



National Postal Policy Council

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NPPC Annual Report 2008-2009

This past year took NPPC, like nearly everyone else, in an unexpected direction. Our fiscal year, which runs from November 1 to October 31, tracked almost exactly the disastrous decline in postal volumes. The threat that that decline posed to USPS' solvency impelled us to refocus as a primary matter on Capitol Hill and helping to obtain financial relief for the system. Without such relief, there could easily have been either major service disruptions or a ruinous rate increase.

At the same time as we participated extensively in the struggle for relief on the Hill, NPPC maintained its active programs at both postal agencies, addressing key issues from Move Update to Worksharing Discounts. And, in our September Quarterly Meeting, we took the novel step of presenting to, rather than simply hearing from, the Postmaster General and a number of his senior colleagues. All in all, a highly active and successful year for your trade association – which could not have been accomplished but for the broad participation and good work of so many of NPPC's members, starting with those on the Board.

Following is a recap of NPPC's activities over the past year.

Capitol Hill Since its peak year of 2007, USPS has experienced a drop in excess of 20% of its volume, approximately 40 billion pieces, translating to more than a \$12 billion revenue decrease. Despite massive costcutting – some \$6 billion this year alone – it became clear the Postal Service could not right its ship on its own. Some action by Congress would be necessary during this financial emergency. Once it was proposed to restructure USPS' obligation to prefund its retirees health care, NPPC not only joined those in support, but played a leading role in organizing and effectuating a response from the mailing community. Among other things, NPPC, chronologically through the year:

- drafted and recruited a long list of signers to a letter in support of HR 22 (the prefunding legislation) that went to key players on Capitol Hill and the White House;
- organized and helped lead an ad hoc group of mailers that actively promoted the legislation;
- set and coordinated numerous meetings with staff on the Hill;
- worked closely with the Postal Service on substance and strategy;
- tried to ameliorate a troubling “scoring” analysis by the Congressional Budget Office;



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- testified before the House of Representatives on the plan to consolidate stations and branches;
- worked with, when possible, and otherwise monitored actions by postal employee organizations concerning the legislation;
- helped establish and lead a more formal coalition of mailers which continues to address the longer-term financial problems confronting the postal system; and
- encouraged support for the final legislation that emerged from Congress.

That legislation, a one-year bill reducing USPS' prefunding obligation from \$5.4 billion to \$1.4 billion, was a gratifying outcome that enabled USPS to remain solvent for at least the next year (provided there isn't a further dramatic decline in volume from today's reduced levels). It guaranteed no immediate need for either major service disruptions or a substantial "exigency" rate increase that no mailer could afford in these difficult economic times.

However, as significant as \$4 billion in relief – that was not a bailout; no taxpayer funds involved – is, it amounts to a band-aid for a postal system in distress. NPPC will remain fully engaged in educating congressional offices about the ongoing financial challenge faced by USPS and the postal community, and in suggesting potential actions that could be taken. The goal is to avoid another band-aid next time, and instead come up with a solution that will simply put USPS on firmer financial footing for the foreseeable future.

Postal Service Notwithstanding the effort on the Hill, NPPC maintained its active involvement on issues before USPS. Even though there was an overarching threat to the system, the business of moving the mail and refining the rules for moving it continued as usual.

Move Update. Facing a new front opened by USPS in its effort to reduce UAA mail: an aggressive program, featuring heavy penalties, to enforce existing rules about updating addresses for moves, NPPC took extensive action to obtain a more realistic, customer-friendly approach. This involved discussions with not only the executives directly responsible for the Move Update program, but virtually every senior executive at USPS. Among other things, Move Update was a prime topic of discussion at two of NPPC's Quarterly Meetings. That was followed by lengthy negotiations with USPS. A key event was a call between USPS executives and a broad range of NPPC Members on this subject.

The outcome was again gratifying: USPS delayed the implementation date of the enforcement program from May, 2009, to January, 2010, and reduced penalties from \$.07 for every piece in a mailing that exceeded the error thresholds in



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Move Update samplings, to a system that exacted penalties only from the erroneous pieces. The result was exposure reduced some 90%.

However, during this same time, the Postal Inspection Service began a wide-ranging series of investigations into whether mailers had complied with Move Update rules which had been on the books for twelve years, even if not enforced by USPS. The result has been unpleasant outcomes for some mailers from this quasi-law enforcement approach. Moreover, the IS actions are both inconsistent with USPS' general approach, discussed above, and apply different standards. That creates major, unanticipated problems and exposure for mailers, including some from NPPC.

At NPPC's urging, the Postmaster General, to whom the Inspection Service reports, has instructed the IS in opening new investigations of mailers in the Move Update context, to focus on only the most egregious cases. This has introduced more balance for customers. However, cases that were already in progress received no instructions or other interventions. They remain a serious matter.

