



Mailers Hub

*Bringing Commercial Mailing,
Resources, and Solutions Together*



GREATER BALTIMORE POSTAL CUSTOMER COUNCIL

Status Check

What's going on with the USPS

Baltimore PCC Webinar

February 11, 2021

Topics

- USPS finances
- Service performance
- USPS leadership
- Issues
- Resources



USPS Finances (through December)

- Total volume: 11.51 bln, **-4.3%**; 36.59 bln, **-3.2%** (YTD)
 - First-Class Mail: 5.24 bln pcs, **-2.5%**; 13.75 bln, **-4.1%** (YTD)
 - Marketing Mail: 5.07 bln pcs, **-7.4%**; 19.53 bln pcs, **-3.9%** (YTD)
 - Competitive: 811.7 mln pcs, +22.0%; 2.02 bln pcs, +28.4% (YTD)
- Total revenue: \$7.94B, +11.4%; \$21.495B, +11.1% (YTD)
 - First-Class Mail: \$2.43B, **-1.5%**; \$6.30B, **-2.7%** (YTD)
 - Marketing Mail: \$1.11B, **-6.7%**; \$4.18B, **-5.5%** (YTD)
 - Competitive: \$3.85B, +37.4%; \$9.31B, +40.9% (YTD)
- Expenses and workhours exceeding planned levels
- Net loss: \$186M (-\$42M SPLY); \$318M (-\$1,015M YTD SPLY)



Service performance

- Service impacted by COVID-related absenteeism, lack of air transportation capacity
 - Plant congestion, delays in unloading
 - Holiday volume, offloads by competitors
 - Loss of processing discipline

