PostCom

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BULLETIN THE JOURNAL OF POSTAL COMMERCE

HIGHLIGHTS

» HSGAC Schedules Postal Governors Nomination Hearing

On Tuesday April 2, the Senate Homeland Security and Government Affairs Committee (HSGAC) will hold a hearing to consider the nominations of Ron Bloom and Roman Martinez to named Governors of the US Postal Service.

» PostCom Letter to the HSGAC Committee

The HSGAC convened last week to hear testimony on recommendations by the President's Task Force on the nation's postal system. PostCom believes the interests of the mailing industry were not adequately represented or considered at that session. See the back of the *Bulletin* for copy of the correspondence we sent.

» Volume Down as USPS Reports Preliminary Financial Results for February 2019

The Postal Service reported its preliminary, unaudited financial results for the month of February. The Postal Service recorded a net loss for the month of $492 million. See Page 2.

» Four USPS Myths

Article written by Stephen Kearney, Executive Director of the Alliance of Nonprofit Mailers. See Page 5.

PRESIDENT'S CORNER

Passive Aggression

If you have heard any senior postal official speak publicly during the last several years, either at MTAC, an industry event, or on a call with financial analysts, the speech usually starts with a familiar refrain. The speaker begins by pointing out that the Postal Service's business model is fundamentally broken. The prescription is always the same. What is needed is legislative reform to reduce the Postal Service's prefunding obligations, and regulatory reform to allow USPS to charge whatever it wants. The third leg of this stool is something called aggressive management action to reduce and control costs. I have heard variations on these talking points dozens of times, but I do not recall hearing about any specific actions, so I do not know what they are. I do know that they are not working.

The preliminary February financials were reported last week and it is not a pretty picture. Market dominant volumes were down considerably from the same period last year, and competitive products volume was 4 percent less than plan. Yet despite fairly severe volume losses, salary and benefits expenses were up more than 5 percent whether compared against last year or this year's planned expenses. In our joint comments in the ten-year review, PostCom presented evidence that apocalyptic descriptions of the Postal Service's financial state were highly exaggerated. A little over two years later, the Postal Service is still operating and sitting on a large pile of cash. But financial results like those reported for February are unsustainable for any organization. Indeed, aggressive management action in this area is sorely needed and overdue.

Unfortunately, the cost increases were not the only troubling aspect of the February numbers. For those not keeping track, February was the first full month after the Postal Service's most recent price increase. The fact that volumes were well below plan means that the Postal Service underestimated the volume impact of its price increase

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	Current Period				
	Actual	Plan	SPLY	% Plan	% SPLY
Other Operating Statistics:					
Mail Volume: (Millions)					
Total Market Dominant Products Volume[2]	10,265	10,716	10,933	-4.2%	-6.1%
Total Competitive Products Volume[2]	402	420	401	-4.3%	0.2%
Total International Products Volume	54	67	67	-19.4%	-19.4%
Total Mail Volume	10,721	11,203	11,401	-4.3%	-6.0%
Total Workhours (Millions)	89	87	88	2.3%	1.1%
Total Career Employees					
Total Non-Career Employees					

Is missing the market dominant forecast plan by 4.2% really a big deal? After all, actual volume was only off by 451 million pieces and forecasting is hard. Consider a different perspective; when one forecasts a year into the future it’s not as if all numbers between zero and infinity are equally likely. What the Postal Service is forecasting is the year-over-year change in volume. When the Postal Service developed its plan for 2019, they projected that February volume would decline by 217 million pieces (10.933B minus 10.176B) relative to the same month in the previous year. Actual volume declined by 668 million pieces (10.933B minus 10.265B). The actual decline was more than 300 percent greater than the predicted decline, which was estimated based on USPS estimates of price elasticity.

It’s only one month; not enough to declare a trend. And price elasticity does not – in and of itself - explain changes in postal volumes. But something is happening here, and it’s worth watching in the months ahead.

IN DEPTH ANALYSIS

Volume Down as USPS Reports Preliminary Financial Results for February 2019

On Friday March 22 the Postal Service reported its preliminary, unaudited financial results for the month of February. The Postal Service recorded a net loss for the month of $492 million. This is more than five times greater than the loss during the same period last year (SPLY) when USPS posted a $93 million-dollar loss. The result was nearly double the planned loss of $265 million. Five months into FY2019, the Postal Service is reporting a year-to-date loss of $2.6 billion compared with a loss of $1.6 billion at the same point in FY2018. The February results are largely driven by increases in compensation and benefits, which grew by more than eight percent. Transportation and other services actually declined relative to 2018, but overall operating expenses increased by 6.1%.

The volume and revenue results contain some worrisome news. For the month, total volume and revenue from the Postal Service’s market dominant products was down by more than 9% relative to SPLY. Marketing Mail saw volume decline by more than 400 million pieces (-7.2% compared with 2018), while First-Class Mail and Periodicals were also down substantially. The Postal Service is also experiencing a flattening of demand for its

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market dominant products. Shipping and package services volume were virtually unchanged compared with the previous year, while revenue increased by 4.5 percent as a result of higher prices implemented in January.

Additional information about the February 2019 financial results can be found here.

Feb 2019[1] ($ Millions)	Current Period Actual	Plan	SPLY	% Plan	% SPLY
Revenue:					
Operating Revenue	$5,431	$5,623	$5,494	-3.4%	-1.2%
Other Revenue	1	-	1	NMF	0.0%
Total Revenue	$5,432	$5,623	$5,495	-3.4%	-1.2%
Operating Expenses:					
Personnel Compensation and Benefits	4,525	$4,452	$4,180	1.6%	8.3%
Transportation	599	636	610	-5.8%	-1.8%
Supplies and Services	216	215	234	0.5%	-7.7%
Other Expenses	578	579	554	-0.2%	4.3%
Total Operating Expenses	$5,918	$5,882	$5,578	0.6%	6.1%
Net Operating Income (Loss)	($486)	($259)	($83)		
Interest Income	$13	$12	$9	8.3%	44.4%
Interest Expense	$19	$18	$19	5.6%	0.0%
Net Income (Loss)	($492)	($265)	($93)		

Mail Volume and Mail Revenue (Source: Results derived from reclassified products based on Postal Service Revenue Pieces and Weights Reports)

