

**Annual Report: 2023 – 2024**  
**National Postal Policy Council**

**Covering Actions, Policies and Outcomes in FY 2024**

**October 1, 2024**

## NPPC Annual Report 2023 – 2024

During NPPC's fiscal year 2024, there has been much concern and turmoil throughout the postal community surrounding the implementation of the Postal Service's Delivering for America Plan (DFA). A sweeping transformation and update of the network, its transportation and facilities, the results through this year have been unfortunate. Revenues and volumes are down, costs are up. Year-end FY 2023 results saw billions in losses, and FY 2024 is virtually certain to produce the same. Not surprisingly, then, much of our focus was on DFA this year. We also saw two Postal Regulatory Commissioners nominated and confirmed for a second term. Some four nominations have been made by the Administration for Postal Governor slots; none have yet been confirmed, although we are hopeful the Senate will find time in a "lame duck" session.

The locus of most postal policy activity this year once again was at the Postal Regulatory Commission. Several critically important proceedings have been launched there, as well as one, for an Advisory Opinion on service changes in DFA, about to be filed. NPPC, once again, led on comments filed in several pivotal proceedings.

Congress focused this year much more on postal, prompted by severe concerns about service changes and how they were affecting constituent communities. In concert with our colleague organizations through the Coalition for a 21<sup>st</sup> Century Postal Service (C21), we took a more assertive approach on the Hill. In addition to necessary education about the postal system, we began to consider legislation that might be helpful in funding USPS without tapping the Treasury, return of overpayments by USPS to the Civil Service Retirement System, and modernization and strengthening of the PRC.

With our FY 2025 impending, 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 2024 included:

- Meeting with the Postal Regulatory Commission to discuss service, rates and the Commission's role, and how the members of NPPC are being affected strategically and tactically by the changes wrought by DFA. While not touching on any open proceedings at the Commission in line with its *ex parte* rules, we had a quite productive discussion.
- Filing comments and reply comments on the review of the postal rate setting system moved up by the Postal Regulatory Commission from five years to three in view of the urgency created by the Postal Service's use or, and results from, the significantly higher authority to raise rates granted in 2020. Details in the next section.
  - C21 also submitted comments and a reply in a move nearly unprecedented for it, but also prompted by the daunting way DFA was playing out.

- Efforts on Capitol Hill to prompt some temporary pausing of DFA through support of the “Stop and Study Act” introduced to significant effect by Chairman Gary Peters of the Senate Homeland Security and Governmental Affairs Committee, which has postal jurisdiction. Through C21, there was development work on the “USPS Serves US” Act, which would modernize and strengthen the PRC, enabling it to be a better check and balance on USPS.
- Continuing the effort to maintain relationships with senior USPS executives, including the Postmaster General, and offering detailed feedback and suggestions through our representatives to the PMG’s Mailers Technical Advisory Committee.

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 were fewer proceedings, but with greater import in general than in a typical year. 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 years.*

- R2024-1 Market-Dominant Price Adjustments: NPPC filed Comments (Nov. 6, 2023) on the Postal Service’s notice of price-cap rate increases. NPPC described how raising rates every six months undermines trust in the Postal Service and accelerates mail volume loss. The comments also noted that several aspects of the proposal were responsive to previous NPPC recommendations, including an increase in the Metered Mail incentive and the recently approved volume incentive initiative, and that the Postal Service had slightly improved the workshare discount passthroughs in First-Class Mail for the 5-Digit Automation Letter rate.

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

- RM2020-5: NPPC filed comments (Nov. 29, 2023) on a Supplemental Notice of Proposed Rulemaking issued by the Commission regarding how regulations governing when the Postal Service may offset promotional discounts by raising other rates would apply to the volume incentive program approved in September 2023. NPPC reiterated its opposition to basing eligibility on historical volumes but stated that it saw no conflict between the volume incentive imitative and the Commission regulations, and that the incentive program was generally available.

**This proceeding remains pending.** On September 20, 2024, the Commission issued a Second Supplemental Notice of Proposed Rulemaking that was generally consistent with NPPC's recommendations.

- *Annual Compliance Review Fiscal Year 2023*: NPPC filed comments (Jan. 30, 2024) on the Postal Service's annual compliance report for Fiscal Year 2023. NPPC:
  - Expressed great concern that the Postal Service's volumes declined dramatically in FY2023 and that it lost more than \$6.4 billion despite sustained record high rates and near-record revenues.
  - Pointed out that total and per-unit costs for First-Class Mail and for Presort Letters in particular rose substantially. NPPC also noted that the unit costs of Marketing Mail also rose while volume declined by 12.72 percent.
  - Stated that the Postal Service's twice-a-year rate increases was driving mail away, causing the net revenue increase to be far smaller than the rate increases.
  - Explained how higher costs and negative productivity caused many workshare discounts to fall out of compliance with regulatory requirements, creating more inefficiency in the postal system.
  - Highlighted that the Postal Service had not met its pledge in the Delivering for America Plan to capture all of the workhour savings from volume reductions and that the Postal Service's productivity growth was the worst since 1963 when productivity was first reported.
  - Recognized the Postal Service's efforts to improve First-Class Mail but stated that operational "targets" should match the published service standards. NPPC also pointed out that a lack of clarity regarding when the Postal Service "starts the clock" can lead to misunderstandings about what service performance is actually being measured.