“Fall Sale” for First Class. Following up on its “Summer Sale” for Standard Mail, USPS came up with the concept for a similar approach for First Class Mail. Executives turned to NPPC to “road test” the idea. In a conference call in August, a number of NPPC Members gathered and provided feedback that USPS found highly useful, not to mention significant encouragement to move ahead. The result was the implementation of a “Fall Sale” for FCM that is proceeding as this report is written. The premise is a 20% rebate for FCM during Q4 CY incrementally above what was entered in parallel quarters in the two previous years. A minimum of 500,000 pieces was necessary to qualify.

Presentations to USPS. In an effort to become truly more customer-friendly, USPS expressed an interest in learning more about its customers' businesses. From that request evolved a first-of-its-kind program of presentations to the PMG and a number of his senior staff at NPPC's Quarterly Meeting on Sept. 22. Led by Board Members in four “verticals,” or business sectors, within NPPC's Membership, many NPPC Members helped develop a series of powerpoints describing the business in each sector, its historic role with USPS, current issues, and a glimpse into the future. Presented by those same Board Members, the powerpoints were very well-received by, and sobering to, the USPS executives. Their reaction was sufficiently positive that they plan to replicate our approach with other industry associations.

Board of Governors Luncheon. In another effort at becoming more customer-oriented, the Board of Governors initiated a series of luncheons with key players in the postal community. NPPC was invited to the inaugural event, which proved to meet the Governors' expectations. The series has continued, and is viewed as a real success.



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Postal Regulatory Commission NPPC continued its active program at the PRC during this past year. Substantial involvement – through filings, participation at meetings, hearings and otherwise – remained necessary, even as the torrent of proceedings unleashed by passage of the Postal Accountability and Enhancement Act began to subside. In a recent report, NPPC’s highly respected postal regulatory counsel, David Levy, detailed our efforts, so only some highlights will be included here.

Presort vs. Single-Piece First-Class Rates. Have successfully fought back the repeated efforts of postal labor, the Greeting Card Association, and powerful elements within the Commission to sharply limit the rate differentials between single-piece and presort First-Class Mail. The presort mailers’ adversaries continue to litigate this issue before the PRC, however, and the outcome is too close to call. Amount at stake: approximately one cent per piece for the average presort First-Class letter.

Confirm Pricing. Led successful opposition to 10-fold increase in price of Platinum-level Confirm subscription (the level of Confirm used by most large mailers).

Comments on New Rates. NPPC filed comments on the rates proposed by USPS for 2009 overall, which addressed Move Update surcharges, as well as IMb discounts, in addition to the two subjects above.

Costing of Worksharing Discounts. Another battle in the protracted struggle on worksharing, under attack in particular from the APWU. NPPC filed extensive comments in September on this key issue, and once again on the underlying question of delinking from single piece rates. No outcome yet.

NPPC Quarterly Meetings NPPC continued its practice of quarterly meetings this year. Guest speakers ranged from the Postmaster General and a variety of senior executives from USPS (Pat Donahoe, Bob Bernstock, Steve Kearney, Sam Pulcrano, and more), several Postal Regulatory Commissioners, to Capitol Hill staff and the GAO. These meetings, which are off-the-record, continue to be a place for candid discussion and fertile ground for fresh ideas about issues confronting USPS and mailers generally, as well as NPPC members specifically.

In a break from tradition sparked by the recession, NPPC cancelled its out-of-town meeting this year, and convened a substitute ad hoc meeting in conjunction with the National Postal Forum in Washington. While the cancellation involved some expense, the pain was shared with the hotel, and necessary to fit the tighter budgets of members. Once again in 2010, all four meetings will be conducted in Washington.

MTAC Led by our representative Ernie Rojas, NPPC once again played an active role at MTAC. Ernie ensured that the view of First Class Mailers, in particular, were

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incorporated into efforts undertaken by MTAC on a wide variety of matters. In addition, NPPC was directly responsible for another break from tradition. In a first, MTAC decided to endorse an effort to generate support for the financial relief legislation that was eventually approved by Congress. A further effort to engage MTAC members more broadly during 2010 will be made.

Do-Not-Mail NPPC remained a member of Mail Moves America, the broad coalition combating efforts in the states to encourage legislation against direct mail based on environmental or other grounds. Fortunately, MMA has made great progress, and no legislation in any state has made any headway. Do-not-mail, if unchecked, could be a grave threat to the mailstream.

Next Year Looking ahead, the next year promises to be another very challenging one. The financial crisis for USPS remains far from over. The recession continues. Conversion to electronic communications continues. Longer-term solutions will be necessary. So, NPPC will continue its efforts with the Postal Coalition, and otherwise, to engage the Congress in ensuring USPS will survive in a fashion that remains highly useful and affordable to the mailing community.

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