Feb 2019[1] (Thousands)	Current Period Actual	SPLY	% SPLY	Year-to-Date Actual	SPLY	% SPLY
Market Dominant Products:						
First Class:						
Volume	4,333,729	4,553,194	-4.8%	24,568,214	25,317,916	-3.0%
Revenue	$1,961,528	$2,018,821	-2.8%	$10,913,207	$11,100,800	-1.7%
Periodicals:						
Volume	356,957	388,412	-8.1%	1,949,423	2,092,279	-6.8%
Revenue	$93,403	$99,883	-6.5%	$502,530	$533,470	-5.8%
USPS Marketing Mail ™ :						
Volume	5,501,482	5,926,868	-7.2%	33,523,011	33,190,342	1.0%
Revenue	$1,200,075	$1,276,016	-6.0%	$7,154,834	$7,050,478	1.5%
Package Services:						
Volume	48,493	42,343	14.5%	278,180	280,350	-0.8%
Revenue	$65,117	$57,128	14.0%	$360,513	$356,018	1.3%
All Other Market Dominant Mail:						
Volume	24,601	22,503	9.3%	132,331	136,034	-2.7%
Revenue	$215,210	$196,831	9.3%	$1,088,532	$1,057,642	2.9%
Total Market Dominant Products: [2]						
Volume	10,265,262	10,933,320	-6.1%	60,451,159	61,016,921	-0.9%
Revenue	$3,535,333	$3,648,679	-3.1%	$20,019,616	$20,098,408	-0.4%
Competitive Products:						
Shipping and Package Services:						
Volume	401,839	400,513	0.3%	2,504,805	2,378,120	5.3%
Revenue	$1,643,050	$1,572,700	4.5%	$9,640,064	$8,930,173	7.9%
All Other Competitive Products:						
Volume	-	-	0.0%	-	-	0.0%
Revenue	$79,596	$77,068	3.3%	$433,920	$416,885	4.1%
Total Competitive Products: [2]						
Volume	401,839	400,513	0.3%	2,504,805	2,378,120	5.3%
Revenue	$1,722,646	$1,649,768	4.4%	$10,073,984	$9,347,058	7.8%
International:						
Volume	54,345	67,518	-19.5%	379,762	429,882	-11.7%
Revenue	$172,774	$195,151	-11.5%	$1,103,732	$1,193,411	-7.5%
Total:						
Total Volume	10,721,446	11,401,351	-6.0%	63,335,726	63,824,923	-0.8%
Total Operating Revenue	$5,430,753	$5,493,598	-1.1%	$31,197,332	$30,638,877	1.8%

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Tire Maintenance Reviewed by OIG

Tire maintenance and upkeep are major undertakings for the large U.S. Postal Service vehicle fleet, and a new audit report finds improvements are needed in this area. *Postal Vehicle Service Tire Usage and Failures*, Report Number NL-AR-19-003.

For starters, it isn't possible for staff to follow procedures and accurately enter in the Solution for Enterprise Asset Management (SEAM) system tire tread wear or reasons for tire replacements for all tires. That's because SEAM only has data fields for up to four tires per vehicle while 7-11-ton vehicles have 6-10 tires. Also, SEAM does not have a field to enter reasons (failure, low tread, etc.) the tire was replaced. Vehicle Maintenance Facility (VMF) technicians can share these details on hard copy forms, but this does not allow for a systemic analysis of tire usage and failures. As a result, it is difficult to track tire wear and the reasons for tire replacements, the U.S. Postal Service Office of Inspector General (OIG) concluded. Postal management agreed to consider changes to SEAM.

The USPS bought 8,981 new tires and 22,127 retreaded tires in fiscal year (FY) 2017 through Quarter 2, FY 2018. (The dollar amounts for these purchases were redacted in the released report.) VMF technicians must examine PVS vehicle tires for damage, tread wear, and proper inflation every 13 weeks. Tire inflation standards differ by vehicle type. Tire failures occur due to under-inflation, premature replacement, irregular tread wear, and road hazards.

In a review of the Santa Ana VMF, auditors found it had not been using retreaded tires on the rear wheels of vehicles since 2014, contrary to USPS policy, and was instead installing new tires. The VMF manager reasoned that the retreaded tires would not fit properly, but the OIG concluded this practice added extra costs. As a result of the audit, the Santa Ana VMF is now using retreaded tires.

Finally, the OIG found the Postal Service had outdated, inconsistent guidance regarding tire pressure requirements for the 7-11-ton vehicles. Postal management agreed to remove outdated tire pressure posters from all VMFs and issue new guidance directing technicians to follow the manufacturer's specifications on proper tire inflation.

HCR Insurance Terms Come Up Short

The U.S. Postal Service could not provide documentation for about 9 percent of the insurance contracts auditors reviewed relating to comprehensive auto liability insurance that highway contract route (HCR) contracts are required to have. *Oversight of Highway Contract Routes – Insurance,* Report Number SM-AR-19-002.

The U.S. Postal Service Office of Inspector General (OIG) found insurance documentation was not being consistently stored in a central location, and postal officials were unable to locate evidence that insurance requirements were met. Consequently, the OIG

POSTAL PREVIEWS

April 8-10 *Las Vegas, NV*
MAILCOM '19

April 8-10 *Washington, DC*
ACMA's 12th Annual National Catalog Forum

April 12 *Washington, DC*
CRRI Postal Workshop
Michael Plunkett Panelist

May 5-8 *Indianapolis, IN*
National Postal Forum
**$100 Off Registration with Code POSTCOM2019*

May 22- 25 *Dublin, Ireland*
CRRI 27th Conference on Postal and Delivery Economics
Michael Plunkett Presenting

June 4-5 *Alexandria, VA*
PostCom Study Day and Board Meeting

June 5-7 *Arlington, VA*
PostalVision 2020/9.0

June 18-20 *Washington, DC*
Mailers Technical Advisory Committee

August 27-29 *Washington, DC*
Mailers Technical Advisory Committee

October 1-2 *Alexandria, VA*
PostCom Study Day and Board Meeting

October 1-3 *Amsterdam*
Post-Expo 2019

October 29-31 *Washington, DC*
Mailers Technical Advisory Committee

June 2-3, 2020 and October 6-7, 2020 *Alexandria, VA*
PostCom Study Day and Board Meeting

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estimated an average of $307 million of annual unsupported questioned costs due to the lack of required insurance documentation.

The inability to locate insurance documentation that shows compliance with liability insurance requirements increases the risk the USPS will be held liable as a responsible party for actions of the supplier, the OIG pointed out.

