

NPPC



National Postal Policy Council

NPPC Annual Report 2022 – 2023

In late calendar year 2022, NPPC became forty years old. That anniversary showed that a group effort grounded in sound policy and featuring respectful, collaborative where possible, work with the postal agencies and other stakeholders, can endure and produce sound outcomes. It is a tribute to NPPC members, and especially its Board Members, past and present, that they have been able to steer our customer-focused association to the successes it has achieved, and the respect it has earned in the community. NPPC marked this moment with a special 40th anniversary edition of our meetings this past February, which featured very prominent postal speakers and a reception, along with our usual activities. With this foundation, the hope and intention are for NPPC to continue its effective advocacy for many years to come.

Policy activities in the postal world during NPPC's fiscal year 2023 were not as momentous as last year, but were nonetheless foundational. The Delivering for America Plan came into real focus with troubling results for the Postal Service. Through eleven months of its FY '23, postal revenues and volumes are down, while expenses are up, even as it seeks to build out its new DFA network. Two new Postal Regulatory Commissioners whom we support have been nominated and confirmed, and we await nominees for two, and possibly three, Postal Governor slots by the Administration.

Given the passage of the critically important Postal Service Reform Act last year, the locus of most policy activity this year shifted to the Postal Regulatory Commission. NPPC, once again, led on comments filed in several pivotal proceedings. Congress was lower key this year on postal, yet in concert with our colleague organizations through the Coalition for a 21st Century Postal Service (C21), we took an educational tack which has intensified with the continuing deteriorating results. As we look ahead to our 2024 FY, NPPC as always remains fully committed to engaging on the Hill and with both postal agencies 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 2023 included:

- Meeting with the Postmaster General and four other trade associations, and persuading him to support incentives for volumes and to engage in Market Dominant NSAs.
 - USPS has proposed both at the Commission and NPPC has supported with comments;
- Proposing, on an industry-wide basis through C21 to the Postal Governors that they undertake a “pause” on rate increases similar to what the Federal Reserve did on interest rates

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- The Governors declined to do so, but were prompted to renew focus on MD rates
- Filings at the Commission concerning the unusual accounting treatment accorded financial changes stemming from the Postal Service Reform Act (PSRA)
 - Despite initiating a proceeding on the matter (originally it was simply decided via an exchange of letters between the Commission and USPS), the Commission simply affirmed its original approach;
 - NPPC helped spearhead a multi-association effort to demonstrate to the Commission that the reasoning was flawed and the decision incorrect;
 - We also were an active participant on numerous other proceedings before the PRC, such as the new service “dashboard” required by the PSRA;
- Continuing the effort to maintain 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 2023 Fiscal Year.

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. This year there was a wide variety of proceedings with important implications for our members. A summary of our actions and Commission decisions 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.

- *RM2022-7 Reporting and Dashboard*: NPPC filed comments (Oct. 31, 2022) on the Postal Regulatory Commission’s Notice of Proposed Rulemaking to implement the reporting and “dashboard” provisions of the Postal Service Reform Act. NPPC supported (1) improved service performance reporting that generates actionable information or benefit to mailers, including actual days for delivery, reports on mail excluded from measurement, and separate reporting of Reply Mail; and (2) the proposed “dashboard” requirements for being consistent with the Congressional intent that the Postal Service’s dashboard be broad and granular and provide access to useful and actionable information in a timely manner.

The Commission adopted final rules consistent with most of NPPC’s suggestions.

- *R2023-1 Market-Dominant Price Adjustments*: NPPC filed Comments (Nov. 7, 2022) on the Postal Service's notice of price-cap rate increases. NPPC described the adverse effects of a second large rate increase within six months, addressed the improvement in workshare discount passthroughs in First-Class Mail except for the 5-Digit Automation Letter rate; and supported the Postal Service's promotions, lengthy advance notice of 2024 promotions, and urged making at least some promotions permanent.

The Commission noted NPPC's comments while allowing the noticed rates to take effect.

