

THE USPS BOARD OF GOVERNORS

VACANCIES

When he was chief executive officer, who did Steve Jobs have to answer to at Apple? He reported to Apple's board of directors.

Every corporation has a board of directors: smart and experienced counselors who have the power to approve or negate the CEO's decisions. They are a voice of reason

or the body that can hold a CEO accountable. They exist to help guide corporations to make the best decisions possible.

The Postal Service, though a government agency, has a board to guide the postmaster general, too—the USPS Board of Governors. But this board isn't working.

The 11-member Postal Board of Governors is composed of nine presidentially appointed governors and two executive members appointed by the nine appointees—the postmaster general and the deputy postmaster general. The board was created by Congress in the Postal Reorganization Act of 1970 to oversee the newly created USPS. It was designed to take politics out of the Postal Service by empowering the board to make decisions the Congress used to make, such as the cost of postage, where to build new postal facilities and how much postal employees should earn.

For the most part, it worked for many years, though the appointment of new governors was never totally separated from partisan politics. That's because, by tradition, the Senate's majority and minority leaders typically suggest the names of proposed governors, and presidents from

both parties have generally rubber-stamped these suggestions and made appointments accordingly. Sadly, over the past several years, the growing dysfunction of Congress has led to a crisis of governance at the Postal Service—and the Board of Governors might better be known as the “Board of Vacancies.”

At this moment, six of the nine presidentially appointed seats on the board are vacant. In a strictly legal sense, the board no longer has a quorum because the Senate has failed to confirm new members nominated by President Barack Obama. The seven-year terms of eight of the nine appointed members have expired, and two governors are now serving their so-called hold-over year, provided by law to give Senate leaders and the president time to name replacements.

Last fall, before losing its quorum, the board delegated its power to a “temporary emergency committee” composed of the remaining members, but the legality of that action is uncertain.

President Obama has nominated candidates to fill the vacancies (see the biographies below), though one recently withdrew. The Senate has yet to vote on any of them. While congressional dysfunction plays a part, dissatisfaction with the candidates nominated also contributes to the delays.

“Letter carriers and other postal workers do our jobs every day to keep mail and packages moving,” NALC President Fredric Rolando said. “Congress and the administration need to do their part and fulfill their basic responsibilities by nominating and confirming a qualified and effective board of governors.”

INTENTION MEETS REALITY

The Board of Governors was meant to act like a corporate board of directors with members having knowledge of the business and a vision for success. The board oversees the Postal Service’s operations and spending, sets its major policies, and plans its future.

The governors are supposed to bring with them an understanding of, and experience with, running large enterprises—and to use those to guide the Postal Service. Federal law says the governors must “represent the public interest generally, and shall be chosen solely on the basis of their experience in the field of public service, law or accounting or on their demonstrated ability in managing organizations or corporations (in either the public or private sector) of substantial size....” At least four governors on the board must have experience running organizations with 50,000 or more employees.

Governors typically serve seven-year terms, although some of the current members were appointed before 2006, when terms were shortened from nine years to seven, and are serving longer terms. The board hires the postmaster general and deputy PMG, who become voting members of the board on many, but not all, issues. It also hires the USPS’ inspector general, who does not sit on the board.

The board has broad oversight of USPS; among its many duties, the board approves the Postal Service’s plans, policies and investment decisions, and it issues financial reports. Appointed board members are paid \$30,000 a year, plus \$300 for each day they meet (for up to 42 days each year). The board meets in Washington, DC, about once a month.

Using this called-for collective knowledge and experience, the board is charged with giving the Postal Service the forward-thinking, independent leadership it needs to succeed, but lately that hasn’t quite been working out as hoped.

In part, that’s because few members of the Board of Governors have significant experience in business or finance. Instead, they are generally chosen with political considerations in mind, and often they have much more experience in government or politics than in business. This lack of executive expertise was on display at a congressional hearing in 2013. While testifying, the board’s chair-

man at the time, former New Mexico State Sen. Mickey Barnett, turned several times to ask aides behind him for answers to basic questions about the Postal Service—including the price of a first-class stamp (see the June 2013 issue of *The Postal Record* for coverage of the hearing).

