/GGD-97-45BR, Mar. 5, 1997).

¹⁷Canada Post reported that its salary information is private. However, it stated that in fiscal year 1995, the head of Canada Post was paid somewhere in the range of \$189,000 to \$233,000 (U.S. dollars).

¹⁸The PMG, in commenting on a draft of this report, provided additional information on CEO pay at nine foreign postal administrations, including Canada Post and Australia Post. See appendix V for additional information. We did not independently verify the information provided.

perceive the pay of some executives to be exorbitant. Other attempts are also being made to bring the issues surrounding executive pay to the forefront. For example, the American Federation of Labor-Congress of Industrial Organizations (AFL-CIO) launched an Internet site in April 1997 to give the public ready access to information on executive compensation for the Fortune 500 companies.¹⁹

Executive pay issues also exist within the public sector. The Senior Executives Association²⁰ has cited lifting the 3-year freeze on Executive Level pay as one of its top priorities. Over time, the spread in pay between executives and other employees has narrowed.

Along with the pay compression issue, Congress and the administration have become increasingly concerned about executive compensation in some government-created organizations and have been taking steps to address some of those concerns. For example, in October 1995, the President signed Executive Order 12976 requiring that certain bonuses paid executives of designated government corporations be preapproved by the Office of Management and Budget. Additionally, since 1992, Fannie Mae and Freddie Mac have been prohibited from providing compensation to any executive officer that is not reasonable and comparable with compensation for employment in other similar organizations (including other publicly held financial institutions or major financial services companies) involving similar duties and responsibilities. Also, a significant portion of potential compensation for executive officers must be based on the performance of the enterprises. Further, Fannie Mae and Freddie Mac are prohibited from entering into any severance agreement or contract with an executive officer, unless the Director of the Office of Federal Housing Enterprise Oversight of the Department of Housing and Urban Development approves the agreement or contract in advance.

Board Members' Pay

Although 12 of the 15 interviewees believed Board members' pay was another area warranting legislative attention, there was substantial disagreement on the specific issues and possible legislative remedies. Some interviewees thought Board members' pay should be increased, while others thought compensation should not be increased because Board service should be considered public service. Others thought the

¹⁹See <http://aflcio.paywatch.org>

²⁰The Senior Executives Association was founded in 1980 as a tax-exempt, nonprofit corporation representing career federal executives. The Association concerns itself with those issues that affect the career executive service as a whole.

daily meeting attendance fee should be increased. Others thought periodic reviews of Board members' pay should be required, and varying combinations of these changes were also offered for consideration.

Six of the 15 interviewees said that even though Board members' salaries were increased from \$10,000 to \$30,000 in 1996, they were still below private sector salaries and should be made more comparable. Five of the 15 interviewees also believed the law should be changed to increase the \$300 daily fee members are paid for attending Board meetings. Interviewees who suggested legislative change were particularly concerned that there is no legal requirement that pay be reviewed on a periodic basis, and they pointed out that the time span between the last two pay increases was 26 years.

Seven interviewees, however, said Board members' salaries should not be increased, and four said daily meeting attendance fees should not be increased. Two interviewees did not comment on Board members' salaries, and six did not comment on daily meeting attendance fees. Interviewees opposing these suggested legislative changes were generally of the opinion that Board service should be recognized as public service and that Postal Service Governors should not expect compensation similar to that found on private sector boards.

Our comparison of Postal Governors' pay with the reported pay of board members of nine other government-created organizations did not show major disparities. In fact, we identified only two notable differences. First, board members at Fannie Mae and Freddie Mac may elect to receive shares of stock in lieu of cash compensation. Second, board members at TVA and FDIC are paid more than Postal Service Governors, but they serve full time. None of the interviewees believed Postal Board Governors should serve full time.

As discussed earlier, compensation is an area of contention in both the public and private sectors. Board members' compensation, like CEOs' compensation, is currently being examined from different angles by various interest groups—e.g., stockholders and employee unions. Work done by Spencer Stuart, a company that tracks board trends and practices at 100 major American corporations, showed that private sector board members' annual salaries and meeting attendance fees averaged \$55,300 in 1996 (ranging from \$25,000 to \$100,000).²¹ This compares to compensation

²¹This does not include additional stock that was awarded board members at 41 of the 100 corporations.

of about \$38,000 that the Postal Service Governors will likely receive in 1997 (salary plus the historical average of daily meeting attendance fees).

Qualification Requirements for Board Membership

The final issue cited by a majority of current and former members as needing legislative attention was the lack of well-defined qualification requirements for Board appointments. Eight of the 15 interviewees stated that the statutes governing Board appointments are too general and should be more precisely defined. Seven of the interviewees, however, said no legislative change should be made in the appointment process. They were generally of the opinion that the current process, which requires Senate confirmation, ensures that highly qualified candidates are appointed to the Board.

The eight interviewees who favored more precisely defined qualification requirements believed that, historically, appointments to the Board have not always been based on an individual's demonstrated ability to govern large corporations like the Postal Service. They were concerned that because qualification requirements are not clearly defined in law, the Board may not always have the most appropriate mix of skills for effectively managing an organization as big and as complex as the Postal Service. The interviewees suggested a number of legislative changes that they believed could enhance the appointment process. These included having an independent body make recommendations for Board appointments and delineating, in law, specific requirements for Board service. Examples of specific requirements mentioned included (1) requiring that appointees have corporate experience, (2) requiring a mix of geographic representation on the Board, and (3) requiring labor and mailing industry representation on the Board.

The statutory restrictions/qualifications for board service at six of the other nine government-created organizations included in our study were more specific than the Postal Service's. For example, at Fannie Mae and Freddie Mac, four of the five presidential appointees to the board must have specific business backgrounds: one must be from the mortgage lending industry, one must be from the home building industry, one must be from the real estate industry, and one must be from an organization representing consumer interests. At the CPB, statutes require that the nine appointed board members be selected from such fields as education, cultural and civic affairs, or the arts. Board members are also to represent various regions of the nation and professions, occupations, and various kinds of talent and experience appropriate to the function and

responsibilities of the CPB. Additionally, of the nine board members, one is to be selected from among individuals who represent the licensees and permittees of public television stations, and one is to represent the licensees and permittees of public radio stations. Australia Post and AMTRAK statutes require that at least one board member have an understanding of employee issues. The RTB statutes require that of the Bank's 13 board members, 3 be elected by stockholders of eligible cooperative borrowers, and 3 be elected by stockholders of eligible commercial borrowers.

The statutory qualifications for board service at the other three government-created organizations included in our study (TVA, FDIC, and Canada Post) were similar to the Postal Service's qualifications in that they were generally nonrestrictive. For example, requirements for board membership at FDIC state only that the three appointed members must be U.S. citizens and that no more than three of the five board members may be members of the same political party.