The auditors also found that more than half of the insurance contracts they reviewed (58 percent) did not have the Clause 7-4: Insurance or adequate contract documentation to validate its inclusion. This clause requires suppliers to furnish evidence of insurance and include all terms and provisions required by the Postal Service. The lapse or termination of insurance coverage without obtaining replacement coverage is grounds for termination for default.

Finally, another 23 percent of the contracts auditors reviewed did not include Clause B-39: Indemnification. This indemnifies the Postal Service from responsibility for all claims, losses, damage, actions, expenses, and liability due to omissions of the supplier, any subcontractor, or any employee, agent, or representative of the supplier or any subcontractor.

Management agreed with the findings and the recommendations, which called for addressing missing elements and conducting periodic insurance compliance reviews; but it disagreed with the monetary impact.

GUEST ARTICLE

Four USPS Myths

Article written by Stephen Kearney, Executive Director of the Alliance of Nonprofit Mailers and published https://www.nonprofitmailers.org/. It is reprinted with permission.

Recently, we listened to a podcast of one of our favorite NPR shows, "Hidden Brain." It is called, "How Science Spreads: Smallpox, Stomach Ulcers, And 'The Vegetable Lamb Of Tartary'." What has this to do with nonprofit mailers and the U.S. Postal Service, you ask. Well, the description of how all of us rely on other people, usually considered experts, to tell us things we come to accept reminded us of the current set of accepted facts about the USPS. And the research into why certain "facts" come to be widely accepted, and later proved wrong, helped us to understand the gap we believe currently exists between reality and the widely accepted and repeated diagnoses about the Postal Service.

A Senate oversight committee hearing last week demonstrated the degree to which so many people seem to accept the same "facts" about USPS, while there is a distinct lack of consensus about what to do about our postal system. Three of the four witnesses were dedicated career government employees, and the fourth was an accomplished business executive, now an appointee at the Office of Personnel Management. (None represented the interests or the experience of full-time employees or professional customers of USPS, who provide about 90 percent of the funding.) Only six of the 14 Senators on the committee participated, and none offered comprehensive solutions.

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Senate Witnesses:

- Gary Grippo, Deputy Assistant Secretary for Public Finance, U.S. Department of the Treasury
- The Honorable Robert G. Taub, Chairman, Postal Regulatory Commission
- The Honorable David C. Williams, Vice Chairman, Board of Governors, USPS
- The Honorable Margaret Weichert, Deputy Director of Management, Office of Management and Budget and Acting Director, Office of Personnel Management

The combination of the hearing and the podcast prompts us to offer our take on a few USPS myths, or postal vegetable lambs.

USPS Myth #1: Unless we act quickly, we will need a "taxpayer bailout" of USPS.

"Taxpayer bailout" is a value-laden term with very negative implications. Its continued use in the USPS context is very inaccurate and unhelpful. A taxpayer bailout usually refers to the government coming to the rescue of a private-sector shareholder-owned corporation.

The nonprofit ProPublica maintains an updated list that currently shows 980 recipients of taxpayer bailouts totaling $632 billion. Most of the recipient corporations have paid back the government with a positive return. The current net gain for the government is $107 billion. So, it turns out that taxpayer bailouts are not so bad for the government. They keep important businesses in business, and they return a profit to taxpayers.

But we are not advocating a taxpayer bailout for USPS because that's not what it would be. And help from taxpayers is not likely to be needed, as we will address in the context of other myths.

USPS is owned by the citizens of the United States, not by shareholders or private owners. The Postal Service is funded by the users of the mail and package services, most of whom are U.S. citizens or companies and organizations that employ U.S. citizens. All U.S. citizens and residents benefit from the USPS, even those who pay little or no postage. The Postal Service already receives benefits from U.S. taxpayers, the largest being exemption from taxes, something nonprofit organizations also receive.

To call increased U.S. taxpayer largesse for the USPS a "bailout" is a nonsensical, circular argument. Yes, there would be a shift in amounts among the citizens who fund the public service agency. That's similar to any revision to our tax laws, or to differential postage rate increases for different types of mail. But it would not be a "bailout" of the private sector by the government.

We have one final point on taxpayer involvement in our postal system. The Post Office Department was started by Congress in 1792, which is 227 years ago. The Postal Service continued to receive public service appropriations funded by taxpayers into the early 1980s. So, the experiment with a mailer-funded postal system has lasted only about 35 years, or 15 percent of its history.

The mailer-funded system worked mainly because mail volume doubled from 100 billion in 1980 to 200 billion in 1999. (19 years at that growth rate represents only 8 percent of our postal system history.)

Adjusting the dial toward more government funding would be a rational response to the learnings from our brief experiment with a mailer-funded system. It would be a return to the model that has worked for 85 percent of our history, not a "taxpayer bailout." But it's not likely to be needed.

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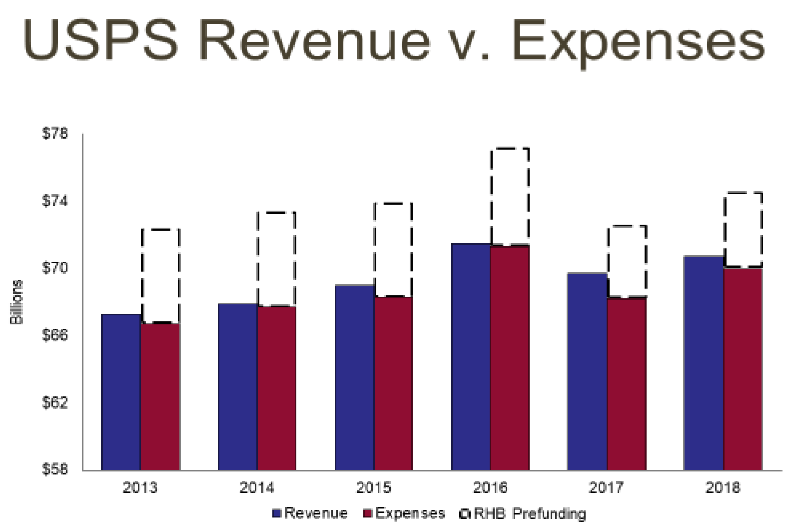
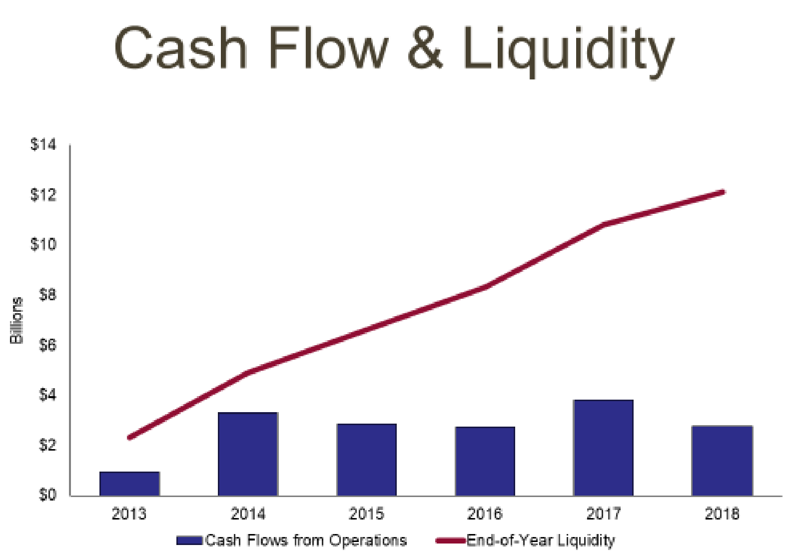
USPS Myth #2: USPS is losing billions and has done all it can without external help.

