

NPPC

National Postal Policy Council



NPPC Annual Report 2019 – 2020

Twenty-twenty has been a watershed year for the U, S. Postal Service and NPPC's response. In addition to the holdover of two potential major game changers for good or ill – postal reform legislation and the Postal Regulatory Commission's decision in its review of the postal rate- and classification-setting system – the postal system has been challenged like never before in the midst of the coronavirus pandemic, while a new Postmaster General with a focus on cost savings has taken charge. As has been characteristic for our association, NPPC has played an active, if not lead, role within the mailing (shipping and postal supply chain, where there is common cause) industry. We have also been active in some smaller in scope, yet nonetheless important, matters. As we contemplate our 2021 FY, NPPC remains fully committed to engaging on these matters as we press collaboratively, where possible, for outcomes mutually beneficial to the system, mail users and the American public.

Principal accomplishments in FY 2020 include:

- Taking an active role in holding off a decision in the PRC “10-Year Review”
 - NPPC has spearheaded multi-association efforts pointing out dangerous flaws in the “density” formula
 - Every month that passes before a decision creates savings for members
- Leading, through the Coalition for a 21st Century Postal Service, in postal community efforts to:
 - Obtain emergency COVID funding for USPS
 - Repeal the “prefunding” of postal retiree health benefits
 - Pursue postal reform more generally
- Preserving improved discounts in the 2020 indexed rate case
 - Enables additional savings to members
- Organizing joint association effort to push for a relationship with the new PMG
 - The PMG has not been accessible to customers

The summary below sets forth the issues and our actions from the 2020 Fiscal Year.

CAPITOL HILL

As in prior years, NPPC extensively advocated to Congress the pressing need to move legislation to sustain and improve the postal system. But what was different was that such legislation took a back seat since March to legislation seeking emergency relief from Congress in making USPS whole from COVID-driven losses. NPPC remained a key voice and part of the unified industry legislative group, the Coalition for a 21st Century Postal Service (C21), advocating for funds to be provided to USPS. Initially successful in persuading both sides of

Capitol Hill to provide at least \$13 billion to USPS in the CARES Act, that amount was transformed into a \$10 billion loan, with strings, upon the insistence of the Administration.

As a result, C21 launched an intense campaign, coordinating with other stakeholders, such as the postal unions, whenever it made sense. This effort included a broad range of visits with Senate offices on both sides of the aisle, an extensive social media campaign that generated 130,000+ emails to Congress in support of USPS funding, extensive interaction with the media, including a well-placed op-ed, spearheading a letter signed by more than 1200 businesses and trade associations, and more. All of that has helped keep USPS near top of mind in any discussion of a stimulus package. It's not all about vote-by-mail and timely delivery of prescriptions, as important as they are; USPS is essential to business and economic recovery. It cannot be permitted to go insolvent.

In addition, C21 and NPPC were successful in pushing through a bipartisan bill to repeal the "prefunding" of postal retiree health care, HR 2382, with 309 bipartisan votes in the House. more comprehensive fixes to the USPS problems, and would be substantively preferable.

Meanwhile, postal reform received much attention from potential drafters and staff in both Houses of Congress. But in an eerie echo of the two prior Congresses, the Oversight and Reform Committee lost its Chairman, Elijah Cummings. This time it was tragic, as the Chairman passed away during the summer of 2019. And with him went any momentum or real possibility for action until this year. The successor Chair, Carolyn Maloney is both interested in postal issues and has pledged to pursue reform. But she, as we, has been overwhelmed by the need to respond to the coronavirus damage. Prospects look better for resuming the essential work on this legislation next year, regardless of which party wins the Presidency or the majority in the Senate. We expect to be preparing throughout the Fall.

Nonetheless, no discussion of pursuing relief for USPS can neglect to consider the complications from the cluster of issues surrounding vote-by-mail, and policies pursued by the new Postmaster General, Louis DeJoy. Fueled by changes in processing he directed and the PMG contends were only aimed at making USPS more efficient, service declined. And with that, there was a crescendo of concern about whether mailed ballots could or would be delivered on time. This politicization, and the attention that it drew, affected all postal discussions over the summer, and heavily contributed to not getting to an outcome so far.