Occasionally, an appointee brings along some extra political baggage, such as hostility to the Postal Service's public mission, or past statements calling for privatizing the agency or blaming its labor unions for its woes (see the biographies of Mickey Barnett and James C. Miller below).

Since by law the presidentially appointed members of the board can't have more than five members from one political party, moving nominations in the Senate often requires political horse-trading between the leaders of the Democratic and Republican caucuses. That requires a willingness to

compromise and a sense of bipartisanship among Senate leaders. When it comes to presidential appointments in recent years, both have been absent.

Moreover, with the deep polarization between the parties in recent years, Senate leaders have increasingly ignored the law and based their appointment suggestions more on politics than business savvy or relevant experience. In this environment, it is sadly not surprising to end up with a board candidate or two who want to slash or dismantle the very agency they are supposed to lead and promote.

As the polarization and dysfunction has deepened, the nomination process can drag on for months or even years.

Five potential governors nominated by President Obama as long as two years ago still await confirmation. One former nominee to the board, Victoria Kennedy, reportedly

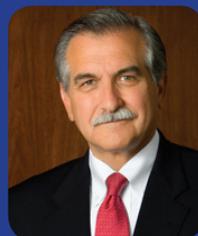
CURRENT BOARD OF



James H. Bilbray,
Acting Chairman

Bilbray was appointed by President George W. Bush to a term that expires this December. He

is a lawyer and a former member of Congress. After serving in the Nevada State Senate, he was elected to the U.S. House of Representatives in 1987, where he served until 1995. During his House career, Bilbray was a member of the Foreign Affairs Committee, the Armed Services Committee, the Intelligence Committee and the Small Business Committee.



Louis J. Giuliano

Giuliano retired in 2004 as chairman, CEO and president of ITT Corp., a manufacturer of compo-

nents for the energy, transportation and industrial markets with 9,000 employees worldwide. President George W. Bush appointed him to the board; his term expires in December. Before joining ITT, Giuliano worked in the aerospace division of AlliedSignal.



Ellen C. Williams

Williams works for MML&K Government Solutions, a government relations and lobbying firm. President George

W. Bush appointed Williams to a term that expires this December. Williams had a long career as a Republican Party activist in Kentucky, where she served as state GOP chairman. She worked in Kentucky for Republican candidates for president, Congress and governor and served as executive assistant to former Sen. Bob Kasten (R-KY). Williams also is a former vice

has dropped out due to frustration with the wait. She was nominated in February of 2014.

In many ways, the Postal Board of Governors reflects the growing dysfunction that has gripped the nation's capital. Rather than consisting of non-controversial appointees chosen for their knowledge, the board has become another political football with nominees chosen on partisan grounds and their confirmations snagged in battles over other issues. By allowing political intrigue to overtake the Board of Governors' selection process, Congress and the president have kept people with the best knowledge and experience for the job from joining.

At this point, politics has delayed confirmation of any nominees, even sub-par ones, for so long that the board may cease to function. Even with the temporary emergency committee in place, operating without a

quorum could put any decisions by the current board in legal jeopardy.

Once the nominations finally reach the Senate, the long process begins of vetting nominees, holding hearings and waiting for the Senate to vote on confirmation. By design, the Senate always has worked at a snail's pace, but the extremely partisan atmosphere in the Senate of late has slowed its processes even more as members of each party find it harder to work with the other.

NALC often suggests to the administration and Senate leadership board of governors candidates who have the vision and knowledge for the job, but the union's suggestions usually fall on deaf ears.

"We need to get politics out of the process of choosing members of the Board of Governors," Rolando said. "Managing an agency whose mission is to serve the public by delivering the mail shouldn't be a political issue."

GOVERNORS MEMBERS

chairman of the Kentucky Public Services Commission.