Additionally, like the Postal Service, three of the other nine government-created organizations included in our study have provisions for ex officio membership on their boards. At the Postal Service, the PMG and DPMG are ex officio members of the Board. At the RTB, there are five ex officio members—all from the Department of Agriculture. Ex officio members on the FDIC board include the Comptroller of the Currency and the Director of the Office of Thrift Supervision. Additionally, one of the presidentially appointed members also serves as the chair of the board and full-time head of FDIC. The Secretary of Transportation and AMTRAK president serve as ex officio members on AMTRAK's board.

Current literature on private sector governance suggests that some aspects of corporate governance have been undergoing changes in recent years. Some stockholders, concerned with publicized instances of excessive executive compensation, coupled with unacceptable corporate performance, are increasingly scrutinizing governance issues, including the qualifications of board members. An article in the spring 1995 issue of *Business Quarterly* points to a lack of meaningful qualifications for board members and a lack of needed expertise and knowledge as two areas that could signal competence problems affecting board performance.²² The article goes on to point out that healthy boards require, among other things, a balance of qualifications, knowledge, skills, attitudes, and experiences. Business literature suggests that now, more so than in

²²Donald H. Thain and David S. R. Leighton, "Why Boards Fail," *Business Quarterly* (Spring 1995), p. 71.

previous eras, corporations are developing more well-defined criteria for board membership—acknowledging that various roles on the board may require various backgrounds and skills.

Although conceptually it may be desirable to have board representation for all stakeholders, it presents a real challenge to do so within the Postal Service structure. The Postal Service, unlike many other corporate and corporate-like organizations, has numerous stakeholders with widely varying interests and concerns, e.g., rural patrons, inner-city patrons, business mailers, six labor unions, and three management associations. If qualification requirements are changed, one challenge for Congress will be determining what qualifications or special interests, if any, should be represented on the Board.

Areas Where Some, but Less Than a Majority of, Interviewees Believed Legislative Attention Is Needed

In our discussions with current and former members of the Postal Service Board of Governors, we also identified areas where some, but less than a majority of, interviewees believed legislative attention is needed. Those areas were (1) the Board's mission and responsibilities, (2) the Board's relationship with postal management, (3) the Board's accountability and performance measures, and (4) the Board's composition and structure.

Additionally, our review of pertinent literature indicated that others have expressed concerns within these same four areas as they relate to government-created organizations in general. A recurring theme in this literature focuses on accountability. For example, in April 1995,²³ the Congressional Research Service reported that a key issue for policymakers is how to make government corporations politically accountable for their policies and operations while still giving them the necessary financial and administrative discretion to function in a commercial manner. An article in the February 1995 issue of *Government Executive* also expressed concern that quasi-government organizations are largely unaccountable for their actions.²⁴

Some of the current and former Postal Service Board members we spoke with had the following specific concerns in these four areas. Also, where applicable, we have included as part of our discussion other related issues identified as part of our literature search.

²³See S. Prt. 104-18, April 1995.

²⁴Clyde Linsley, "Government Inc.," *Government Executive* (Feb. 1995).

Board Mission and Responsibilities

Six interviewees cited the Board's mission and responsibilities as an area needing legislative attention. Concerns in this area centered on two issues. One issue was the Board's uncertainty as to how far it should go in letting the Postal Service compete and operate like a private sector corporation. The other issue concerned the limited specificity in law concerning the Board's oversight responsibilities.

Four of the six interviewees said that uncertainties about how far the Postal Service should go in competing with the private sector are not helped by the Postal Service's current legal designation. By law, the Postal Service is designated as an independent establishment in the executive branch. One interviewee characterized this situation by saying that the Postal Service's current legal designation places it in the unenviable position of being "neither fish nor fowl," i.e., neither an executive agency nor a private corporation. The four interviewees suggested that Congress consider clarifying the Postal Service's legal designation, which, in turn, should provide a clearer picture of the Service's mission.²⁵

Legal status questions are not unique to the Postal Service. Such questions are being raised with regard to government-created organizations in general. Unclear legal definitions are disconcerting to some, while others use it to their advantage. For example, a fellow at both the National Academy of Public Administration (NAPA) and the Johns Hopkins Center for the Study of American Government said government-created organizations can generally choose whatever legal status best suits their purposes.²⁶ He cited a 1977 incident in which the Secretary of Housing and Urban Development instructed Fannie Mae to increase its mortgage purchases in the inner cities. Fannie Mae replied that, as a private agency, its principal obligation was to its stockholders, who would object to its investing in riskier properties. A few years later, however, when the administration attempted to strip away some of Fannie Mae's special privileges, such as its tax exemptions, Fannie Mae responded, "Congress established Fannie Mae to run efficiently as an agency, not as a fully private company." Without those special relationships, Fannie Mae said, it would not be able to survive.

While discussing the Postal Service Board's mission and responsibilities, four of the six interviewees said the Board could benefit from more

²⁵Seven of the nine interviewees who did not believe legislative attention was needed to clarify the Board's mission and responsibilities specifically stated that they were opposed to changing the Postal Service's legal designation.

²⁶Clyde Linsley, "Government Inc.," *Government Executive* (Feb. 1995).

detailed guidance concerning its oversight responsibilities. They suggested that Congress consider making the law more specific. They were concerned that the broad guidance currently in law does not always provide them with a good basis for knowing Congress' desires as the Postal Service moves toward the 21st century.

Board Relationship With Postal Management

Five interviewees cited the Board's relationship with postal management as an area needing legislative attention. The most frequently cited issue related to perceptions that the position of Chief Postal Inspector did not have all the independence necessary. Four of the five interviewees said that to help ensure the Chief Postal Inspector's independence, he/she should be appointed by the Board and be directly accountable to the Board—similar to the status of the Postal Service's recently appointed Inspector General. They said the Chief Postal Inspector should not be appointed by, or be considered part of, management.

The five interviewees also had three other suggestions for legislative consideration in this area, but no one suggestion was cited by more than two of the interviewees. The specific suggestions included the following.

- The Postal Service's General Counsel should be appointed by the Board and be directly accountable to the Board—similar to the suggestion concerning the Chief Postal Inspector.
- The law should require that the PMG be appointed from within the Postal Service. This suggestion stemmed from the belief that the Postal Service's size and complexity makes it very difficult for an outsider to be an effective Postmaster General during the early years of his/her appointment.
- The PMG and DPMG should be allowed to vote on all matters that come before the Board, except for personnel matters relating directly to them. This suggestion was made to make the PMG and DPMG a more integral part of the Board. Currently, the PMG and DPMG are prohibited from voting on some issues that come before the Board, e.g., increases in postage rates.