| USPS Service Performance for PQ I/FY 2021 (October 1 – December 31, 2020) | | | | | | | | | | | | | | | | | | | | |
|---|------------------|---------|-------------------|-------|---------|-----------------|-------|---------|--------------------------|---------------|---------|-------|---------|-----------------------|---------|----------------------------|----------------|-----------|-------------|---------------|
| | First-Class Mail | | | | | | | | Marketing Mail (Overall) | | | | | Periodicals (Overall) | | Package Services (Overall) | | | | |
| | Single-piece | | Presorted letters | | | Presorted flats | | | EDDM Retail | Carrier Route | HD/Sat | | Letters | Flats | Parcels | In-county | Outside county | BPM flats | BPM parcels | Media/Library |
| | 2-day | 3/5-day | Over-night | 2-day | 3/5-day | Over-night | 2-day | 3/5-day | | | Letters | Flats | | | | | | | | |
| Eastern Region | 77.6 | 49.6 | 88.9 | 81.3 | 74.3 | 60.9 | 60.7 | 52.5 | 69.8 | 77.9 | 83.8 | 80.5 | 82.1 | 64.6 | 51.0 | | | 52.4 | 97.3 | 73.7 |
| Chesapeake | 67.2 | 43.3 | 80.0 | 70.1 | 64.1 | 56.8 | 51.2 | 45.9 | 69.4 | 73.3 | 79.1 | 80.6 | 77.5 | 57.9 | 57.1 | | | 47.2 | 97.1 | 69.5 |
| Coastal Southeast | 82.7 | 50.6 | 93.0 | 88.8 | 77.8 | 50.9 | 65.1 | 54.0 | 63.7 | 75.2 | 85.4 | 74.2 | 83.8 | 62.2 | 44.2 | | | 56.9 | 95.8 | 74.5 |
| Lakeshores | 73.7 | 47.8 | 85.4 | 77.4 | 74.2 | 58.1 | 56.9 | 52.1 | 75.5 | 80.0 | 78.5 | 87.4 | 78.5 | 65.1 | 44.0 | | | 53.0 | 97.0 | 73.1 |
| Mid-Atlantic | 79.2 | 49.2 | 91.0 | 80.5 | 73.6 | 67.4 | 61.6 | 52.6 | 74.4 | 78.4 | 83.0 | 77.8 | 80.2 | 64.1 | 52.0 | | | 55.5 | 97.8 | 74.9 |
| New England | 84.5 | 54.5 | 94.1 | 89.4 | 76.5 | 75.3 | 66.5 | 53.7 | 73.9 | 77.7 | 89.8 | 84.0 | 87.5 | 67.6 | 59.1 | | | 46.0 | 97.8 | 73.9 |
| New York Metro | 80.2 | 54.4 | 91.9 | 84.3 | 77.8 | 77.9 | 65.4 | 58.1 | 69.8 | 86.7 | 92.1 | 89.4 | 89.9 | 75.3 | 52.2 | | | 50.8 | 98.0 | 76.8 |
| Western Region | 87.1 | 59.4 | 93.8 | 90.2 | 81.6 | 79.2 | 74.7 | 59.0 | 78.1 | 86.6 | 93.1 | 88.0 | 90.0 | 73.6 | 52.7 | 73.8 | 73.5 | 61.3 | 97.4 | 75.6 |
| Mid-South | 87.0 | 55.8 | 93.0 | 87.2 | 76.9 | 75.7 | 70.0 | 54.2 | 82.9 | 77.3 | 88.3 | 85.5 | 85.8 | 60.1 | 52.0 | | | 60.9 | 97.0 | 69.2 |
| Midwest | 84.2 | 58.4 | 92.7 | 90.5 | 83.0 | 83.6 | 73.8 | 56.7 | 85.2 | 87.1 | 88.5 | 89.5 | 86.0 | 75.6 | 56.8 | | | 67.5 | 97.9 | 74.5 |
| Pacific N'west | 88.8 | 63.0 | 95.3 | 94.5 | 84.8 | 82.0 | 79.4 | 64.9 | 77.0 | 93.4 | 95.1 | 87.6 | 91.8 | 86.1 | 55.4 | | | 61.6 | 97.8 | 76.1 |
| Southern CA | 90.1 | 63.0 | 95.1 | 95.7 | 85.8 | 84.3 | 78.4 | 63.7 | 68.8 | 92.0 | 98.3 | 89.0 | 94.9 | 82.4 | 53.5 | | | 61.0 | 98.9 | 81.7 |
| Southwest | 89.1 | 59.8 | 94.2 | 88.1 | 81.4 | 80.8 | 76.2 | 59.8 | 80.9 | 86.4 | 94.1 | 86.9 | 91.9 | 73.4 | 50.6 | | | 61.4 | 95.8 | 77.2 |
| West Shore | 83.9 | 54.4 | 92.9 | 87.4 | 73.3 | 65.7 | 67.2 | 54.4 | 76.0 | 77.0 | 90.8 | 86.4 | 88.3 | 57.9 | 47.8 | | | 50.2 | 97.0 | 71.8 |
| National | 82.0 | 54.8 | 91.6 | 85.0 | 78.3 | 71.0 | 67.2 | 55.9 | 73.6 | 81.9 | 88.2 | 84.1 | 85.9 | 69.1 | 51.7 | 69.8 | 69.5 | 57.2 | 97.3 | 74.7 |