The reality is that the Postal Service is making operating profits and its reported losses are primarily caused by unpaid retiree health benefit obligations. The most recent six years show that the Postal Service is covering its operating costs, but not by enough to pre-fund health benefits.



USPS has recently made operating profit, but hasn't made payments into its account to fund future retiree health benefit (RHB) liabilities.

USPS cash flow from operations and year-end liquidity reflect the positive operating results.



While USPS will need to address RHB liabilities, liquidity is currently strong…

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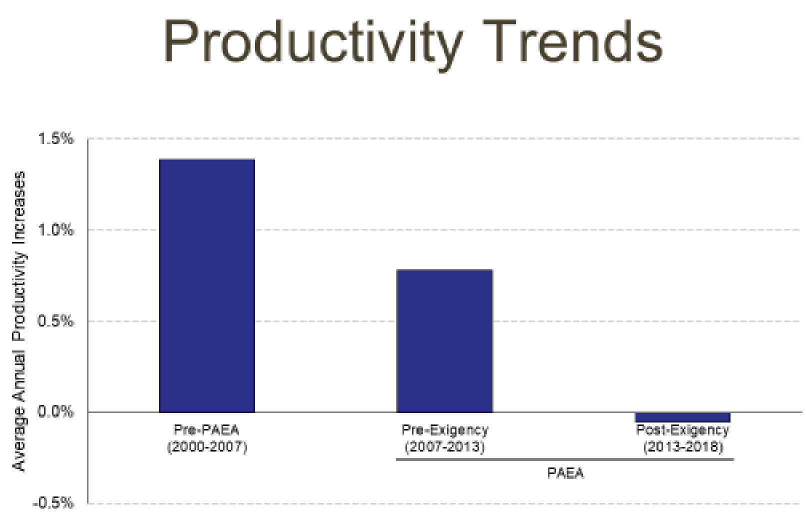
So, while current operations are strong, the USPS needs to make more of an operating profit to pre-fund what it will pay for its employees' retirement benefits in future years. We will address whether the pre-funding is as big of a problem as people say, but first, how does a business rev up its operating net income?

The answer is that it makes sure its revenues grow sufficiently faster than its costs. And in today's hyper-competitive, low-inflation economy, most of the work is done on the cost side, especially for a mature business with a growing number of alternatives. The mail side of USPS is mature, while the shipping side is high-growth with competitive advantages.

The most comprehensive measure of what USPS needs is productivity, what it gets for what it spends. Unfortunately, Postal Service total factor productivity has dropped off the table in recent years.



USPS productivity was actually lower in 2018 than five years earlier.

What USPS needs most, it is not doing. It is well documented that the Postal Service virtually stopped major cost-reduction initiatives several years ago. This could be due to several factors: political pushback, lack of a board providing strategic leadership and cover, and the January 2014-April 2016 exigent surcharge that gave USPS $4.6 billion above inflation.

Postal management and labor fought long and hard to make the first emergency surcharge allowed under the 2006 postal law to be permanent. And they continue to lament how much better things would be if they had gotten their way. Maybe yes, maybe no, as no one knows for sure how large the impact on volume would be from unprecedented, sustained above-inflation postage rates.

During the same time period, a new labor contract went into effect for the largest postal union, effective July 8, 2016. If you are really interested, read pages 5-12 of the arbitration award, in which the lead arbitrator said he was ignoring the USPS financial condition and the compensation premium compared to the private sector here. Instead, the arbitrator chose to base the massive new contract on the much smaller agreement postal management negotiated with another union the year before.

The Postal Service is doing very well, but could do much more with productivity growth. To its credit, postal management seems to be bargaining more seriously now. The same union that

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won the arbitration award in 2016 recently disclosed the content of recent negotiations on a new contract:

“USPS economic proposals are nothing short of draconian and regressive. Their proposals include:

- No increase in pay rates – a freeze for current employees;
  - One lump-sum payment in lieu of the usual annual pay raise;
  - Lump-sum payments in lieu of COLAs.
- Decreasing the career workforce:
  - Increasing the percentage of non-career employees to 25% in the clerk craft;
  - Reintroduction of 10% PSEs into the maintenance workforce, undoing the all-career maintenance craft;
  - Reintroduction of 10% PSEs into the MVS Craft.
- Pay and benefits substantially cut for all future conversion to career and future hires:
  - A converted PSE would take a pay cut of almost $1.00 per hour and work into year three before getting back to the PSE rate.
- Current career employees with less than six years seniority must work 15 years to gain “no lay-off” protection.
- Elimination of no lay-off provision for all future workers.”

But it remains to be seen whether an independent arbitrator listens and reflects reality in the next award.

USPS Myth #3: The booming ecommerce-driven package sector cannot make up for the loss of mail volume.

The Postal Service has long said this, and emphasized that their package volume could go away quickly and unexpectedly. Rather than touting packages as a great opportunity, as they did when owning the last mile was the strategy, it seems that downplaying current and future success rules the day. The private sector—FedEx, UPS, Amazon, Target, Walmart, etc.—is touting both the current profitability and future opportunity from ecommerce delivery.