Board Accountability and Performance Measures

Six interviewees cited Board accountability and performance measures as another area needing legislative attention, although no one issue was cited by more than two of the interviewees. Specific suggestions for legislative consideration included the following.

-
- Periodic peer reviews should be required as a prerequisite for continued service on the Board.
 - The fiduciary responsibilities of Board members should be more clearly delineated in law—particularly in light of the Postal Service’s current legal status.
 - Specific actions for which the Board will be held accountable should be clearly delineated in law.
 - A mechanism should be established for removing nonproductive Board members. One of the interviewees, however, cautioned against such an action, citing the potential for abuse.

Although the interviewees discussed accountability from a boardroom perspective, it is, in fact, a topic pertinent to all facets of organizational life. As discussed earlier, accountability is an issue being grappled with as the government examines its corporations and corporation-like organizations. Defining accountability in government begins with clearly establishing who is accountable to whom, and for what.

Board Composition and Structure

Four interviewees cited Board composition and structure as an area needing legislative attention, but no one issue was cited by more than two of the interviewees. Specific suggestions for legislative attention included the following.

- The current 9-year appointments to the Board are too long and should be shortened. Appointments should be made more comparable to the private sector, where terms are generally for no more than 3 years.²⁷
- Board members should be prohibited from serving more than one term.
- Former Postal Service employees should be prohibited from serving on the Board.
- The process for selecting a Chair should be changed. The Chair should be appointed by the president rather than elected by the Board.
- The PMG should be designated, in law, as the permanent Chair of the Board.
- The law should be clarified to explicitly state that the PMG can be elected Chair by the members.
- Management should have only one, not two, seats on the Board.

²⁷Five of the 15 interviewees, however, specifically said they were opposed to shorter terms. They thought 9-year terms were appropriate given the amount of time required to become well versed in postal issues.

Areas Where None of the Interviewees Believed Legislative Attention Is Needed

There were two areas discussed where none of the current or former Board members interviewed believed legislative attention is needed. These areas were (1) Board staffing and (2) the Board's legal status.

All of the interviewees agreed that Board staffing was an internal management issue and not an issue warranting legislative attention. They said the Board has the authority to hire as many staff as it needs to fulfill its responsibilities. Most individuals believed that the current staff, consisting of two professionals and two administrative staff, is adequate. However, four interviewees believed that the Board should consider expanding its staff to include experts in such areas as real estate, finance, and ratemaking. Nevertheless, they agreed that any decision to hire additional staff should be made by the Board itself, not by legislative fiat.

Additionally, current and former Board members we spoke with saw no need for legislative action to change the Board's legal status. The Board of Governors is part of the Postal Service and does not have a separate legal status. Nevertheless, discussion of the Board's legal status prompted several interviewees to reiterate their concerns about the Postal Service's legal status. As noted earlier, some interviewees believed that the current legal definition of the Postal Service—an independent establishment of the executive branch—is unclear and causes uncertainties about how far the Postal Service can go in competing with the private sector.

Agency Comments

The PMG and the Chairman of the Postal Service Board of Governors provided written comments on a draft of this report. The PMG said most of the issues raised in the report speak for themselves and have been discussed by the Governors and PMGs for many years. His comments also included supplemental information on compensation practices at TVA and CEO pay at nine foreign postal administrations plus the USPS. His comments are reproduced in appendix V.

The Chairman of the Postal Service Board of Governors said in his written comments that the report provides valuable information on governance issues and how other boards function. He also said many of the issues raised in the report have been discussed by the various Boards of the Postal Service over the years. His comments are reproduced in appendix VI.

Program personnel at the nine other organizations included in this report for comparison purposes were provided copies of a draft of appendix IV

for their review and comment. The program personnel at two of the nine (AMTRAK and CPB) organizations said the information was accurate as presented. Program personnel at the other seven organizations either provided additional information or made technical suggestions that have been incorporated into the appendix as appropriate.

We are sending copies of this report to the Ranking Minority Member of your Subcommittee, the Chair and Ranking Minority Member of the Senate oversight subcommittee, the Postal Service Board of Governors, the PMG, and other interested parties. Copies will also be made available to others upon request.

Major contributors to this report are listed in appendix VII. If you have any questions about the report, please call me on (202) 512-4232.

Sincerely yours,



Bernard L. Ungar
Director, Government Business
Operations Issues

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Appendix VII
Major Contributors to
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Abbreviations

AFL-CIO	American Federation of Labor-Congress of Industrial Organizations
AMTRAK	National Railroad Passenger Corporation
CEO	chief executive officer
COMSAT	Communications Satellite Corporation
CPB	Corporation for Public Broadcasting
DPMG	Deputy Postmaster General
FDIC	Federal Deposit Insurance Corporation
GSE	government-sponsored enterprise
NAPA	National Academy of Public Administration
PMG	Postmaster General
PRC	Postal Rate Commission
RTB	Rural Telephone Bank
TVA	Tennessee Valley Authority
USPS	U.S. Postal Service

Descriptions of Various Government-Created Organizations

The organizations we selected to compare with the Postal Service Board of Governors are generally identified as wholly-owned government corporations, mixed-ownership government corporations, GSES, or federally created private corporations. In addition, we compared the boards of two selected foreign postal administrations with the Board of Governors of the Postal Service.

Although there is no authoritative definition for the term “government corporation,” there are certain characteristics common to government corporations that were identified by President Truman in 1948 and that have been referred to and accepted over the years by public administration experts. According to President Truman, a corporate form of organization is appropriate for the administration of government programs that are predominately of a business nature, produce revenue and are potentially self-sustaining, involve a large number of business-type transactions with the public, and require a greater flexibility than the customary type of appropriations budget ordinarily permits.

In 1981, NAPA defined a wholly-owned government corporation as a corporation pursuing a government mission assigned in its enabling statute, financed by appropriations, with assets owned by the government and controlled by board members or an administrator appointed by the president or a department secretary. It defined a mixed-ownership government corporation as a corporation with both government and private equity, with assets owned and controlled by board members selected by both the president and private stockholders, and as usually intended for transition to the private sector.²⁸ Of the organizations selected for this study, TVA and the RTB are wholly-owned government corporations, and FDIC and AMTRAK are generally considered to be mixed-ownership government corporations.

GSES are federally established, privately owned corporations designed to increase the flow of credit to specific economic sectors. GSES typically receive their financing from private investment, and the credit markets perceive that GSES have implied federal financial backing. GSES issue capital stock and short- and long-term debt instruments, issue mortgage-backed securities, fund designated activities, and collect fees for guarantees and other services. GSES generally do not receive government appropriations. Fannie Mae and Freddie Mac are two examples of GSES.