While C21 and the industry as a whole steered clear of vote-by-mail, it has become more difficult to size up what USPS is doing. While HQ staff remain accessible, they are not as open or forthcoming as they historically have been. More worrisome, the Postmaster General has yet to meet, to anyone's knowledge, with any customer or customer trade association. Notwithstanding invitations and requests from virtually every association, as well as from C21 and an independent letter organized by NPPC and signed by 22 associations, the PMG appears to have declined them all. Until that changes, achieving a level of agreement and coordination on policy related issues, among other things, comparable to those we have had with USPS in past Congresses, will likely not be possible.

As we indicated in past years, NPPC's strong support for financial stabilization legislation is rooted in the realization that without such help from Congress, the PRC will experience extreme stresses for pricing rates to bring in the very substantial additional revenues needed to repair the USPS balance sheet. That fear proved all too real as the Commission revised its proposed new rates of CPI + 2 + 1 to CPI +1 for paying toward retiree health

prefunding, +1 for maintaining service + a density formulation that could easily lead to 5% or more increases by itself. Cash on hand, which is the best measure of USPS' financial status at any time, has remained stable at about \$13 billion. Still far too small for an organization with a \$2 billion payroll, USPS should be resourced enough to make it into next year, but depending upon how much a COVID-caused spike in packages can continue to offset a decline in mail, USPS could easily become insolvent in 2021, notwithstanding borrowing additional money from Treasury. Thus, USPS still needs emergency relief, and the restructuring of postal reform.

- Continued to coordinate and lead C21
 - i. Unites mailers and suppliers in pursuing goals of short- and long-term financial and structural relief on the Hill
 - ii. Major milestones in 2020:
 1. Maintained industry support for the compromise at the heart of postal reform in previous Congresses into 2020
 2. Led the industry effort, in concert with USPS and the postal unions, to secure a successful vote on the House Floor on HR 2382, a bill to repeal retiree health prefunding;
 - a. Continued efforts behind a Senate Companion bill
 3. Led broad industry effort to secure emergency funding for USPS
 - a. Numerous Senate meetings and other outreach, including with Leadership
 - b. Social media campaign resulting in more than 130,000 emails to Senators and Representatives in 12 states;
 - c. Numerous media interviews – print, broadcast, and online
 1. NY Times, Wash Post, AP, HuffPost, NPR, TIME, the Atlantic, and many more
 2. Also included an op-ed with The Hill
 - d. Organized and submitted a letter in support of reform signed by more than 1200 organizations
 - e. Organized and coordinated a “Virtual Postal Day,” which resulted in a large number of communications from the industry, the unions and some consumer groups on the same day in August

POSTAL REGULATORY COMMISSION

Of necessity, NPPC maintains a very active program before the Postal Regulatory Commission. We participate in virtually any proceeding where there would be significant impact on NPPC members, and this year required an overwhelming, but not exclusive focus on the 10-year review. A summary of our actions follows:

NPPC's submissions to the PRC continued to observe our two principal aims: (1) specific results in certain cases; and (2) raising issues to lay the groundwork for desirable outcomes in the future. That is a strategy with which we have had some noticeable success over the past few years, and was vitally important in the 10-year review proceeding. In 2020, that resulted in holding off much higher rates for the year, moderating the index adjustment at the 5-Digit Automation level, and solid contributions on other issues.

R2020-1 Market-Dominant Price Adjustments: NPPC filed Comments (October 29, 2019) on the Postal Service's notice of price-cap rate increases. NPPC opposed the Postal Service's request to ignore the ruling of the court in the *Carlson* case that the rate setting objectives and factors, as set out in PAEA, are relevant to index rate adjustments. NPPC supported the proposed promotional discounts. NPPC opposed the proposed increases for First-Class Presort mail for creating an unreasonably high cost coverage and for putting the largest increases on the Automation letter rate. It also criticized several worksharing discounts for failing to passthrough 100 percent of avoided costs.