Actual USPS results point to increasing success and contribution from the competitive package sector. Volume and revenue are growing at a very healthy pace.

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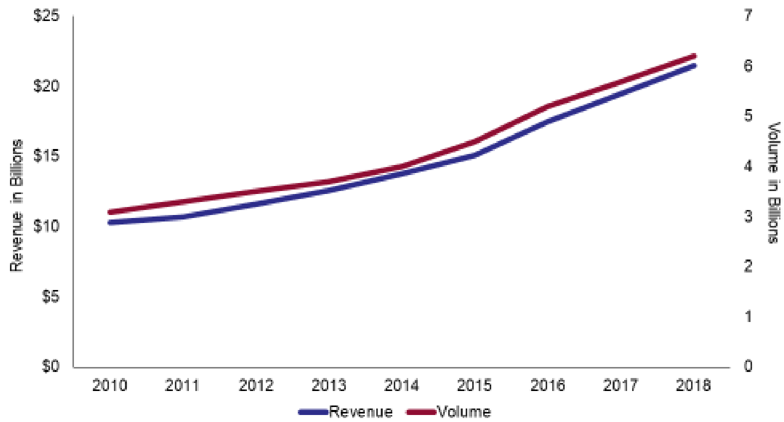
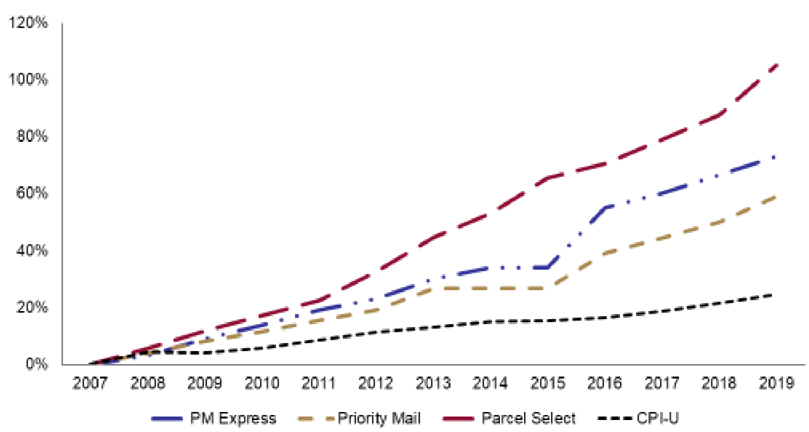
Domestic Package Volume & Revenue



However, with e-commerce boom, USPS package business has grown …

And the strength of the USPS market position is reflected in very strong pricing increases on the competitive side that has no price cap.

Package Price Increases



…and the Postal Service has been able to raise package prices by much more than inflation.

Package profitability is covering more and more of the cost of running the USPS network. Almost four times profit growth in the last several years is a reason for optimism.

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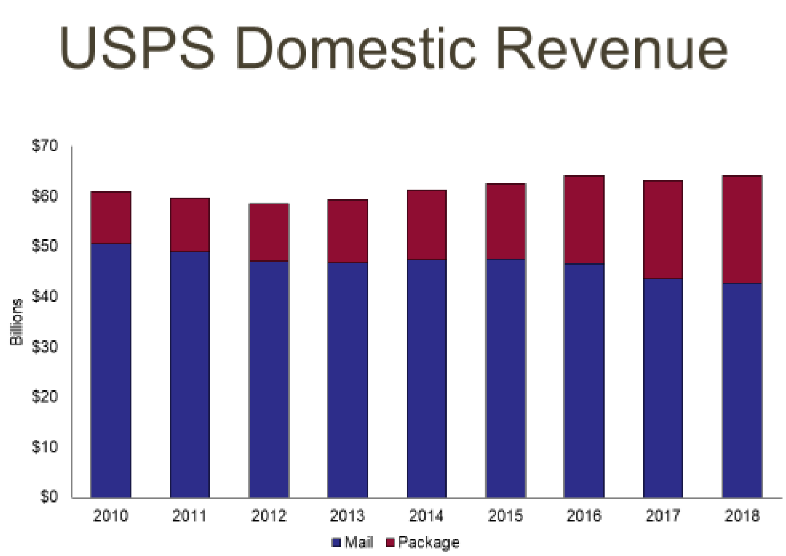
Due to volume growth and price increases, package revenues cover their costs and pay for a growing portion of the Postal Service's fixed costs (e.g., USPS Fixed Delivery Network)…

Packages have filled the revenue gap from the loss of mail volume in recent years.



…filling the USPS revenue gap from falling mail volume.

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USPS Myth #4: Unfunded retiree obligations are a ticking time bomb.

No one argues that pre-funding promises made to employees that when they retire you will pay your share of the cost of their health insurance and pensions. Pre-funding refers to setting aside money to be invested and earmarked for future obligations. But repeatedly quoting the $60+ billion underfunded status of USPS retiree health benefits is not a reason to panic or declare a crisis. In fact, if you are really worried about the USPS pre-funding status, you should look elsewhere for much larger under-funded obligations.

First, we should note that the Postal Service does have significant funds already set aside for retirees.

Retirement Funding

Fund	(in Billions)		% Funded
	Assets	Liabilities	
CSRS	$160.2	$185.3	86.5%
FERS	$119.0	$137.4	86.6%
RHB	$47.5	$114.0	41.7%
TOTAL	**$326.7**	**$436.7**	**74.8%**

Data as of End of FY 2018

…and USPS retirement liabilities are well-funded relative to other sectors.

Second, the Postal Service is doing better with its pension plans than every other sector of our economy.