²⁸See *Report on Government Corporations*, Vols. I-II (Washington, D.C.: NAPA, 1981).

Appendix I
Descriptions of Various
Government-Created Organizations

The CPB is a federally created private, nonprofit corporation. It does not consider itself to be a government corporation or a GSE. However, it does receive at least some of its operating funds from yearly federal appropriations and has been considered to be a government corporation by others.

Current and Former Postal Service Board Members Interviewed

Name	Position(s) held	Date(s) of appointment
Susan E. Alvarado	Current Governor	July 1988
Winton M. Blount	Former PMG Former Board Chair	January 1969 July 1971
Michael Coughlin	Current DPMG	January 1987
LeGree S. Daniels	Current Governor	August 1990
Einar V. Dyhrkopp	Current Governor	November 1993
S. David Fineman	Current Governor	May 1995
Anthony M. Frank	Former PMG	February 1988
Tirso del Junco	Current Board Chair	July 1988, Reappointed December 1991
Bert H. Mackie	Current Governor	December 1988
Ned R. McWherter	Current Governor	October 1995
Norma Pace	Former Governor	May 1987
Robert F. Rider	Current Governor	May 1995, Reappointed June 1996
Marvin Runyon	Current PMG	July 1992
Robert Setrakian	Former Governor	December 1985
Sam Winters	Current Governor	November 1991

Interview Guide

Relationship Between PMG and Board

1. Are you satisfied with the statutory relationship between the PMG and the Board? If not, why? Should anything be changed in law/regulation?
2. Aside from the statutory/regulatory relationship between the PMG and the Board, are there other issues dealing with the relationship that you would like to see addressed? If so, please explain your position and cite examples.

Board's Relationship to PRC

1. Are you satisfied with the Board's statutory relationship with PRC? If not, why? Should anything be changed in law/regulation?
 2. Do you believe PRC provides the Board with sufficient information to meet the Board's needs? Is information provided in a timely manner?
- If the information is not sufficient and/or timely, what changes do you believe are needed?

Board's Mission and Responsibilities

1. How does the Board get involved in setting goals and developing implementation strategies for the Postal Service?
2. Are you satisfied with the Board's mission and responsibilities as specified in legislation? If not, why?
3. Are you satisfied with the Board's mission and responsibilities as further defined by the Bylaws? If not, please cite examples and discuss any changes you believe are needed.

Board's Authority

1. Are there any statutory authorities the Board does not have that you believe it should have? If so, please explain.
2. Are there any statutory authorities the Board has that need to be expanded or contracted?

Board's Legal Status

1. Is the Board's legal status satisfactory, or are legislative changes needed? If so, what changes are needed and why? Provide examples supporting the need for any change in the legal status of the Board.

Board's Accountability and Performance Measures

1. Do you believe there are Board accountability issues that need to be addressed with regard to the Board as a collective unit? If so, what are those issues?
2. To whom are individual Board members accountable?
3. Are there accountability issues that need to be addressed with regard to the performance of individual Board members? If so, what are those issues?
4. In general, how are ethical or conflict of interest issues addressed? Are you satisfied with the guidance available in this area?

Board's Compensation

1. Is the new pay level adequate? If not, please explain why.
2. Do you believe benefits are adequate in relation to other boards (other board directors may receive stock options, health insurance, life insurance, etc.)? If not, how should they be adjusted?
3. Are travel reimbursements adequate? If not, where do they fall short?

Board's Composition/ Qualifications

1. Do the current size and composition of the Board allow the Board to effectively perform its duties?
 2. Are the qualifications/restrictions for Board membership adequate, or should more specific qualifications be spelled out in legislation? If more specific qualifications are needed, please state why and cite examples of how more specific qualifications would have been helpful in past situations.
 3. Do you serve on any other boards? If so, how many and which ones?
- Do you believe there should be a limit on the number of boards on which members can serve?
4. Should service on the Postal Service Board of Governors be changed from part time to full time? Explain.

Board Staff

1. Do you believe that the Board has sufficient staff resources? If not, what additional staff are needed (numbers, qualifications, etc.)?

Selected Characteristics of the Postal Service's Board of Governors and Other Boards

Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Organization background				
Legal status	Independent establishment of the executive branch of the United States government	Government-sponsored enterprise	Government-sponsored enterprise	Wholly-owned government corporation
Legal authority	Postal Reorganization Act of 1970 and amendments [39 U.S.C.]	Federal National Mortgage Association Charter Act, as amended [12 U.S.C. 1716-1723d]	Federal Home Loan Mortgage Corporation Act, as amended [12 U.S.C. 1451-1459]	Tennessee Valley Authority Act of 1933 and amendments [16 U.S.C. 831-831dd]
Created	July 1, 1971	June 27, 1934	July 24, 1970	May 18, 1933

**Appendix IV
Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
Wholly-owned government corporation ^a	Mixed-ownership government corporation	Mixed-ownership government corporation	Private, nonprofit corporation organized under D.C. law	"Parent Crown Corporation" (fully owned by the Crown)	Federal government business enterprise (fully owned by the Commonwealth Government of Australia)
7 U.S.C. 941-950b	12 U.S.C. 1811-1835a	49 U.S.C. 240101 et seq.	47 U.S.C. 396 et al.	Canada Post Corporation (CPC) Act 1980 and amendments [CPCA 1980-81-82-83, c.54 and amendments]	Australia Postal Corporation Act of 1989 and amendments
May 7, 1971	June 16, 1933	March 30, 1971	March 27, 1968	October 16, 1981	January 1, 1989 ^b

(continued)

**Appendix IV
Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Mission/ purpose	To provide postal services to bind the nation through the personal, educational, literary, and business correspondence of the people; and to provide prompt, reliable, and efficient service to patrons in all areas and to render postal services to all communities.	To provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and promote access to mortgage credit throughout the nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.	To provide stability in the secondary market for residential mortgages; respond appropriately to the private capital market; provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and promote access to mortgage credit throughout the nation (including central cities, rural areas, and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.	To improve the navigability of the Tennessee River; provide for flood control, reforestation, the proper use of marginal lands, and the agricultural and industrial development of the Tennessee Valley; provide for the national defense; and provide an ample supply of electric power to seven-state region in the southeastern United States.