Subsequently, the Commission directed the Postal Service to file new rates because it determined that the originally proposed rates violated the price cap. The Commission also directed the Postal Service to address the Section 3622 Objectives and Factors in its response.

NPPC thereupon wrote a letter to the Postal Service suggesting that by increasing the Presort Automation 5-Digit discount by \$0.002, the Service could come within the price cap, preserve all other proposed new rates, and improve workshare passthrough discounts. The USPS subsequently filed revised new rates that fully incorporated NPPC's suggestion. NPPC filed Supplemental Comments (November 27, 2019) supporting the Postal Service's revised rates. NPPC noted that this single change addressed several of its concerns while not affecting any other originally proposed rate. In particular, the resulting 5-Digit rate increase was less than inflation and brought workshare discounts closer to 100 percent passthroughs.

The Commission approved the noticed rates as modified.

National Postal Policy Council v. Postal Regulatory Commission (D.C. Circuit): NPPC's petition for review of the Commission's December 1, 2017, order finding that the current system for regulating the rates of market-dominant postal products is not achieving the objectives established by Congress, has remained in abeyance throughout the year pending resolution of the Commission's Docket No. RM2017-3 ("10-year review") rulemaking proceeding. NPPC has submitted status reports periodically as required by the Court.

The Court of Appeals continues to hold the case in abeyance.

RM2017-3 Review of Market-Dominant Ratemaking System (10-Year Review): NPPC filed extensive Comments (February 3, 2020) jointly with NAPM, MMA, and AMEE on Commission Order No. 5337. The comments challenged many aspects of the Commission's revised proposal to modify the ratesetting system for market-dominant mail products while generally supporting the workshare discounts proposals. NPPC subsequently filed extensive Reply Comments (Mar. 4, 2020), also jointly with NAPM, MMA, and AMEE in the same proceeding.

On March 30, 2020, NPPC, jointly with NAPM, MAA, and AMEE, filed Comments on Joint Motion to Hold Proceedings in Abeyance And Request for Official Notice, Request for Issuance of Information Request, and Suggestion of Further Steps relating to further steps in this proceeding in light of the COVID-19 pandemic and the CARES Act.

The Commission denied the joint motion to hold proceedings in abeyance and did not take the other proposed actions.

On July 6, 2020, NPPC and 17 other mailer organizations filed Supplemental Comments addressing the potential consequences of mail volume changes due to the COVID-19 pandemic

if the Commission were to adopt its proposals in Order No. 5337, particularly the proposed density factor.

The proceeding remains pending at the Commission.

PI2020-1 Public Inquiry on the Methodology to Estimate the Value of the Postal Service Letter and Mailbox Monopolies: NPPC filed comments (Nov. 1, 2019) supporting universal service and urging the Commission to include the qualitative values of the postal monopolies to mailers and recipients in addition to quantitative factors when estimating the value of those monopolies.

The proceeding remains pending at the Commission.

C2020-2 Complaint of the Greeting Card Association: NPPC filed (Feb. 19, 202) a Motion to Dismiss and Comments in Support of Pitney Bowes Inc. Motion To Dismiss a complaint filed by the Greeting Card Association alleging that the Single Piece Metered Mail rate discriminates unreasonably against household mailers. The USPS also moved to dismiss the GCA complaint.

The Commission dismissed the complaint.

RM2020-5 Amendment to Rules Regarding Rate Incentives for Market Dominant Products: NPPC filed (Mar. 23, 2020) comments on the proposal to define the term “rate of general applicability” as used in measuring price cap compliance to disallow “offsets” for promotions for which eligibility is based on factors other than the characteristics of the mail (such as a mailer’s volumes in past years). NPPC stated that promotional discounts should be available to any mailer and that the Postal Service should not be discouraged from offering innovative volume retention incentives.

The Commission adopted its proposal. In August, it announced that it would suspend enforcement and invite further comment, but it has not yet done so.