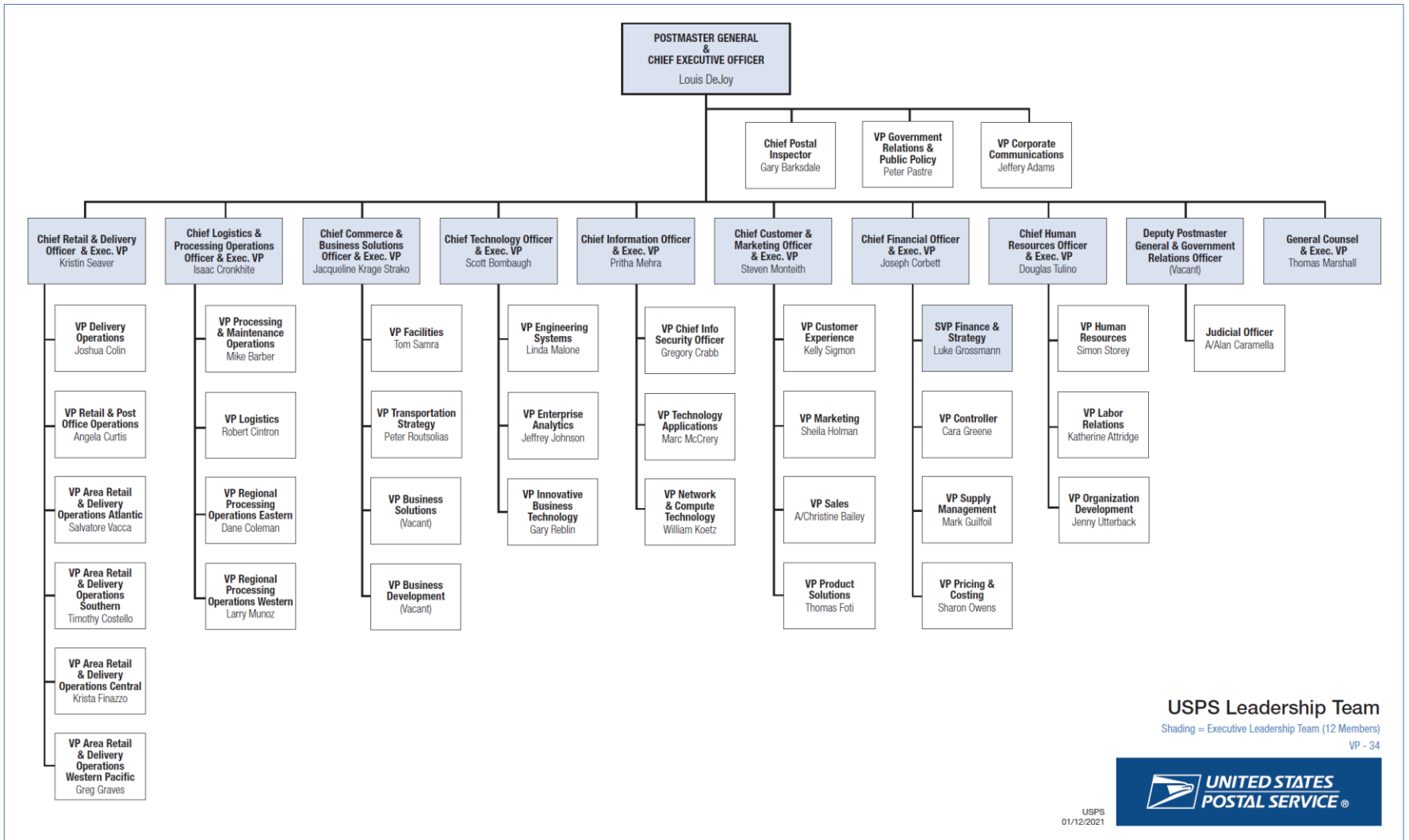


USPS leadership

- Board of Governors
 - Postmaster General, Deputy PMG, nine appointed members
 - Nominated by president, confirmed by Senate, 7-year term (+ “grace year”)
 - No party may be represented by more than 5 members
 - Current board has six appointed members, all since August 2018 (Barger, Bloom, Duncan, Martinez, Moak, Zollars) plus the PMG
- Exclusive responsibilities of the appointed governors
 - Hire and fire the PMG and Deputy
 - Approve price and classification filings
- Exclusive responsibilities of the PMG
 - Hire and fire vice-presidents
 - Implement board directives
- The PMG cannot be fired by the president



USPS leadership



USPS Leadership Team

Shading = Executive Leadership Team (12 Members)

VP - 34



USPS
01/12/2021



Issues

- Transitions
 - Seamless acceptance
 - CAPS to EPS
- USPS finances
 - \$10 billion grant
 - Costs outrunning revenue
 - Unpredictable revenue streams (susceptibility to competition)
 - Shifting costs (parcels vs letters/flats)
 - Prefunding obligations
 - Limited capital for investment, vehicles
- USPS business
 - Loss of letter/flat volume
 - Shipper insourcing



Issues

- Regulation
 - Changes to the ratesetting process
 - New pricing authority – density, retirement obligation, non-compensatory
 - Potential price increase
 - Rulemaking about service-based authority
- Potential legislation
 - Cancel prefunding mandate
 - Integrate health costs with Medicare
 - “Reform”



Issues

- Nominations for vacant and soon-to-be vacant Governor seats
- Impact of state laws
 - Sales and use tax laws
 - Privacy laws
- International mail
 - Self-declared rates
 - Use of non-governmental partners
- Impact of pandemic
 - Business activity
 - Workforce
 - Mail volume



Resources

- Mailers Hub
 - *Mailers Hub News*
 - Webinars
- USPS
 - PostalPro
 - Postal Explorer
 - *Postal Bulletin*
 - Industry Alerts
 - DMM Advisories
- *Federal Register* notices

Mailers Hub

The information source for commercial mailers

News

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USPS Files for Market-Dominant Price Changes

On October 9, the Postal Service filed a request with the Postal Regulatory Commission to revise the prices for market-dominant products.