Megan J. Brennan,
postmaster
general

Brennan began her tenure as postmaster general in February of this year following the retirement of

Patrick R. Donahoe. In the prior four years, Brennan served as chief operating officer of the Postal Service. She has held roles as vice president of both the Eastern area and Northeast area operations. Brennan began her 29-year Postal Service career as a letter carrier in Lancaster, PA. Brennan earned a Master of Business Administration degree from Massachusetts Institute of Technology. She is also an alumna of Immaculata College in Pennsylvania.



Ronald A. Stroman

With the PMG as a voting member, the board chooses a deputy PMG who then becomes a member of the board. The board chose Stroman as deputy PMG in March 2011.

Stroman began a long federal government career in 1978 as a lawyer with the Department of Housing and Urban Development. He was then a lawyer and staff director for several House of Representatives committees. Stroman had executive positions at the Department of Transportation and the General Accounting Office (now known as the Government Accountability Office), where he served as managing director for the Office of Opportunity and Inclusiveness. He returned to the House in 2009, where he served as staff director for the Oversight and Government Reform Committee prior to joining the Postal Service.

With governors coming to the board with political and government backgrounds, but without much knowledge of the agency they are charged with overseeing, it's no surprise that the board often acts more like just another government agency rather than like entrepreneurs charged with leading an enterprise with innovative ideas, Rolando said.

"Too often, the board stresses how bad things are and warns of cuts in service, instead of advocating solutions," Rolando said. "The Postal Service needs entrepreneurial leadership and support for expanding and modernizing, and for fixing the real problems the agency faces. It needs a coherent plan for the future."

In a recent column posted to savethepostoffice.com, retired postmaster Mark Jamison wrote that the gap in leadership makes the board take its cues from the Postal Service. "Most of the board's decisions are predetermined by officials in [USPS

headquarters at] L'Enfant Plaza. In a very real sense, BOG is a prisoner—or a lapdog—of postal management," he wrote. "The executive management of the Postal Service is supposed to be accountable to the BOG, but given the Board's construction and lack of independence and their willingness to act as a rubber stamp for the senior executives, it really isn't a wonder that nothing ever changes."

"The board's job is to lead the Postal Service into the future," Rolando said. "There's so much room for big thinking on innovation and on taking advantage of the universal network, but the big thinking isn't happening. The board needs to put forth a growth strategy, one that includes boosting service, not cutting it. That strategy should include advocating greater pricing and product flexibility as well as relief from the crushing burden of the future retiree health care pre-funding mandate."

PENDING NOMINEES TO THE BOARD

Mickey D. Barnett

Barnett is a lawyer and former New Mexico state senator. He was first appointed to the board by President George W. Bush, and was its chairman when his term expired last December. President Barack Obama nominated him for a new term last July. Barnett has his own law firm in Albuquerque. He served in the New Mexico State Senate from 1980 to 1984 after a stint as an aide to former Sen. Pete Domenici (R-NM).

Before coming to the Board, Barnett advocated for the banking industry, including predatory "payday" lenders that charge very high fees for services to low-income people with little access to mainstream banks, as a lobbyist and in legal cases as an attorney. Barnett opposed regulations on payday lenders in New Mexico and argued that borrowers, but not lenders, should be required to settle disputes through arbitration and have no right to take their case to court. The New Mexico Supreme Court

later rejected that position, calling it "substantively unconscionable and therefore unenforceable."

Some critics see Barnett as the reason the idea of the Postal Service providing basic financial services, which could undercut some payday lenders' business but give low-income consumers a better alternative, has not advanced. (See the September/October 2014 issue of *The Postal Record* for more information about payday lenders and postal banking.)

Stephen Crawford

Crawford was nominated by President Obama in March of last year. He is a research professor at George Washington University in Washington, DC. He previously served as the director of social, economic and workforce programs at the National Governors Association and as a senior executive at the National Policy Association. Crawford was an Army infantry officer in the Vietnam War

and was awarded a Bronze Star.

Crawford served on President Obama's transition team in 2007-2008, where he worked on postal issues, and he later worked as a consultant for USPS. In the latter role, he wrote a paper exploring ideas for change, calling for a new business model for the agency and the pursuit of innovative ideas. On the other hand, Crawford has argued that the Postal Service could not succeed without cuts in pay and benefits for its union workers and/or workforce reductions.

