

NPPC



National Postal Policy Council

NPPC Annual Report 2021 – 2022

Once again, a year in the life of the Postal Service and its customers has been tumultuous. During our Fiscal Year 2022 (November 1, 2021 – October 31, 2022), the Postal Service Reform Act (PSRA) was at last passed, after debate through six Congresses, with profound improvements for the system and its users. The Delivering for America Plan (DFA) has been rolled out with real consequences on prices and services. A petition to the Supreme Court to review the Court of Appeals decision upholding the Postal Regulatory Commission's (PRC) rate setting decision was denied, ending that litigation. Comments on numerous proceedings were filed with the Commission, and we resumed meetings in person.

And once again, NPPC has played an active, if not lead, role within the mailing industry (and shipping and postal supply chain, where there is common cause) on all of the above and much more. As we contemplate our 2023 FY, NPPC remains fully committed to engaging on these matters as we press collaboratively, where possible, for outcomes mutually beneficial to the system, NPPC members and mail users more generally, and the American public.

Principal efforts in FY 2022 included:

- Leading, through the Coalition for a 21st Century Postal Service, the postal community efforts on the PSRA, resulting in its passage and being signed into law by the President on April 6. Among its benefits:
 - \$107 billion in positive balance sheet impact for USPS over 10 years;
 - Repeal of the “prefunding” of postal retiree health benefits and integrate non-Medicare retirees into Medicare;
 - Inclusion of the codification of the 6-day delivery requirement through an integrated mail and packages network; and
 - Deletion of the one-time 2.15% rate increase feature of previous versions.
- Other legislation:
 - Seeking a “second review” by the PRC of its rate-setting system through the appropriations process;
- Leading on the petition to the Supreme Court of the decision in the PRC “10-Year Review” (NPPC was the named party)
 - NPPC spearheaded a multi-association effort to demonstrate to the Court that there were constitutional infirmities in the decision;

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- We also were an active participant on numerous other proceedings before the PRC, such as the new service “dashboard” required by the PSRA;
- Maintaining relationships with senior USPS executives, including the Postmaster General, while providing critical, but respectful, commentary on the DFA Plan with regard to both service and rates.

The summary below sets forth the issues and our actions from the 2022 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. NPPC remained a key voice and part of the unified industry legislative group, the Coalition for a 21st Century Postal Service (C21), advocating for postal reform, especially financially. The PSRA which finally resulted achieves two major goals for the industry: 1) repealing retiree health prefunding and integrating postal retiree non-Medicare subscribers into Medicare, while forgiving previous defaults on these payments, saving USPS some \$57 billion immediately and another \$50 billion over ten years; and 2) codifying the requirement for six days of delivery through an integrated mail and packages network. It also includes the service dashboard and a number of other smaller changes, such as enabling USPS to provide state and local governments with space for their services in postal facilities and, optimally, creating new conveniences for the public and a revenue stream for USPS. All of it will be done without competing with any private sector entity.

We also succeeded in that bill in a rate matter that may have been lost in the bill’s final passage. Before introduction, the compromise one-time boost to Market Dominant rates of 2.15% (half the exigency increase from the mid-2010s), a feature of previous bills, was dropped.

Through the winter and spring, C21 continued an intensive campaign to achieve reform. Among other things, that campaign started with a broad range of visits with Senate and House offices on both sides of the aisle. It included:

- A continued social media campaign that generated 10s of thousands of emails to Congress in support of reform;
- extensive interaction with the media, including op-eds;
- employing a nationwide survey that C21 commissioned showing some real danger signs for USPS among the public; and
- spearheading several letters to both Committees, and some to the entire Congress, some signed by multiple businesses and trade associations, and more.

All of that and more helped drive the success of this legislation. The support of NPPC members and our colleagues throughout the industry was invaluable.

What was left out of the reform legislation was any means to address the punishing rate increases permitted by the PRC and put into place by USPS. C21 and NPPC are pursuing a strategy through the appropriations process to require the Commission to conduct a “second review” of the rate-setting system, this time considering everything that occurred to USPS

finances since March of 2020, when the Commission closed the record for its previous review. We have made modestly encouraging progress as of this writing. In the report on the FY '22 appropriations omnibus bill from March, instructions to the Commission were included to examine the impacts of the CARES Act USPS funding, the change in volume and revenues from steep additional package business, while mail declined, other impacts of the pandemic and more. Of course, that now includes most notably the PSRA.