- *RM2020-5*: NPPC filed comments (Dec. 19, 2022) on a Notice of Proposed Rulemaking issued by the Commission regarding when the Postal Service may offset promotional discounts by raising other rates. NPPC opposed basing eligibility on historical volumes and urged the Commission not to hinder generally-available volume retention incentives. NPPC also urged the Postal Service to consider converting some current promotions into permanent generally available offerings.

The proceeding remains pending.

- *MC2023-12 USPS Connect Local Mail*: NPPC opposed (Dec. 9, 2022) the Postal Service's proposal to convert the then-current market test into a permanent service on the ground that requiring use of Click n Ship would unfairly impede competition in postage systems in violation of 39 U.S.C. §404a.

The Commission denied the Postal Service proposal. USPS Connect Local Mail continues as a market test through January 8, 2024.

- *Accounting for Postal Service Reform Act Forgiveness Of Unpaid Retiree Benefit Obligations and Reform of Retiree Health Benefit Normal Costs, Dockets RM2023-1, 2023-2, and 2023-3*. NPPC, joined by other mailers, moved for reconsideration of a letter by the Commission Secretary that approved the Postal Service's proposed accounting treatment of the reduction of \$57 billion in unpaid retiree health benefit premiums and its proposed treatment for regulatory purposes of retiree health benefit normal costs and amortization payments. After motion practice, in which NPPC participated (Nov. 21, 2022), the Commission directed both the Postal Service and mailers to file petitions for changes in costing methodologies to address these issues.

On December 9, the Commission reversed in part its previous ruling, agreeing with mailers as to the \$57 billion. NPPC led a coalition of mailers that requested reconsideration of the RHB normal costs aspect of the decision (Dec. 19, 2022). The Commission denied that petition but issued a notice of proposed rulemaking (Docket No. RM2023-3) to include RHB normal costs in the costs reported in the annual compliance report.

NPPC led a coalition of 6 mailers in filing comments (Feb. 6, 2023) in support of the NPRM regarding the correct regulatory accounting treatment of retiree health benefit normal costs that are incurred but not required to be paid by the Postal Service. NPPC subsequently joined other mailer organizations (February 22, 2023) in responding to a

Postal Service motion to file reply comments in that proceeding.

Separately, NPPC joined other mailer organizations in opposing a petition filed by the Postal Service regarding the correct treatment of the forgiveness, in the Postal Service Reform Act, of \$57 billion in retiree health benefit obligations.

The Commission accepted the Postal Service's proposed accounting treatment of both aspects of the PSRA changes.

- Annual Compliance Review Fiscal Year 2022: NPPC filed comments (Jan. 31, 2023) on the Postal Service's annual compliance report for Fiscal Year 2022. NPPC:
 - Reminded the Commission that the Postal Service had understated its costs by failing to include retiree health benefit normal costs that were in fact incurred despite the Postal Service not being billed for them;
 - Noted that because of the omission of retiree health benefit normal costs, the workshare costs avoided calculations understated the costs avoided by 6 to 7 percent;
 - Urged the Commission to improve current 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;
 - Noted that service performance for First-Class Mail could not be compared to the service provided in previous years because the Postal Service had changed the service standards applicable to more than one-third of First-Class Mail; and
 - Urged the Postal Service to convert volume-related promotions into permanent offerings.

The Commission disagreed with NPPC's position regarding retiree health benefit normal costs, having approved in a separate proceeding (see below) the Postal Service's proposed treatment. However, the Commission acknowledged that the costs avoided were comparable to those in previous years.

The Commission agreed that the Postal Service had failed to meet its service standards, despite having reduced them from those in effect in the preceding years, and directed it to provide additional information to help monitor performance.

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.

- R2023-2 Market-Dominant Price Adjustments: NPPC filed comments (May 10, 2023) on the Postal Service's notice of price-cap rate increases. NPPC described the adverse effects of multiple increases over the past two years, addressed the improvement in workshare discount passthroughs in First-Class Mail except for the 5-Digit Automation Letter rate; and supported the Postal Service's early notice of 2024 promotions.