To his credit, Crawford later told a Senate committee considering his confirmation that his views might evolve as he learned more: "As a board member, I would carefully consider all reasonable options," he said. "I would approach these decisions as someone who listens carefully and communicates honestly, takes seriously the interests of all involved parties, and yet believes strongly in innovation and leadership."

A BETTER WAY

At the 2012 NALC National Convention in Minneapolis, delegates adopted a resolution calling for the appointment of better-qualified governors and a new governance structure for the Postal Service that would overhaul the Board of Governors. To replace the board, NALC supports putting in place a management team “with executive leadership that is liberated to pursue new product offerings, revenue growth, and network innovations that will preserve universal service six days per week provided by workers guaranteed full collective-bargaining rights,” the resolution said.

“We need a board that understands that service isn’t just a cost to be cut; it’s our No. 1 business asset,” Rolando said. “We’re the Postal Service. Management may not be capable of thinking about building on that asset for the future, but the Board of Governors should be. That’s its job. We need people who

see the Postal Service as an essential infrastructure for the economy and for uniting our country, and people who can provide the leadership and experience to live up to that role.”

There are signs that USPS leadership may be getting the message. New Postmaster General Megan Brennan has framed her communications with postal employees and the public in a more optimistic tone than her predecessor. Brennan, a former letter carrier who rose through the ranks before becoming PMG in February, presented the Postal Service’s performance in a positive light when announcing its results for the first quarter of Fiscal Year 2015 shortly after taking office. (That was only fair, given the large operating profit.) Brennan also pointed to pre-funding as a problem Congress must solve to help USPS build on its recovery from the effects of the Great Recession.

“Now Congress needs to do its part,” Rolando said. **PR**

David Michael Bennett

President Obama nominated Bennett to the board in April of 2013. Bennett is a senior executive at defense contractor BAE Systems. He previously worked as an executive for Northrup Grumman, and before that, he was a lawyer both in the private sector and at the U.S. Department of Commerce.

James C. Miller III

Miller served as director of the U.S. Office of Management and Budget (OMB) for President Ronald Reagan from 1985 to 1988, and as chairman of the Federal Trade Commission from 1981 to 1985. He served on the Board of Governors after President George W. Bush nominated him in 2004; that term expired in 2011. President Obama has nominated Miller for a new term.

As OMB director, Miller strongly supported privatizing the Postal Service, a position he reiterated in 2012 during the Senate confirmation hearing on

his second nomination to the board:

“I think it would be best for the world, for the economy, and for the American people if the Postal Service was demopolitized and privatized,” he said.

At an April 2011 House Oversight and Government Reform Committee hearing about USPS’ labor costs, Miller repeated the false accusation that the law governing negotiation and arbitration of postal contracts is somehow biased in favor of unions. Miller and the rest of the board called for Congress to “fix” this non-existent problem by giving management advantages in the process.

“Governor Miller should know better than to tell fairy tales to Congress,” Rolando said after the hearing. “His testimony is an insult to the hundreds of thousands of hardworking postal employees who have helped the Postal Service survive the Great Recession and who provide high-quality service at the most affordable postage rates in the world.”

NALC opposed Miller’s reappointment to the board. However, as noted, the president generally must go along with the political deals made in the Senate to have any hope of his appointees winning confirmation. So, it’s likely that the GOP leadership insisted on Miller’s appointment as part of a larger deal to approve another nominee, to the Board of Governors or to some other office, preferred by the Democratic side.

David S. Shapira

Shapira served as chairman of Pennsylvania supermarket company Giant Eagle from 1992 to 2011 and as CEO and president from 1980 to 2011. He began his career at Giant Eagle in 1971 as vice president of store operations. The company had about \$10 billion in revenue last year. A native of Pittsburgh, Shapira received a master’s degree in economics from Stanford University. President Obama nominated Shapira to the Board of Governors last October.