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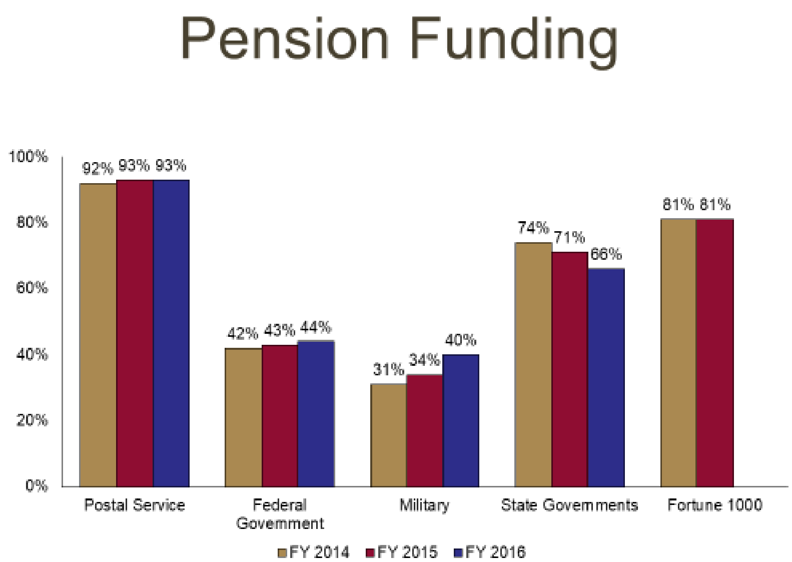
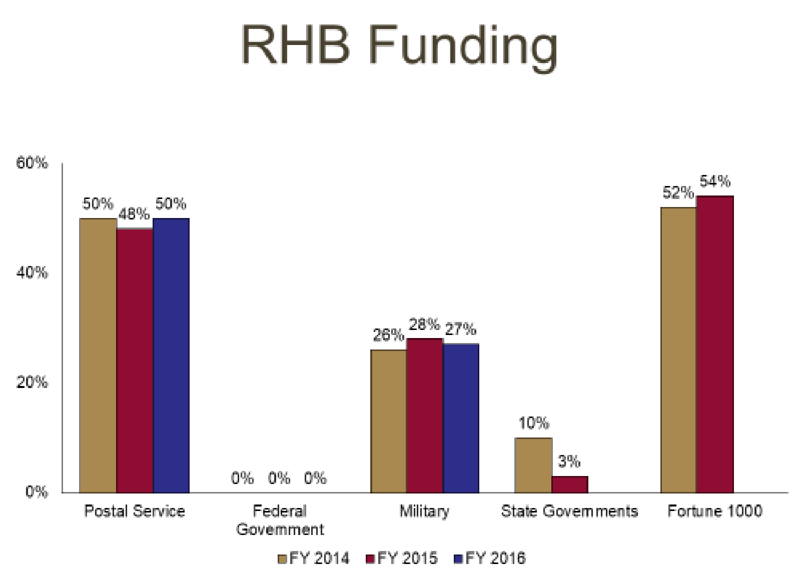


Third, USPS compares very well on retiree health care pre-funding. Note that the rest of the federal government has nothing set aside for health care pre-funding.



A final point is that the level of USPS pre-funding relative to obligations is vastly under-estimated for at least three reasons. First, the estimates do not include Medicare integration of postal retirees, as is common practice throughout the private sector. Many postal retirees use their federal health insurance as their primary plan rather

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than Medicare that they have been contributing to for years. Correcting this would reduce the obligation by close to the full under-funded amount.

Second, the USPS estimates are based on the full population of federal employees' demographics. The Postal Service has demonstrated that using more accurate USPS demographics would reduce the estimates significantly.

Finally, USPS pension and health funds are under-invested in non-marketable Treasury securities that return much less than typical public pension plans. Correcting this problem would push USPS into very profitable territory with as much as $13.7 billion more annual income.

What If USPS Could Invest in Assets that Produced Higher Returns?

	Return (Billions)	Difference (Billions)
3% (USPS Actual FY 2018)	$9.5	N/A
5%	$15.9	$6.4
Median Public Plan 20-Yr (6.4%)	$20.3	$10.8
Median Public Plan IRA (7.3%)	$23.2	$13.7

While fixing the pre-funding situation will require help from outside the agency, with the knowledge that it contains significant distortions and errors, we should not let it drive policy decisions that would hurt the core operations now.

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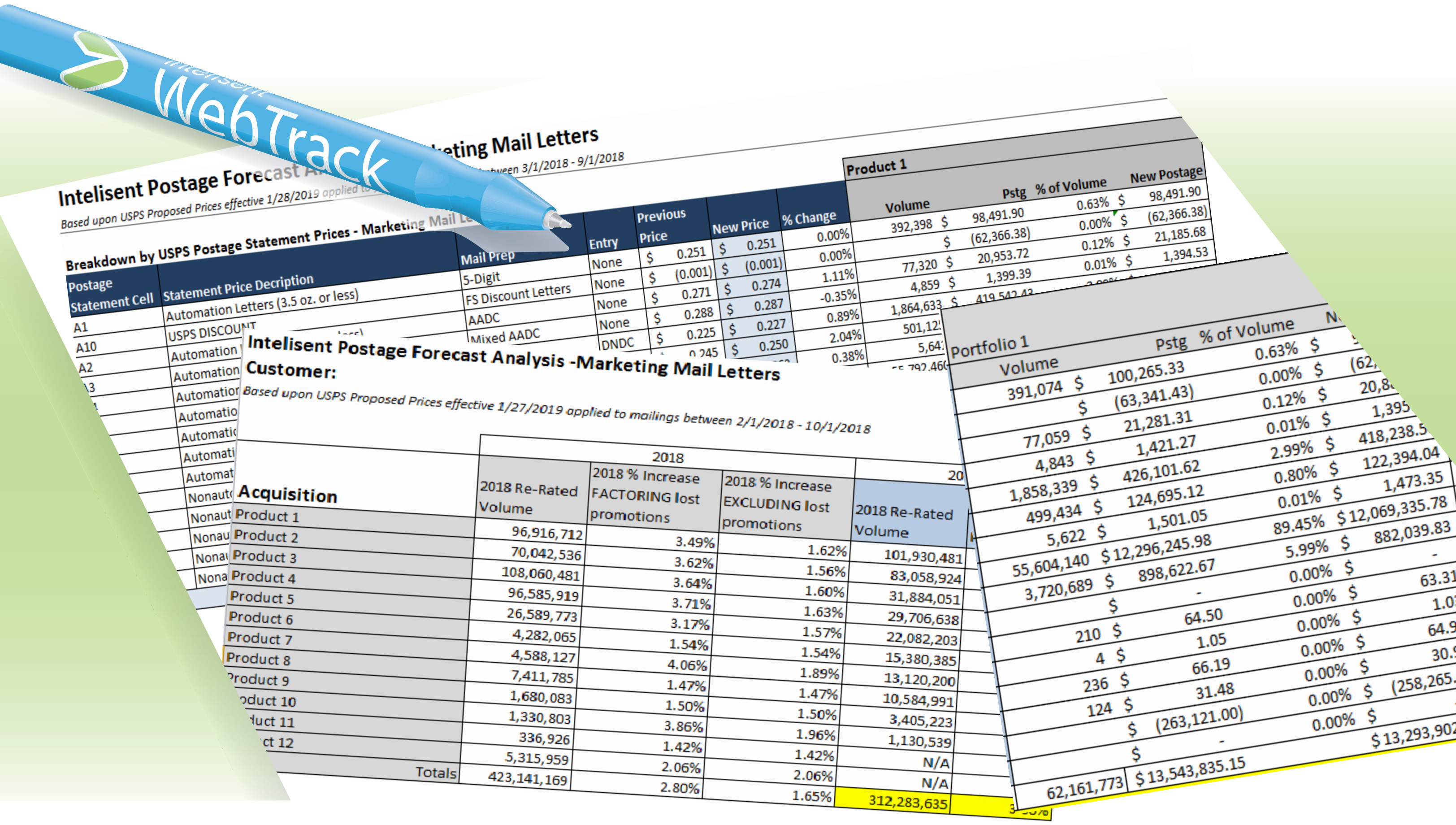
Meet Intelisent's Postage Forecasting Service
Know How The 2019 Prices Affect Your Business