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Service's Board of Governors and Other
Boards**

RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
To obtain an adequate supply of supplemental funds, to the extent feasible, from nonfederal sources to (1) make loans to corporations and public bodies for the purpose of financing or refinancing the construction, improvement, expansion, acquisition, and operation of telephone lines, facilities, and systems; and (2) conduct its operations, to the extent practicable, on a self-sustaining basis.	To insure deposits of banks and savings associations.	To provide intercity and commuter rail passenger transportation in the United States.	To facilitate the full development of public telecommunications.	To establish and operate a postal service for the collection, transmission, and delivery of messages, information, funds, and goods both within Canada and between Canada and places outside Canada; manufacture and provide such products and to provide such services as are, in the opinion of the Corporation, necessary or incidental to the postal service provided by the Corporation; and provide to or on behalf of departments and agencies of, and corporation owned, controlled, or operated by, the Government of Canada or a provincial, regional, or municipal government in Canada or to any person services that, in the opinion of the Corporation, are capable of being conveniently provided in the course of carrying out the other objects of the Corporation.	To supply postal services within Australia and between Australia and places outside Australia. Australia Post is also able to carry on any business or activity, either in Australia or overseas, relating to the supply of postal service. Australia Post may also carry on any business or activity that is conveniently carried on by use of resources not immediately required in performing the principal function or in the course of performing the principal function.

(continued)

**Appendix IV
Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Board authority				
Description of board's authority to set prices, rates, etc.	<p>Postal rates are determined in conjunction with a Postal Rate Commission (PRC) recommendation. The Governors may approve a PRC-recommended change; accept recommended change under protest; reject or, in limited circumstances, modify recommended change.</p> <p>PRC is an independent agency that acts upon requests from the USPS or in response to complaints filed by interested parties. Among its major responsibilities are to submit recommended decisions to the USPS on postage rates and fees and mail classifications, issue advisory opinions to the USPS on proposed nationwide changes in postal services, and submit recommendations for changes in the mail classification schedule.</p>	The Board has unilateral authority to conduct business operations, but generally day-to-day business activities are delegated to management subject to provisions of charter.	<p>Freddie Mac's charter explicitly provides that Freddie Mac has full discretion in setting prices and other business operations.</p> <p>There are no regulatory or other external limits on the authority of Freddie Mac's management to set prices for mortgages it purchases and the securities it issues.</p>	<p>TVA's board has exclusive authority to set prices, rates, etc., for the products or services that TVA sells. The TVA act contains standards for determining appropriate levels for TVA's electric power rates but commits the fixing of those rates to the discretion of the TVA board and precludes judicial review thereof.</p> <p>With one exception, no statutory provision authorizes another person, board, or commission to set or review prices.^c</p>
Does board set pay for CEO?	Yes, Governors set pay of the PMG, subject to limitations of 39 U.S.C. 1003(a); i.e., salary cannot exceed the rate for Level I of the Executive Schedule.	Yes, the Board is authorized to fix compensation for the officers of the Corporation.	Yes, the Board of Directors determines compensation of officers.	Yes, the board sets compensation for all TVA employees. Salary for regular employees may not exceed that received by board members.
Does board set benefits for CEO?	Yes, subject to restrictions of Federal Retirement and Workers Compensation Laws.	Yes, the Board is authorized to fix compensation for officers of the Corporation.	Yes, the Board of Directors determines benefits of officers.	Yes, the board sets compensation, including benefits, for all appointees.

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Selected Characteristics of the Postal
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Boards**

RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
<p>The only product of RTB is loans. Loans are to be made in accordance with the requirements contained in the Rural Electrification Act, Section 408(a). Interest rates are determined by a formula set by law in the Act, Section 408(b).</p> <p>The U.S. Department of Agriculture Rural Utilities Service is responsible for the day-to-day operation of RTB, and Congress maintains regulatory authority.</p>	<p>The board has unilateral authority to grant or deny deposit insurance to financial institutions. Board decisions are not subject to approval by another regulatory authority.</p>	<p>The board has unilateral authority to set prices, rates, etc., without review or approval by an independent regulatory authority.</p>	<p>The board has the authority to approve prices; however, it has no products to sell. Specifically, CPB is not a commodity business.</p>	<p>The board, directly or indirectly through delegation of authority to the President/CEO, oversees virtually all rate-making decisions. The board, in delegating its authority, has established that (1) all rates established through regulation (i.e., noncompetitive products) require approval of the board, (2) all generic rates (rates available to anyone meeting specified terms and conditions) established outside of regulation require the President/CEO's approval, and (3) all sales agreements (generic or non-generic) are subject to the board's delegation of authority instrument and related processes.</p>	<p>The board sets prices for all products and services. The board must notify the Minister of any intention to alter the price of the standard postal rate (the reserved service), and the Minister has the opportunity to disallow it.</p> <p>The Australian Competition and Consumer Council, while having no direct authority over the price, has the opportunity to consider any proposal and make its views known to the Minister as part of his/her consideration of proposed price alterations.</p>
No.	<p>No, the pay of the Chair of the Board ("CEO") is determined by reference to Federal Statutes—Level III of the Executive Schedule.</p>	Yes.	<p>Yes, but president may not be compensated at an annual rate of pay that exceeds the rate of basic pay in effect from time to time for Level I of the Executive Schedule under Sec. 5312 of Title 5.</p>	<p>No, the CEO's pay is set by Governor in Council.</p>	Yes.
No.	Yes.	<p>Yes, under 49 U.S.C. § 24303(b).</p>	Yes.	<p>No, benefits are set by the Governor in Council.</p>	Yes.

(continued)

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Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
CEO compensation (FY95) ^d	\$148,400	\$800,000 salary; \$833,263 bonus; and \$23,102 other annual compensation, as well as long-term compensation in the form of stock awards and securities options.	\$865,000 salary; \$394,000 bonus; and \$100,688 other annual compensation, as well as long-term compensation in the form of restricted stock awards and securities options.	Not applicable.

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Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
<p>Annual compensation is to conform to provisions of the federal executive salary schedule.</p> <p>\$108,200 salary and approximately 20% of that for benefits for the Administrator of Rural Utilities Services, who serves as the CEO of the telephone bank.</p>	<p>The Chair's total pay and benefits compensation for FY95 was \$147,014.74.</p>	<p>The CEO's compensation does not exceed the Federal Executive Level I salary scale.</p> <p>The CEO receives the following benefits: health insurance, an employer-paid retirement income plan, a 401(k) retirement savings plan, life and accidental death and disability insurance, split dollar life insurance, business travel accident insurance, short-term and long-term disability benefits, United States Railroad retirement benefits as well as paid vacation and sick leave, rail pass privileges, educational assistance, parking, and relocation benefits.</p>	<p>\$148,400</p>	<p>This is not considered public information.^e</p> <p>However, the CPC Board contact provided a range of salary that is public: \$189,000 to \$233,000 (U.S. dollars).</p> <p>The benefit package is worth about 20% of salary.</p>	<p>Not publicly available.^e</p> <p>Terms and conditions are set at a level that takes into account both public and private sector considerations. Prior consultation with the Remuneration Tribunal is part of the process of establishing a package.</p>