RM2020-4 Regulations Pertaining to 39 U.S.C. §601: NPPC filed comments jointly with NAPM (Apr. 7, 2020) recommending no substantive changes, urging the Commission not to consider the Private Express Statutes in isolation from other closely related issues such as the universal service obligation and mailbox rule, and explaining that electronic alternatives have little relevance to the PES. NPPC urged that the Commission adopt rules, if at all, only to clarify the legal status of regulations previously adopted by the Postal Service.

The proceeding remains pending at the Commission.

MT2020-1 Market Test of Experimental Product – Commercial PO Box Redirect Service: NPPC filed comments (May 21, 2020) supporting the Postal Service’s proposed market test of commercial redirect service as an example of how market tests should be used. NPPC also sort to clarify certain details of the proposal and urged the Postal Service to consider different pricing schemes during the test.

The Commission approved the market test and encouraged the Postal Service to take NPPC’s comments into account as the test progresses.

U.S. POSTAL SERVICE

In 2020, NPPC once again worked closely with the USPS leadership team, and other executives. However, as previously noted, the situation on working with the PMG, in particular, has not yet clarified. This year's efforts included some key operational issues, as well as cooperation in pursuing mutual goals on Capitol Hill.

The following bullet points summarize the efforts made to both achieve NPPC's goals and enhance its relationship with the senior team at USPS. We have focused on these issues in the NPPC way: as a matter of collaboration and mutual respect. This remained true, as always, whether the discussion concerned rates, operational issues or legislation.

- Maintained constant outreach and contacts throughout headquarters staff on macro issues, and legislative concerns, in particular, in 2019
- Raised and pursued concerns about rate increases, both CPI and the rate system review, and their execution directly with the USPS executive leadership team
 - i. Encouraged continued innovation among Promotions
- Expressed continued concerns – and support for the concepts -- re Informed Visibility, Informed Delivery and other programs;
- Maintained consistent contact with the USPS Inspector General over a number of key issues
 - i. Participated in multiple forums and studies conducted by the IG;
- Full MTAC participation, with our enhanced team building on the able efforts of their predecessors across a broad range of working groups, user groups and MTAC leadership.
- Participated in bimonthly association executive meetings with PMG and senior staff that ranged through USPS initiatives on the 10-Year Plan, current financial projections, service, legislative status and coordination, and more, and provided serious opportunity for discussion and feedback
- Conducted NPPC-only webinars on important topics, such as an update on the 10-year review, a panel on legislation, a session devoted to trying to untangle the many challenges buffeting the Postal Service, and more.
- Frequent and regular reports from the USPS COVID-19 Task Force.

QUARTERLY MEETINGS

As always, NPPC quarterly meetings drew informative guest speakers, and were well-attended by NPPC members. What was new was that, because of COVID, our meetings went virtual starting in June. Among other matters, legislation, the many proceedings at the

Commission – the ten-year review, indexed rates, the annual compliance review, Move Update, the IMb rates and exigency court cases -- as well as USPS initiatives on Informed Visibility, Informed Delivery, innovative products, network rationalization, special promotions and many more, and more than any, Phase II of the Commission's Ten-Year Review of the rate and classification setting system were the subjects of discussion. All were thoroughly presented, and subject to NPPC member questions and comments to the principals involved from the postal agencies or key congressional staff.

- Featured a number of USPS senior executives, such as COO Dave Williams, CMSO Jakki Strako, CFO Joe Corbett, and VPs Steve Monteith, Marc McCrery and Sharon Owens.
- The Inspector General of USPS
- PRC Chairman Robert Taub, and Commissioners Mark Acton, Ashley Poling and Ann Fisher
- Prominent postal staff from Capitol Hill; and
- Experienced and authoritative private sector speakers, such as Maynard Benjamin, President and CEO of the Parcel Shippers Association and Kate Muth, Executive Director of the International Mailers Advisory Group

A Brief Look Forward to 2021

NPPC will once again move ahead with its efforts on priority issues, including responding as appropriate to the outcome of the rate and classification setting review and other proceedings at the Commission, legislation on emergency relief and/or reform, specific issues at USPS and a lively and informative program at our quarterly meetings. Members can expect to be consulted, as well as updated, all along the way, because our positions represent the best consensus interests of NPPC's membership. We look forward, as always, to your participation and your input.