How Our Forecasting System Works:

Our PostageTrack product calculates the postage statement data for every mailing throughout the year, creating a comprehensive postage database. When new prices are published, PostageTrack re-calculates the postage for each individual mailing. The results are then analyzed by our postal experts and customized reports are generated to clearly detail the postage impact to each business segment. Finally, our team of experts work with each customer, using the data, to illuminate postage optimization opportunities.

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POSTAL NEWS

Some Details Added to FEHB, Retirement Proposals

Fedweek New budget-related documents from the White House spell out in more detail the proposals related to retirement and FEHB contained in the first budget release last week, specifying for example that a proposed increase in required employee contributions toward retirement would apply only to those under the FERS system. Excluding those under CSRS—now only about 5 percent of the federal workforce—from the increase was proposed last year after years of proposals to increase required contributions under both systems. The stated goal is to make the enrollee and government shares equal by phasing up the former by 1 percentage point per year and bringing down the latter until they match. The documents also say that since FERS employees hired after 2012 already are paying in more than those hired through that year, the increase for them would not be as steep. The budget adds, though, that starting in 2020 the government will start using higher assumptions about the costs of financing retirement, meaning that for most employees the enrollee share would have to increase by about eight percentage points—rather than the six points commonly associated with such proposals over the years—to make them equal.

Have You Noticed Those Weird New Mailboxes?

NYTimes All of the approximately 7,000 mailboxes in New York City and those in other parts of New York, New Jersey, Connecticut and Massachusettsare being revamped. No plans yet exist for a nationwide overhaul, officials said, but in areas where fishing becomes prevalent, the thief-proof boxes will likely follow. The mail

USPS POSTAL CUSTOMER UPDATE

Industry Alert: **EPS Migration Material Update - March 25, 2019 *Did You Know***
Beginning **Monday, March 25,** you no longer need to request an invitation code to access the Enterprise Payment System (EPS)? Customers who have already been issued invitation codes will still be able to use their code to access EPS. Customers who requested an invitation code from the *PostalOne!* Help Desk, but have not yet received it, will still be granted their requested code to access EPS.

Industry Alert: **USPS Retiring Legacy Container, Tray and Start-the-Clock Visibility in PostalOne!** On April 30, 2019, the U.S. Postal Service (USPS) will retire legacy container, tray and Start-the-Clock visibility through the PostalOne! Data Distribution Dashboard. Mailers who currently receive visibility through PostalOne! PUSH subscriptions or PULL requests, or who use Online and Downloadable reports, must take steps to transition to Informed Visibility® Mail Tracking & Reporting (IV®-MTR) before April 30, if they have not already done so. Current PostalOne! mail visibility customers who have not set up an account within the IV-MTR system are urged to do so. For questions, or to get help setting up IV-MTR, please contact the IV Solutions Center at 1-800-238-3150, Option #2, or InformedVisibility@usps.gov.

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slots are only large enough for letters, meaning sending even small packages will require a trip to the post office. The opening is also equipped with a mechanism that grabs at a letter once inserted, making it difficult to retract. As of March 1, 352 mail fishing incidents had been reported in New York City this year, placing the city on track to record a 30 percent reduction in fishing from last year — a decline officials attribute to the newfangled boxes.

UPS Eyes In-Home Health Services With U.S. Vaccine Project

Reuters United Parcel Service Inc wants to get beyond U.S. doorsteps with a new push into healthcare. The world's largest package delivery firm is preparing to test a U.S. service that dispatches nurses to vaccinate adults in their homes, Reuters has learned, as the company and its healthcare clients work to fend off cost pressures and competitive threats from Amazon.com. UPS did not disclose which vaccines it would be using in the project, but drug and vaccine maker Merck & Co told Reuters it is looking at partnering with the company for the initiative. The project, previously unreported, shows how UPS is targeting a larger slice of the $85 billion outsourced healthcare logistics market.

Lawsuit Contests Letter-Rate Increase Implemented Jan. 27

Linns When the United States Postal Service raised its domestic first-class letter rates from 50¢ to 55¢ on Jan. 27, some postal customers complained about the 10 percent increase. Douglas F. Carlson did more than complain. He wrote out a check for $500 and filed a court case. His case against the Postal Regulatory Commission has been scheduled for oral argument May 10 in the U.S. Court of Appeals for the District of Columbia Circuit. As *Linn's Stamp News* reported in an article on page 1 of the Jan. 28 issue, the Postal Service deliberately set the letter rate and other associated rates at numbers divisible by five, claiming that action helps it achieve a "simplicity of structure" called for in a section of the 2006 Postal Accountability and Enhancement Act. Carlson argues against that reasoning and points out that "Customers typically buy a supply of forever stamps in quantities of 20 or 100 stamps, quantities that lead to round numbers for the total purchase." In a brief filed Feb. 22, Carlson raises six issues with regard to the rate increase and the Postal Regulatory Commission's system of rate regulation.