(continued)

**Appendix IV
Selected Characteristics of the Postal
Service's Board of Governors and Other
Boards**

Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Board compensation				
Description of how salaries and benefits for Board members are determined and approved	<p>For Governors, salary and reimbursable expenses determined by statute.</p> <p>Governors determine pay of PMG and DPMG within legislatively established parameters.</p>	Board advised by outside experts on appropriate levels of compensation based on payments made by comparable businesses.	<p>Pursuant to a resolution adopted by the board, the 15 outside directors receive an annual retainer, annual award of stock options and restricted stock, and meeting attendance fees.</p> <p>They do not receive salaries or other employee benefits.</p>	<p>Salary of TVA Board Chair is established under Level III of the Executive Schedule Salary.</p> <p>The salary of the other two members of the TVA board is established under Level IV of the Executive Schedule. Benefits available to board members are those generally available to federal employees, including presidential appointees, by statute.</p>
Description of how increases in salaries and other benefits occur	<p>Governors' salaries are set by legislation. From 1970 to 1995, there were no salary increases. In 1996, salaries were increased by legislation.</p> <p>PMG and DPMG salaries are set by the Governors, subject to a pay cap.</p> <p>Increases in pay are done through the legislative process.</p>	<p>Generally annual adjustments.</p> <p>Board is advised by outside experts on appropriate levels of compensation based on payments made by comparable businesses.</p>	Board members receive cash fees and stock awards as their compensation. Adjustments for inflation are not included in the criteria for setting compensation. However, from time to time Freddie Mac reviews the compensation package for board members to ensure that it remains competitive.	<p>The Chairman and two directors of the TVA board are positions covered by level III and level IV, respectively, of the Executive Schedule (5 U.S.C. §5314 and §5315).</p> <p>Increases in pay are done through the legislative process.</p>
Is member service full or part time?	<p>Full time for PMG and DPMG.</p> <p>Part time for Governors.</p>	Full time for 3 management employees and part time for rest of board, who are outside management directors.	Part time. Board members provide service year round. There is no fixed-hour requirement for service.	Full time

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RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
Determined by statute.	Salary is determined under federal statutes —Level III of the Executive Schedule for Chairperson and Level IV for other members.	Pay and expenses are set by statute.	By statute.	Determined by the Governor in Council.	Determined by an independent central remuneration tribunal.
Salaries and benefits have not been increased since establishment of Board in 1971. Adjustments would be made legislatively.	Board members' salaries are set by statute (5 U.S.C. §5314 and §5315) under appropriate executive levels. Changes would be done legislatively.	Adjustment would require legislative change.	Salaries and benefits may be changed by an act of Congress at any time.	Increases are not made on a regular basis. They are made following a recommendation from the Minister responsible for Canada Post to the Governor in Council. The last adjustment was made by the Governor in Council in 1990.	The Remuneration Tribunal regularly examines remuneration levels and will consult with the board on specific issues.
Part time	Full time	Part time	Part time	Part time	Full time for Managing Director and part time for other Directors.

(continued)

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Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Current annual salary of board members	<p>\$30,000 plus \$300 a day for not more than 42 days of meetings per year for Governors.</p> <p>\$148,400 salary for PMG</p> <p>\$148,000 salary for DPMG</p>	<p>\$23,000 retainer annually, plus \$1,000 for attending each board or board committee meeting.</p> <p>Committee chairs received an additional \$500 for each committee meeting they chaired.</p> <p>Additionally, each nonmanagement director has restricted common stock under the Fannie Mae Restricted Stock Plan for Directors and stock options under the Fannie Mae Stock Compensation Plan of 1993. Fannie Mae officers who serve on the Board of Directors do not receive compensation for serving as directors other than the compensation they receive as Fannie Mae officers. Fannie Mae officers are not eligible to participate in the Fannie Mae Restricted Stock Plan for Directors and are not eligible to receive nonmanagement director stock options under the Fannie Mae Stock Compensation Plan of 1993.</p>	<p>\$20,000 retainer annually, prorated based on the quarter in which they were appointed.</p> <p>Directors also were paid \$1,000 for attendance at each meeting of the board or any board committee meeting and were reimbursed for out-of-pocket costs of attending such meetings.</p> <p>Each board committee chairman also received an annual retainer of \$2,500.</p> <p>Pursuant to the 1995 Directors' Stock Compensation Plan,^f each Director was granted options to purchase 2,400 shares of the Corporation's common stock and received shares of restricted stock having a fair market value of approximately \$10,000 on the date of the award.</p>	<p>Effective January 1, 1996:</p> <p>\$115,700 for Board members</p> <p>\$123,100 for Chairman</p> <p>Board service is full time; therefore, no daily meeting attendance fees paid.</p>
Board composition/qualifications				
Number of board members	11 (9 Governors plus the PMG and DPMG)	18	18	3

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<p>Board members from the general public and elected members receive \$100 each day (or part thereof) for up to 50 days per year, spent in the performance of their official duties.</p> <p>Federal employees appointed to the Board receive no additional compensation for serving on the Board.</p>	<p>\$123,100 for Chair</p> <p>\$115,700 for other board members</p> <p>Board service is full time; therefore, no daily meeting attendance fees paid.</p>	<p>Board members receive \$300 per diem for attending board and committee meetings or conducting other official business of the Corporation.</p> <p>The \$300 per diem is a fixed statutory compensation level that has been in place since the board was created.</p>	<p>\$150 a day while attending meetings or while engaged in duties related to such meetings or other activities of the board, including travel time.</p> <p>No board member shall receive compensation of more than \$10,000 in any fiscal year.</p>	<p>\$437 (U.S. dollars) for physical attendance at board or board committee meetings.</p> <p>The \$437 (U.S. dollars) is also payable for each full day of travel to and from the meeting.</p> <p>Board members are paid an annual retainer (\$4,080 to \$5,100 U.S. dollars) that is set by Order-in-Council (i.e., by Her Majesty's Government) on the recommendation of the responsible Minister.</p>	<p>Directors—\$27,650 (U.S. dollars)</p> <p>Deputy Chair—\$37,750 (U.S. dollars)</p> <p>Chair—\$58,700 (U.S. dollars)</p> <p>No daily meeting attendance fees paid.</p>
13	5	9	9	11	Up to 9 Directors.
			(6 current members and 3 vacancies).	(9 Directors plus the Chair and President).	

