



Greater Atlanta Postal Customer Council

**The information contained within is
current as of 4/15/14**

P.O. Box 161002, Atlanta GA 30321-1002

www.gapcc.net

- State of the U. S. Postal Service
- Exigency Status
 - Postal Regulatory Commission Decision
 - Affordable Mail Alliance
 - U. S. Postal Service
- Status of Legislation
 - House vs. Senate bills
 - What Happens Next?
- Q & A



**The information contained
within is current as of 4/15/14**





State of the U.S. Postal Service

- Net loss of \$5B; 7th consecutive year of net losses
- Operating loss of \$1B
- Total revenue increased by \$800 Million (first revenue growth since 2008)
- Continued productivity gains
- Volume:
 - 8% growth in Packages; 3% growth in Standard
 - Continued decline in First Class
- Liquidity situation remains “precarious”
 - 9 days of operating cash



- Reflects the CPI increase as well as the exigent increase (total 5.9%)
- \$67.9B in revenue; up from \$66B in FY13
- Anticipates revenue growth and continued focus on expenses, resulting in:
 - Operating income of \$1.1B
 - Net loss of \$4.6B
- Assumes:
 - Competitive Products growth of 12.6%
 - Flat Standard Mail growth
 - First Class decline of 6.4%
 - Total decline of 4.4B pieces or 2.8%
- Improves liquidity situation by 8 days



USPS needs to save up to \$20 billion annually over the next 5 yrs.....*Nearly half requires legislative action*

- Each of the Strategic Initiatives is essential in order to restore the USPS to financial viability:
 - Right size the network – consolidate excess capacity
 - Implement 6 day packages; 5 day mail delivery
 - Adopt the USPS healthcare program for employees and retirees (~\$8B annual cost savings = elimination of Retiree Health Benefit payment of \$5.7B annually plus \$2B reduction in healthcare costs)
 - Continue to generate new revenue – expand scope of allowable products and services, targeted price changes, package growth, investments in advertising and infrastructure
 - Streamline current governance to enable faster decision making on product and pricing



Continuing Saga:

- USPS filed exigent increase request with Postal Regulatory Commission (PRC) on 9/26/13*
- PRC granted 4.3% increase on 12/24 but denied USPS' request to make it permanent*
 - USPS must file quarterly revenue amounts and determine a plan to phase out increase within 2 years
- Affordable Mail Alliance (AMA) filed an appeal with the DC Circuit of the US Court of Appeals on 1/23/14**
- USPS filed their appeal on 1/24/14**
- Motion for expedited handling submitted by AMA in early March - docket is so full, expedited means September when first open arguments slots are available**

Sources: *Postal Regulatory Commission www.prc.gov

**Affordable Mail Alliance





**Two very different
Bills out of House and
Senate oversight
committees**

House Oversight Committee passed H.R. 2748 on partisan vote (22-17)

- Allows USPS to move to a 5-day mail and 6-day package delivery schedule immediately upon enactment
- During restructuring, replaces the current Board of Governors (BOG) with a panel of 5 full-time executives appointed by the President. Mandate is to implement cost-cutting reforms. Once USPS earns a profit (for 2 consecutive yrs) and can ensure that it can meet its retiree obligations, the panel dissolves and the BOG is reinstated. The panel is designated no later than 30 days after enactment
- Begins to phase out “to the door” delivery in favor of curbside and clusterbox



- Reamortization of payments for prefunding retiree health benefits; beginning in 2015, all future payments based on an actuarial calculation designed to achieve full funding in the year 2056
- Return to USPS of its overpayments to Federal Employees Retirement System (FERS)
- Assures USPS the authority to streamline its service
- Preserves rate stability by maintaining CPI cap through 2016; underwater products increase 2% annually until 90% cost coverage; excess capacity study
- No layoff clauses are barred in collective bargaining agreements



Senate Oversight Committee passed the bill (S. 1486) out of committee (9-1).

- Allows the Postal Service and its unions to proceed with a plan to manage its own health insurance program
- Ties elimination of six-day mail to volume – if USPS falls below 140 billion pieces of mail, it can eliminate Saturday service

Source: S. 1486 The Postal Reform Act of 2014



- Breaks the CPI rate cap by applying the cap to all market dominant products instead of limiting CPI to the class level*
- Implements a new CPI + 2% at the class level*
- Makes the 4.3% exigency amount permanent*
- Removes much of the authority of the PRC in reviewing and approving rate requests and replaces it with broader authority at the USPS Board of Governors*
- The PRC authority only allows an “all or nothing” vote on rate requests*

* Amended Sec. 301 during mark-up



According to the Coalition for a 21st Century Postal Service:

- Neither bill appears to have enough support to win a floor vote
- Reid will not likely bring a bill to the floor that unions oppose or includes the gun amendment
- Boehner will not likely bring a bill to the floor due to 5 day opposition
- Few legislative days remaining in year (many will hit the campaign trail early summer)
- Lame Duck session most likely “if at all”
 - Expect the unexpected – be prepared and stay vigilant
- Expect to be more difficult to get Postal Reform in 114th Congress



The Coalition for a 21st Century Postal Service - known as C21

- C21 is an alliance of major mailers, mail service providers, suppliers and trade associations that is advancing the interests of the mailing community before Congress
- Members span the entire spectrum of the nearly \$1.1 Trillion mailing industry that employs 8 million people
- The mission of the Coalition is to sustain, reform and strengthen the USPS so it can meet the demands of the future



“The brutal irony of the Senate bill is that it provides a federal agency with monopoly powers and increased authority as well as significant control over the rates it charges and the services it provides.”

Ben Cooper, C21 Founder

Questions?