Nonetheless, no discussion of pursuing relief for USPS can neglect to consider the complications from the cluster of issues surrounding the DFA Plan, and policies pursued by Postmaster General Louis DeJoy. Marking likely the most fundamental transformation of the postal system in two generations, DFA has drawn surprisingly little examination and criticism outside postal customers. That includes Congress, where there has been little to no public oversight of that Plan. In addition to imposing much more pressure on rates (buttressed, unfortunately, by burgeoning inflation), slowed service standards and the build out of a revised processing and delivery network have raised concerns. We are continuing to examine the roll-out and making known our problems with it.

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 hardly exclusive, focus on the petition to the Supreme Court to review the constitutionality of the 10-year review decision. 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.

- *National Postal Policy Council v. Postal Regulatory Commission* (U.S. Supreme Court): NPPC's petition for review, filed in the United States Court of Appeals for the District of Columbia Circuit, 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, was denied on November 12, 2021.
 - On February 10, 2022, NPPC, joined by four other parties, filed a petition for writ of certiorari with the Supreme Court of the United States asking for review of the Court of Appeals' decision. NPPC filed a reply in support of its petition on May 31, 2022. The Supreme Court denied the petition on June 27, 2022. That denial ended judicial review of the Postal Regulatory Commission's revisions to the system for regulating the rates for market-dominant postal products.
- *Annual Compliance Review 2021*: NPPC filed comments (January 31, 2022) on the Postal Service's annual compliance report for Fiscal Year 2021. NPPC:
 - Showed that the Postal Service had failed to report on all of the workshare discounts in effect in the year being reviewed;

- Urged the Commission to improve current Commission rule 3030.284, which by allowing the Postal Service to set the minimum workshare discount passthrough at 85 percent of cost savings in practice ensures that many discounts will, in fact, be at inefficient levels while in effect;
- Explained how the decline of First-Class Flats to non-compensatory levels shows that the Postal Service's inability to constrain flats costs continues, and that solutions other than ever-higher rates should be considered; and
- Noted that service performance for First-Class Mail, particularly Presort and Flats Mail, remains well below both the published standards and the Postal Service's internal "targets" and mailers have no assurance that they are receiving the quality of service for which they are paying.
- The Commission addressed NPPC's concerns, agreeing in part, and disagreeing in part.
 - It disagreed with NPPC's position that the review should apply to all workshare discounts in effect during the Fiscal Year, but instead held that the review should apply only to those in effect at the end of the year.
 - The Commission declined to take steps to modify the 85 percent minimum workshare discount passthrough, preferring to monitor the issue over the next several rate changes to determine whether a change is required.
 - The Commission declined to waive the requirement that First-Class Flats receive a larger than average rate increase, stating that it expects both rate increases and cost reductions to be used to improve the cost coverage of products found to be non-compensatory.
 - The Commission agreed that the Postal Service had failed to meet its service standards for the seventh consecutive year, and directed it to provide additional information to help monitor performance.
- RM2022-1 Priorities for Future Data Collection And Analytical Work Relating to Periodic Reporting: NPPC filed comments (March 25, 2022) in response to an invitation by the Commission to suggest topics for research that could have an impact on estimated volumes, cost or revenues. NPPC recommended that the Commission research the effects of nominal (not inflation-adjusted) price changes on postal demand. Currently, the Postal Service's demand models are specified using "real" – that is, inflation adjusted – prices.
 - The proceeding remains pending.
- R2022-1 Market-Dominant Price Adjustments: NPPC filed Comments (May 6, 2022) on the Postal Service's notice of price-cap rate increases. NPPC criticized the Postal Service's second above-inflation increase within ten months, resulting in a compounded increase of 14.81 percent for First-Class Presort Letters and cards. NPPC also criticized the Postal Service's failure to offer any explanation for the purpose of the increases, the inefficient pricing of workshare discounts (and the need for the Commission to improve its regulation of workshare passthroughs), and the unnecessary increases in the rates

for First-Class Flats.