(continued)

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Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
How board members are selected	<p>9 Governors appointed by the President of the United States, by and with the consent of the Senate.</p> <p>Governors appoint PMG.</p> <p>Governors and PMG appoint DPMG.</p>	<p>13 members elected by shareholders.</p> <p>5 members appointed by President of the United States.</p>	<p>5 appointed by the President of the United States.</p> <p>13 elected by voting common stockholders.</p>	<p>Appointed by the President of the United States with the advice and consent of the Senate.</p>

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<p>7 appointed by the President of the United States (5 of whom shall be officers or employees of the Department of Agriculture and not officers or employees of the Rural Utilities Services, and 2 of whom shall be from the general public and not officers or employees of the federal government).</p> <p>3 elected by stockholders of eligible cooperative borrowers.</p> <p>3 elected by stockholders of eligible commercial borrowers.</p>	<p>3 appointed by the President of the United States, by and with the advice and consent of the Senate.</p> <p>1 member shall be the Comptroller of the Currency.</p> <p>1 shall be the Director of the Office of Thrift Supervision.</p>	<p>3 members are appointed by President of the United States and confirmed by the Senate (representing labor, state governors, and business).</p> <p>2 members represent commuter authorities and are selected by the President from lists drawn up by those authorities.</p> <p>2 are selected by the Corporation's preferred stockholder—the Department of Transportation.</p> <p>The Secretary of Transportation and Amtrak President serve by virtue of their offices.</p>	<p>Appointed by the President of the United States with the advice and consent of Senate.</p>	<p>9 Directors are appointed by the Minister with the approval of the Governor in Council. The Governor in Council appoints the Chair and President/CEO .</p>	<p>Directors are appointed by the Governor-General on the nomination of the Minister for Communications and the Arts.</p> <p>The Managing Director is appointed by the Board of Directors.</p> <p>The Minister must consult with the Chair of Post prior to appointing Directors, and one Director must be recognized as having an appropriate understanding of the interests of employees.</p>

(continued)

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Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Number of years members are to serve	<p>9 years for the 9 Governors. A Governor may continue to serve up to 1 year after term expires while awaiting a successor to be named.</p> <p>PMG serves at pleasure of Governors.</p> <p>DPMG serves at pleasure of Governors and PMG.</p>	1 year	1 year	9 year fixed terms are staggered so that one begins every 3 years on May 18 (e.g., 1990, 1993, and 1996).

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At pleasure of the President of the United States for appointed members. 2-year terms for elected members.	6 years for each appointed member, but they may continue to serve after the expiration of their terms of office until a successor has been appointed and qualified. Others serve during their terms as Comptroller of Currency and Director of the Office of Thrift Supervision.	3 members appointed by the President of the United States and confirmed by the Senate (representing labor, state governors, and business) serve for 4 years. 2 members representing commuter authorities serve for 2 years. 2 members selected by the Corporation's preferred stockholder, the Department of Transportation, serve for 1 year. 2 ex officio members (the Secretary of Transportation and the President of AMTRAK) serve as members as long as they remain in their positions as Secretary of Transportation and President of AMTRAK.	The term of office of each member of the board appointed by the President of the United States shall be: 6 years, except as provided in section 5(c) of the Public Telecommunications Act of 1992. Any member whose term has expired may serve until such member's successor has taken office, or until the end of the calendar year in which such member's term has expired, whichever is earlier. Any member appointed to fill a vacancy occurring prior to the expiration of the term for which such member's predecessor was appointed shall be appointed for the remainder of such term.	Not to exceed 3 years for Directors. As determined by Governor in Council for Chair and President/CEO.	Up to 5 years for Directors as specified in the instrument of appointment.

(continued)

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Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Board member qualifications and restrictions as stated in legislation	<p>Qualifications are not prescribed in legislation.</p> <p>No restrictions in legislation regarding who can be PMG and DPMG.</p> <p>No political recommendations may be considered when selecting PMG and DPMG.</p> <p>Governors are chosen to represent the public interest generally and cannot be representatives of specific interests using the USPS.</p> <p>Not more than 5 of the Governors can be members of the same political party.</p> <p>No officer or employee of the United States may serve concurrently as a Governor.</p> <p>A Governor may hold any other office or employment not inconsistent or in conflict with his duties, responsibilities, and powers as an officer of the USPS.</p>	<p>Of 5 presidentially appointed members, at least:</p> <p>1 must be from mortgage lending industry;</p> <p>1 from homebuilding industry;</p> <p>1 from real estate industry; and</p> <p>1 from an organization that represents consumer interests for not less than 2 years, or 1 person who has demonstrated a career commitment to the provision of housing for low-income households.</p>	<p>At least:</p> <p>1 from home-building industry;</p> <p>1 from mortgage lending industry;</p> <p>1 from real estate industry; and</p> <p>1 from an organization that has represented consumer interests for not less than 2 years, or 1 person who has demonstrated a career commitment to the provision of housing for low-income households.</p>	<p>Each member must be a U.S. citizen and profess a belief in the feasibility and wisdom of the TVA Act of 1933.</p> <p>Members are prohibited from having a financial interest in any public utility corporation engaged in the business of distributing and selling power to the public or in any corporation engaged in the manufacture, selling, or distribution of fixed nitrogen or fertilizer, or any ingredients thereof; nor shall any member have any interest in any business that may be adversely affected by the success of the corporation as producer of concentrated fertilizers or as a producer of electric power.</p> <p>Also, board members are prohibited, during their tenure in office, from engaging in any other business.</p>

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RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
<p>5 members appointed by the President of the United States must be officers or employees of the Department of Agriculture and not officers or employees of the Rural Utilities Services.</p> <p>2 members appointed by the President of the United States must be from the general public and not officers or employees of the federal government.</p> <p>3 members must be elected from cooperative-type organizations.</p> <p>3 members must be elected from commercial-type organizations.</p> <p>Elected board members must be officials (managers, directors, etc.) of the organization they represent.</p>	<p>Appointed board members must be U.S. citizens, and not more than 3 of the members may be members of the same political party.</p>	<p>Directors must be U.S. citizens.</p> <p>Secretary of Transportation serves as Board member by virtue of his office.</p> <p>Amtrak's President serves as the Chairman of the board by virtue of his office.</p> <p>3 members are appointed by the President of the United States and confirmed by the Senate (representing labor, state governors, and business).</p> <p>2 members represent commuter authorities and are selected by the President of the United States from lists drawn up by those authorities.</p> <p>2 members are selected by the Corporation's preferred stockholder.</p>	<p>No more than 6 of the appointed members may be from the same political party.</p> <p>The 9 appointed members shall be selected from such fields as education, cultural and civic affairs, or the arts—including radio and television—and represent various regions of the nation, professions, and occupations, and represent various kinds of talent and experience appropriate to the function and responsibilities of CPB.</p> <p>Of these appointed members, 1 shall be selected from among individuals who represent the licensees and permittees of public television stations, and 1 shall represent the licensees and permittees of public radio stations.</p>	<p>None specified.</p>	<p>The board must have a mix of skills appropriate for the Corporation. One member is to have an appropriate understanding of the interests of employees.</p>