Postal Union Dismisses 'Shot In The Dark' Proposals From White House Task Force

FederalNewsRadio Nearly a year after President Donald Trump signed an executive order launching a postal reform task force, Congress, the administration and other postal stakeholders don't appear any closer to an agreement on how the put the Postal Service on firmer financial footing. Speaking Friday at an Information Technology and Innovation Foundation (ITIF) panel on postal reform, Jim Sauber, chief of staff at the National Association of Letter Carriers, urged the administration to prioritize one plank of postal reform: Undoing the 2006 mandate from Congress to pre-fund health benefits for future postal retirees. "It's time to focus on investing in our networks, replacing outdated vehicle fleet, and making investments that will allow the Postal Service to provide great service," Sauber said. While the Postal Service has defaulted on about $43 billion in payments to the retiree health fund, by the task force's estimation, Sauber said USPS has about $50 billion in the fund, which should cover benefits for about the next 15 years.

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OVER THERE... INTERNATIONAL NEWS

Denmark » Post&Parcel

PostNord and SwipBox are preparing a brand new network of parcel lockers in Denmark. During the next six months, a pilot project with 200 parcel lockers will be carried out in Kolding and provide input for the further rollout of the project. The vision of Nordic Infrastructure, the company behind the parcel locker network, is to have parcel lockers all over Denmark by the end of 2020. This dense network of parcel lockers will be agnostic, giving all logistics providers the possibility of delivering parcels through the parcel lockers.The new parcel lockers will be located at homeowners and housing associations, at public transportation and at local gas stations, etc., and will cover the entire country – from country-side to city. The parcel lockers will be called Nærboks (Nærboks = Nearbylocker – a locker near you).

Spain » Post&Parcel

Correos, the national postal service of Spain, and Amazon have signed a three-year agreement to enable Amazon customers in Spain to receive an even faster and more reliable parcel service.This agreement is the result of the continuous collaboration between Amazon and Correos. The Correos network includes 2,400 post offices and 5,000 CityPaq, which complete the home delivery services offered to customers thanks to the more than 30,000 postmen who arrive daily at homes and businesses in Spain. Correos works to keep pace with the constant growth of the volume of packages distributed to customers, and broke records last Christmas, with more than 24 million shipments distributed in Spain in the months of November and December.

Turkmenistan » Azernews

Turkmenistan’s Turkmenpochta (Turkmen Post) national company is expanding the range of services provided to the public, Trend reports referring to the Neutral Turkmenistan newspaper. It is possible now to make internal electronic money transfers in post offices. For express sending / receiving money, it is enough to present an ID at the post office and indicate the full name and address of the recipient. Two tariffs are in place: regular and student. The list of services also includes accepting payments for utilities, as well as an expedited postage to 190 countries within the Universal Postal Union. In addition, it is possible to purchase railway tickets in post offices, along with making an electronic purchase, cashless payment, and benefiting from home delivery services.

United Kingdom » Post&Parcel

Keith Williams, currently Deputy Chairman of Royal Mail, will succeed Les Owen as Chairman with effect from 22 May 2019, following the announcement of Royal Mail’s Full Year 2018-19 Results.

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Postal Vision 20/20

PostalVision's annual conference is June 5-7, 2019 (kicks off with evening reception on June 5) at The Ritz Carlton Pentagon City (Arlington,VA), and the agenda and preliminary list of speakers has been announced! From a thought-leader session on global postal issues to discussion around "Embracing "the USO" – Universal Service Opportunities for the Global Postal-Parcel Ecosystem," to hearing about new innovations and solutions, the event will have something for everyone! Register now while early bird prices are still available – and don't forget to use your special **PostCom discount code** (contact PostCom for the code) to get an additional **$250 discount** off your registration (not available for gov't rate or the special Retailer rate.

MEMBER WEBINARS

April Member Webinar – Tuesday, April 9, 3pm ET Register Here

NPF Executive Overview – Wednesday, April 10 2pm ET Register Here

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The Honorable Ron Johnson, Chairman
The Honorable Gary Peters, Ranking Member
U.S. Senate Committee on Homeland Security & Governmental Affairs
340 Dirksen Senate Office Building
Washington, DC 20590

Dear Chairman Johnson and Ranking Member Peters,

On behalf of the members of the Association for Postal Commerce (PostCom), we wish to express our appreciation for furthering discussion on the issues facing the US Postal System. The Administration has rightly focused attention on the uncertain future of the Postal Service and its continuing importance to the economy and citizens of the United States of America. The recent hearing on "A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service" was instructive and shone a light on some unarguable truths about the nation's postal system. As Senator Carper (D-DE) noted, the Postal Service is part of a larger mailing industry that includes mailers, printers, advertisers, and mail service providers, among others; that employs more than seven million Americans; and that contributes a substantial share of US GDP. As the Task Force report made clear, the future of this industry is at risk if the challenges facing the Postal Service are not addressed.

As the Committee further pursues these topics, we ask that it be mindful of a critical point of view: that of the mailers who – more than any other constituency – fund the provision of universal service as we know it. The members of PostCom spend billions of dollars annually on postage, using all postal products and employing US citizens in all fifty states. It is through the postage paid by these mailers that the Postal Service is able to operate without reliance on taxpayer dollars.

Increasingly, however, our members have been paying more for less. A recent US Postal Service Office of the Inspector General Report found that in 2015, when the Postal Service lowered service standards, of the $1.6 Billion dollars in savings expected to result, less than six percent – less than $110 million – were actually achieved. As a result, our members and other users of the system have been paying nearly $1 billion in excess postage annually ever since. Unfortunately, the Task Force report contains recommendations that would make an unacceptable situation far worse. Most troubling, it recommends the radical step of endowing a Government monopoly with unchecked power to set prices on products deemed, through some unexplained process, to be "commercial" rather than "essential," upending the current distinction between market dominant and competitive products and encouraging the Postal Service to exploit its market power. The postal monopoly would remain; it would simply be unregulated. If this system were to lead to a bifurcated delivery system or significant volume losses, the postal system could be irreparably harmed.

PostCom's members are committed to working with other stakeholders to ensure the continued viability of the nation's postal system. Toward that end we urge the Committee to consider several important principles:

- Any reform of the Postal Service should account for and protect the interests of the mailers who fund universal service.
- Allowing the Postal Service unconstrained pricing flexibility without addressing the Postal Service's ongoing inability to manage costs and service will do more harm than good.
- A fully functioning Board of Governors is critically important for effective governance and oversight of the Postal Service.

Once again, we thank the Committee and its leadership for their ongoing efforts to improve the postal system and express commitment and willingness to further discussion.

Michael Plunkett
President & CEO

CC: The Honorable Thomas R. Carper