As the Postal Service detailed in its filing, the amount of proposed increase by class reflected its authority under the CPI-based cap plus any unused rate authority, left over from previous price changes, that can be carried over (banked) for future use. The USPS did not use all of its available rate authority, meaning some of it will remain banked after this case.

| Class | Requested Change (%) |
|--------------------------------|----------------------|
| First-Class Mail | 1.83% |
| USPS Marketing (Standard) Mail | 1.50% |
| Periodicals | 1.45% |
| Package Services | 1.60% |
| Special Services | 1.45% |

| Class | Cap % | Unused % | Total Available % | Remaining Unused % |
|---------------------|-------|----------|-------------------|--------------------|
| First-Class | 1.45% | 0.38% | 1.94% | 0.10% |
| USPS Marketing Mail | 1.45% | 0.06% | 1.51% | 0.05% |
| Periodicals | 1.45% | 0.00% | 1.45% | 0.00% |
| Package Services | 1.45% | 0.00% | 1.46% | 0.00% |
| Special Services | 1.45% | 0.00% | 1.46% | 0.00% |

According to the USPS, proposed changes by class include:

First-Class Mail. The largest increases in the class were for flats and inbound letter post.

| Product | Requested Change (%) |
|---------------------------------|----------------------|
| Single-piece letters/postcards | 1.75% |
| Presort letters/postcards | 2.16% |
| Flats | 1.20% |
| Outbound single-piece FCM int'l | 0.00% |
| Inbound letter post | 2.54% |
| Total First-Class Mail | 1.83% |

| Class | Current | New | Change | Slage Change |
|----------------------|---------|-------|--------|--------------|
| Stamped Single-Piece | 0.550 | 0.550 | 0.000 | 0.0 |
| Metered Single-Piece | 0.500 | 0.500 | 0.000 | 0.0 |
| MAADC Automation | 0.439 | 0.450 | 0.011 | 2.5 |
| MAADC Automation | 0.418 | 0.428 | 0.009 | 2.3 |
| 5-Digit Automation | 0.389 | 0.398 | 0.009 | 2.3 |

Within the Letters products category, the one-ounce Stamped Letters rate will remain at 35 cents, while the other rates for one-ounce multiples will increase...

The rate adjustments for Single-Piece Letters/Cards is explained in greater detail here:

- One-ounce Metered Letters will increase by 1 cent to 51 cents.
- The first-ounce rate for Qualified Business Reply Mail (QBRM) will decrease by \$0.002 for letters, but increase by \$0.008 for cards.
- Share Mail letter rates and Share Mail card rates will both decrease by 9 cents.
- The additional-ounce price for letters will increase by \$0.05 to align with the additional-ounce price for flats. Similarly, the non-machinable letter surcharge price will increase by \$0.05. While both price increases represent a 33.3% increase, the resulting prices remain one penny less than they were three years ago.
- Prices for Presort Letters/Postcards will increase by 2.163%, which is above the class average. Specifically, Presort Letters will increase by 2.120%, while Presort Cards will increase by 3.266%.
- Within Flats, the Postal Service is increasing rates a small amount for Keys and ID devices. This increase amounts to a de minimis increase for Single-Piece Flats. Non-Automated Flats are increasing by 4.1%. These increases are necessary to prevent flats cost coverage from falling below 100%.
- In International, Inbound Letter Post terminal dues are increasing by 7.549% compared to current rates. This is based on the regularly scheduled terminal dues price increases that are determined by the Universal Postal Union. For Outbound Single-Piece First-Class Mail International, there will be no price changes.

The USPS noted that the "adjusted rates will keep all First-Class Mail workshare discounts equal to or below their avoided costs."

USPS Marketing (Standard) Mail. Though, for the class, the rate increase averaged 1.251%, the actual changes in the class's component product categories varied widely.

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INDUSTRY ALERT





Mailers Hub

*Bringing Commercial Mailing,
Resources, and Solutions Together*



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Questions

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