(continued)

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Organization the board directs	USPS	Fannie Mae	Freddie Mac	TVA
Are there restrictions on the number of terms a member can serve?	Nothing specified in statute or regulation.	A director should not be renominated after having served for 10 years or longer, although nominating committee may for good reason propose the renomination of such a director. No director should be proposed for renomination after 15 years of Board service.	No, but stockholder-elected directors must retire at age 72.	None.
Is board referred to as "Board of Directors," "Board of Governors" or by another title?	Board of Governors.	Board of Directors.	Board of Directors.	Board of Directors.
How is Chair selected?	Elected by the Governors from among the members of the Board.	Elected by Board.	By annual vote of the Board of Directors.	Designated by the President of the United States.

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RTB	FDIC	AMTRAK	CPB	Canada Post	Australia Post
No.	There are no restrictions contained in the statute.	None.	Yes. No member of the board shall be eligible to serve in excess of 2 consecutive full terms.	No. Law states that a Director may, on the expiration of his/her term of office, be reappointed to the board.	None specified in enabling legislation. Directors have been reappointed.
Board of Directors.	Board of Directors.	Board of Directors.	Board of Directors.	Board of Directors.	Board of Directors.
Elected by Board members.	One of the appointed members shall be designated by the President of the United States, by and with the advice and consent of the Senate, to serve as Chair of the Board of Directors for a term of 5 years.	President serves as Chair.	Members of the board annually elect one of their members to be Chair and elect one or more of their members as a Vice Chair or Vice Chairs.	The chair is appointed by the Governor in Council.	Chair is selected by the Minister, with appointment made by Governor General.

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Note: Data displayed in this appendix were obtained primarily from the matrices completed by the boards of organizations included in our study. After receiving the completed matrices, we contacted each organization for clarification of some of their responses. We did not independently verify the information provided.

^aUntil privatization (privatization will occur when 51 percent of the class A stock issued to the United States and outstanding at any time after September 30, 1995, has been fully redeemed and retired).

^bThe Australian Postal Corporation came into existence on January 1, 1989. It succeeded the Australian Postal Commission. The legal status and identity of the Corporation did not change its present form until the Australian Postal Corporation Act came into effect on July 1, 1989.

^cSection 212 of the Federal Power Act, 18 U.S.C., authorizes the Federal Energy Regulatory Commission to review and approve rates for the transmission of electric power in connection with transmission services rendered pursuant to a Federal Energy Regulatory Commission order under section 211 of the Federal Power Act.

^dSome organizations provided data on pay and benefits, and others provided information only on pay.

^eThe PMG, in commenting on a draft of this report, provided additional information on CEO pay at nine foreign postal administrations, including Canada Post and Australia Post. See appendix V for additional information. We did not independently verify the information provided.

^fThis plan also permits Directors to receive shares of the corporation's common stock in lieu of any portion of cash compensation.

Sources: Boards of the respective organizations.

Comments From the U.S. Postal Service



July 9, 1997

Mr. Michael E. Motley
Associate Director
Government Business Operations Issues
General Accounting Office
441 G Street, N.W.
Washington, DC 20548-0001

Dear Mr. Motley:

Thank you for the opportunity to add value to your *U.S. Postal Service Government Issues* report. Most of the issues raised in the report speak for themselves, and have been discussed by Governors and Postmasters General for many years.

On one point, you indicated that the members of the board of TVA were paid at the cap and that is true. However, the board at TVA has elected to compensate its officers by additional retirement benefits, bonuses, and other means by which their total compensation is comparable to equivalent positions in the electric utility industry. Without that capability, a senior vice president for nuclear power, a very important position in an electric utility company, would have to be compensated at one-third to one-fourth the going rate in the industry. For that reason, total compensation of some officers at TVA is three to four times the pay of the three full-time board members who are appointed by the President, approved by the Senate, and subject to the pay cap.

On another matter, you indicated that you were unable to get the pay of the Canadian and Australian postal administration heads. In order to supplement the report, enclosed is the pay, number of employees, percentage of world's mail, revenue and CEO pay listed as a multiple of craft employees in the organization of each of the major countries in the world, including Canada and Australia.

You further indicated that in at least one instance CEO pay in the United States was 209 times the average worker's pay and I have put a column together indicating what that is for each country.

Thank you, again, for the opportunity to add these facts to your study.

Best regards,

A handwritten signature in black ink, appearing to read "Marcia Luzzo".

Appendix V
Comments From the U.S. Postal Service

Postal Administration CEO Pay, FY 1995

	CEO Pay (in US \$'s)	CEO Pay, Mult. of Craft Empl.	Revenue (US Millions)	Employees	Volume (In Millions)	% world mail
Australia	\$270,324	10 x's	2,190	45,578	4,047	0.92
Canada	\$275,000	8.5 x's	3,500	63,478	11,800	2.68
France	\$400,000	11 x's	9,280	290,839	23,500	5.34
Germany	\$500,000	8 x's	9,168	307,000	19,963	4.54
Great Britain	\$342,000	15 x's	10,359	208,810	18,322	4.16
Ireland	\$182,000	9 x's	219	8,062	223	0.05
Italy	\$800,050	20 x's	3,280	203,126	5,691	1.29
Japan	\$220,000	5 x's	18,078	142,538	24,800	5.64
Sweden	\$279,000	16 x's	1,618	55,714	4,533	1.03
United States	\$148,400	4 x's	54,509	874,972	178,970	40.68

Comments From the U.S. Postal Service Board of Governors

TIRSO DEL JUNCO, M.D.
CHAIRMAN
BOARD OF GOVERNORS



July 14, 1997

Mr. Michael E. Motley
Associate Director
Government Business Operations Issues
General Accounting Office
441 G Street, N.W.
Washington, DC 20548-0001

Dear Mr. Motley:

We appreciate the opportunity to comment on GAO's draft report on U. S. Postal Service: - Governance Issues. Overall, we found the report informative.

While the report draws no conclusions or makes recommendations, it does provide valuable information particularly as it relates to governance issues and to how other agency's Boards function. Interestingly enough, many of the issues raised in the report have been discussed by the various Boards of the Postal Service over the years. The report quite effectively captures those issues which will be of value to both current and future Board members.

Thank you again for the opportunity to comment on the report.

Sincerely,

A handwritten signature in black ink that reads "Tirso del Junco".

Tirso del Junco, M.D.
Chairman

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