The Commission approved the noticed rates.

- *PI2023-4 Delivering for America Plan*: NPPC filed Comments (May 12, 2023) in opposition to a motion by the Postal Service for reconsideration of the Commission's opening of a docket to explore issues arising from the Delivering for America Plan. NPPC's comments supported the Commission's authority to open and conduct the proceeding to stay informed on changes to the Postal Service's network and possible changes to costing methodologies.

The Commission denied the Postal Service motion and the proceeding remains pending.

- *R2023-3 Volume Incentive Proposal*: NPPC filed comments (Sept. 11, 2023) urging approval of the Postal Service's proposed volume incentive proposal applicable to First-Class and USPS Marketing Mail.

The Commission approved the proposal.

- *MC2023-222 & R2023-4 Publishers Clearing House Negotiated Services Agreement*: NPPC filed comments (Sept. 11) in support of a motion by the Postal Service for reconsideration of a Chairman's Information Request that sought certain proprietary information from Publishers Clearing House. NPPC stated that it is important that the Commission approve Market-Dominant Mail NSAs and that certain questions directed to the mailer's past mailing activities and non-postal costs are both beyond the Commission's jurisdiction and discouraging to prospective NSA participants.

The proceeding and the Postal Service's motion for reconsideration remain pending.

- *RM2021-2 Performance Incentive Mechanism*: NPPC, joined by MMA, and NAPM, filed comments (Sept. 15, 2023) stating that now is not a good time to consider adoption of a performance incentive mechanism due to the Delivering for America Plan and the upcoming "five-year" review. NPPC further stated that, if the Commission were to proceed, that a PIM should be negative and take effect unless the Postal Service meets cost reduction and service performance goals.

The proceeding remains pending.

U.S. POSTAL SERVICE

In 2023, NPPC once again worked as closely as it could with the USPS leadership team, and other executives. Complicated by the single-minded, 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.

- Raised and pursued concerns about rate increases, given the alarming state of postal finances after bold predictions under the DFA Plan;
- Kept an eye on service performance as a key metric of the DFA Plan;
- 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 new rates.
- Frequent and regular reports from the weekly USPS Briefing

CAPITOL HILL

This was a much quieter year on the legislative front. After last year's passage of the PSRA, Congress turned its attention to other matters. There has been only one oversight hearing this year, featuring the Postmaster General only. Two nominations for the Commission, both of which nominees we support, advanced and were approved unanimously in the Senate on September 28. NPPC remained a key voice and part of the unified industry legislative group, the Coalition for a 21st Century Postal Service (C21). This year the C21 focus has been on education on the Hill. With USPS numbers as dismal as they have been, C21 met with a large number of offices to discuss the problems we see stemming from relentless rate increases.

We have several legislative priorities that our educational efforts have been aimed at laying the groundwork for:

- Liberalizing investment options for USPS funds to generate substantially better returns than can be achieved through Treasuries, as required under current law;
- Revaluing real estate owned by USPS in order to show a truer picture of its balance sheet. While this could be done now by USPS, it has long been resisted;
- Modernizing the regulatory structure and authority of the Commission, which has not been examined by Congress for nearly twenty years; and
- Authorizing USPS to deliver alcoholic products where state law permits.

Finally, we are encouraging additional oversight of the DFA Plan, which warrants additional scrutiny given its results to date which fall far short of its original predictions and even the major adjustment downward in the 2023 Postal Service Integrated Financial Plan.

QUARTERLY MEETINGS

As always, NPPC quarterly meetings drew informative guest speakers, and were well-attended by NPPC members. Among other matters, the many proceedings at the Commission – from the financial treatment of PSRA changes to volume incentives, the DFA Plan, special promotions and more than any, responses to the relentless, twice per year, rate increases. 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 the Postmaster General, the USPS Inspector General, several Postal Regulatory Commissioners, executive directors from prominent other associations, and more.

And, of course, there was our special 40th Anniversary meeting, discussed at the outset of this report.

A Brief Look Forward to 2024

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.