**The Commission expressed concern about the Postal Service's financial condition and the loss of volume. 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.**

- *R2024-2 Market-Dominant Price Adjustments*: NPPC filed comments (May 9, 2024) on the Postal Service's notice of rate increases based on both the price cap and the additional rate authorities granted by the Commission in 2020. NPPC stated that the large rate increases since August 2021 threaten the Postal Service's sustainability because mail loss is accelerating in response to the higher rates. As for the rate design, NPPC noted continual improvement in the pricing of workshare discounts. NPPC also supported the proposed new rate for

Qualified Business Reply Mail IMbA and the proposed increases in the full-service IMb and Seamless Acceptance initiatives. Finally, NPPC welcomed the early notice of the Postal Service's promotions for Calendar Year 2025 but expressed concern that the new "Base" and "Add-on" design would make them more difficult to use.

**The Commission approved the noticed rates.**

- *RM2024-4 Statutory Review of the System for Regulating Rates and Classes for Market Dominant Products*: NPPC filed comments (July 9, 2024) supporting the Commission's initiation of a review of the current system for regulating Market Dominant rates. This took the form of an "Advance Notice of Proposed Rulemaking," meaning the Commission solicited comments it would consider in developing a formal proposal. That proposal will receive its own round of comments and replies. There is no particular deadline for the proposal. NPPC:
  - Highlighted the Postal Service's poor results under the current system and that the system is not achieving the objectives set by Congress;
  - Recommended specific modifications to the system, including:
    - Limiting the Postal Service to one general increase per 12-month period;
    - Repealing the density rate authority;
    - Introducing an X-Factor and condition any increases beyond that to the Postal Service achieving specific metrics;
    - Improving the pricing efficiency of presort discounts;
    - Making the retirement authority conditional;
    - Easing the test for negotiated services agreements, niche classifications, and contracts

NPPC filed reply comments (Sept. 9, 2024) that opposed the Postal Service's request for less price regulation of Market Dominant products and rebutted assertions that the Postal Service has had success in controlling per-unit costs. NPPC also reiterated that that rate increases have been neither predictable nor stable, and that the Postal Service has reduced service standards despite the rate increases under the current system.

NPPC also joined a broad coalition of mailers in joint industry comments addressing the need to limit rate increases to one per year and to repeal the density authority.

Separately, NPPC joined with other mailers in sponsoring a statement by Professor John Panzar that rebutted the Postal Service's request to exempt destination entry discounts from the Commission's regulations requiring economically efficient pricing of workshare discounts.

**The proceeding remains pending, with a formal proposal from the Commission coming at some point likely within the next several months.**

- *Postal Service cross-strapping proposal:* NPPC joined the National Association of Presort Mailers in Comments (July 15, 2024) to the Postal Service to exempt flats bundles prepared in flats tubs/trays from a proposal to amend the Domestic Mail Manual to require cross-strapping of flats bundles. NPPC/NAPM noted that there have been few if any reports of bundle breakage from their members' mailings, that the proposal is premature, that cross-strapping would impose steep costs, and that the proposed implementation date was unachievable.

**The proceeding remains pending.**

## **U.S. POSTAL SERVICE**

In 2024, NPPC once again worked with the USPS leadership team, and other executives. Complicated by the single-minded, DFA-driven, more inward focus at USPS, we worked to address the concerns of our members.

*The following bullet points summarize the efforts made to both achieve NPPC's goals and sustain relationships 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, and regardless of complications noted above..*

- The NPPC Board met twice with the Postmaster General focused on the mutual benefits that can be driven by collaborating on important issues emanating from DFA, and otherwise. Among discussions in general about rates, worksharing and discounts, the question of Regional Transportation Optimization was addressed.
- Raised and pursued concerns about rate increases in other forums, 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 and what USPS was doing to correct serious problems;
- 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 year saw a much higher profile for USPS and its issues than was true in 2023. The deterioration of service in general, punctuated by serious disruptions in Atlanta, Richmond and elsewhere, prompted an outpouring of complaints from constituents. In turn, both the House and Senate became active in hearings, letters and more in demanding explanations and answers from USPS. NPPC remained a key voice and part of the unified industry legislative group, the Coalition for a 21<sup>st</sup> Century Postal Service (C21). This year the C21 focus has been not only on education on postal basics and issues, but on the more advanced concerns prompted by the unfortunate results to date from DFA. 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, especially coupled with dramatic volume drops and escalation of costs.

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;
- Modernizing the regulatory structure and strengthening the authority of the Commission, which has not been examined by Congress for nearly twenty years;
- Authorizing the return of overpayments made by USPS in the \$10s of billions over decades to the Civil Service Retirement System;
- 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; and
- Authorizing USPS to deliver alcoholic products where state law permits.

Finally, we continued to encourage additional oversight of the DFA Plan, which saw some success both through hearings on the Hill and the expectation driven by this scrutiny that USPS would seek a formal advisory opinion from the PRC on DFA, in particular on service.

## **QUARTERLY MEETINGS**

As always, NPPC quarterly meetings drew informative guest speakers. 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, the

Inspector General's Office, the Government Accountability Office, key congressional staff, and veteran colleagues/experts in the industry.

These meetings featured, among other speakers, the USPS Inspector General, several Postal Regulatory Commissioners, including the Chairman, executive directors from prominent other associations, as well as the Postmaster General.

### **A BRIEF LOOK AHEAD TO 2025**

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.

Twenty twenty-five promises to be a pivotal year for postal issues, with continued implementation of DFA, two critical proceedings at the PRC, and heightened interest, including potential legislation, on Capitol Hill. NPPC will be a participant and a leader, as required. 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.