- The Commission approved the noticed rates.
- PI2022-3 Modification of Service Performance Measurement Plan: NPPC filed Comments (May 17, 2022) on a Postal Service proposal to modify its service performance measurement plan. NPPC's comments supported the Postal Service's (1) proposal to include more plant-loaded First-Class Mail in the service measurements; and (2) to include Reply Mail in the measurement of Single-Piece First-Class Letters. NPPC also urged the Postal Service to consider specifically measuring the service provided to remittance mail.
 - The Commission approved the two changes supported by NPPC.
- RM2022-7 Periodic Reporting of Service Performance: NPPC filed comments (June 3, 2022) on Commission proposals to improve service reporting requirements and to establish requirements for the Postal Service's "dashboard" required by the Postal Service Reform Act.
 - NPPC supported modifying existing requirements only to the degree that they generate actionable information or benefit to mailers. NPPC specifically supported a Commission proposal to require the Postal Service to report the average calendar days for delivery for Market-Dominant products. NPPC also supported a Commission proposal to require the Postal Service to report regularly on mail (a) excluded from measurement and (b) mail volumes measured and not measured by the Full-Service Intelligent Mail barcode. In addition, NPPC asked the Commission to consider requiring the Postal Service to report on Reply Mail service.
 - In addition, NPPC supported implementation of a fully functional and interactive dashboard. NPPC identified eleven specific topics, as a minimum, that the dashboard should enable mailers and the public to see.
 - On September 21, the Commission issued a notice of proposed rulemaking in which it proposed to adopt significant portions of NPPC's suggestions, including reporting on mail excluded from measurement and proposing to require that the USPS dashboard contain some of the information requested by NPPC.
- "Stakeholder Inquiry"/Commission Study on Market-Dominant Rate Increases: The House Report on the Postal Service Reform Act expressed concern about (1) "the size and timing" of the August 2021 rate increases and (2) that the review process conducted by the Commission pursuant to 39 U.S.C. §3622(d)(3) (in Docket No. RM2017-3) "did not account for the impact of the pandemic, including factors such as higher package revenues and emergency funding provided to the USPS." The Report directed the Commission to submit a report to the Congress on those factors, after first receiving public comment.
 - In response to the Commission's invitation for public comment, NPPC submitted a letter (July 29, 2022) stating that:

- The Commission did not take the pandemic into account when revising the system for regulating Market-Dominant rates, but instead had made its principal decisions prior to the pandemic and did not revisit them;
 - The Commission also did not take into account the growth in packages or the enactment of the CARES Act;
 - The August 2021 rate increases (and also the July 2022 increases) harmed mailers and will cause lasting harm to the Postal Service;
 - The August 2021 rate increases were inflated due to a flawed density factor; and
 - Reconsideration of the new system is required in light of changed circumstances, including the growth in packages and the recent enactment of the Postal Service Reform Act.
- The Commission is preparing its report to Congress. The comments that it received from mailers will be made public at the time the Commission submits its report to Congress.
- *RM2022-5 Petition for Rulemaking & Docket No. RM2022-6 Statutory Review of the System for Regulating Rates and Classes for Market-Dominant Products, Phase II (Post-Legislation)*: NPPC filed a motion to include its comments in the “stakeholder inquiry” in these two proceedings, in which mailers have asked the Commission to revise or rescind the new rate setting system.
 - The motion remains pending.

U.S. POSTAL SERVICE

In 2022, NPPC once again worked as closely as it could with the USPS leadership team, and other executives. Complicated by both the pandemic and a new, more inward focus at USPS, we nonetheless had quite a number of interactions.

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 near-constant outreach and contacts throughout headquarters staff on macro issues, and legislative concerns.
- Raised and pursued concerns about rate increases, particularly in light of the Commission’s 10-year review decision.
 - NPPC’s Board met with the Postmaster General to discuss the DFA Plan’s changes in general and on service, specifically. We agreed to disagree on rates and put that issue to the side so that service could be discussed fully.

- 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;
- Participated in multiple forums 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;
- Conducted NPPC-only webinars on important topics, such as the Supreme Court denial, the reasons behind the paper shortage, new rates and more.
- Frequent and regular reports from the weekly USPS Briefing

QUARTERLY MEETINGS

As always, NPPC quarterly meetings drew informative guest speakers, and were well-attended by NPPC members. While we had two more virtual meetings in early FY '22, what was new was the return of meetings in June and September to in-person, a welcome chance for renewed friendships and contacts across the association. 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, service revisions downward, special promotions and many more, and more than any, the application of the Commission's Ten-Year Review of the rate and classification setting system by USPS 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.

These meetings featured a number of USPS senior executives, including Executive VPs Dr. Josh Colin, Scott Bombaugh, Joe Corbett, and Steve Monteith. It also included VPs Sharon Owens and Garrett Hoyt, and:

- Postal Governor and former DPMG Ron Stroman
- PRC Chairman Michael Kubayanda and Commissioner Mark Acton;
- Prominent postal staff from Capitol Hill;
- The Government Accountability Office's Lead on Postal Issues, Dave Marroni
- The Chief of Staff of the National Association of Letter Carriers, Jim Sauber
- The President of the Package Shippers Assn and former USPS CMO, Jim Cochrane
- And more

A Brief Look Forward to 2023

NPPC will continue to move ahead vigorously with its efforts on priority issues, including regular participation in important proceedings at the Commission, further legislation on postal

reform and addressing rate setting, 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.