

Postage and Politics

Twin Cities PCC

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Agenda

1. US Postal Financial Status
2. US Postal Performance Status
3. Washington D.C. Action
 - Postal Reform
 - Opioid Control
 - PAEA 10-year review
 - Executive Task Force
 - Board of Governors
4. Canada Post Strike Potential
5. UPS Strike Potential
6. Group Discussion
7. Resources

US Postal Financial Status

- **Fiscal Q3 (calendar Q2) \$1.5 billion loss, decline by \$651 million SPLY**
 - Decline in loss mostly due to retirement and health benefit plan adjustments; without that the loss increased by \$507M
 - Revenue up 2.4% to \$17.51 billion (\$402M increase)
 - Operating Expenses down 1.3%
 - Mail volume down 1.2%
 - Package volume up 7.5%
 - “Controllable” loss of \$889 million, compared to loss of \$587 million SPLY

US Postal Performance Status - National

- Better than the rest of the year but behind last year
- Down year over year (.3 – .6%)
- Targets: Overnight 96.80; Two-Day 96.50; Three-To-Five-Day 96.25

Presort First-Class Mail®			
Nation On-Time Performance from FY17 Q3 through FY18 Q3			
Period ▼	Overnight ◆	Two-Day ◆	Three-To-Five-Day ◆
FY18 Q3	96.6	96.1	94.0
FY18 Q2	95.6	93.9	89.7
FY18 Q1	95.4	94.0	90.7
FY17 Q4	96.6	96.0	93.7
FY17 Q3	96.9	96.4	I 94.6

Source: https://about.usps.com/what-we-are-doing/service-performance/historical_trends/index.html

US Postal Performance Status - Northland

- Better than the national average in Overnight and Two-Day
- Below average in Three-to-Five-Day
- Targets: Overnight 96.80; Two-Day 96.50; Three-To-Five-Day 96.25

Presort First-Class Mail®
Northland On-Time Performance from FY17 Q3 through FY18 Q3

Period ▼	Overnight ◆	Two-Day ◆	Three-To-Five-Day ◆
FY18 Q3	98.2	97.0	92.3
FY18 Q2	97.8	96.0	88.4
FY18 Q1	97.8	95.7	88.3
FY17 Q4	98.3	97.1	93.2
FY17 Q3	98.5	97.5	94.1

Source: https://about.usps.com/what-we-are-doing/service-performance/historical_trends/index.html

US Postal Performance Status - National

- Better than the rest of the year but behind last year
- Destination Entry actually hit target (End-to-End still well off)

USPS Marketing Mail® Nation On-Time Performance from FY17 Q3 through FY18 Q3				
Period ▼	Destination Entry ◆	Destination Entry Target ◆	End-to-End ◆	End-to-End Target ◆
FY18 Q3	94.6	91.80	71.2	91.80
FY18 Q2	90.1	91.80	59.8	91.80
FY18 Q1	88.1	91.80	61.8	91.80
FY17 Q4	93.9	91.00	70.8 I	91.00
FY17 Q3	95.3	91.00	72.3	91.00

Source: https://about.usps.com/what-we-are-doing/service-performance/historical_trends/index.html

US Postal Performance Status - Northland

- Better than the national average
- Destination Entry has been on a good run

USPS Marketing Mail®
Northland On-Time Performance from FY17 Q3 through FY18 Q3

Period ▼	Destination Entry ◆	Destination Entry Target ◆	End-to-End ◆	End-to-End Target ◆
FY18 Q3	96.7	91.80	79.4	91.80
FY18 Q2	93.5	91.80	68.0	91.80
FY18 Q1	90.2	91.80	68.8	91.80
FY17 Q4	94.9	91.00	77.0	91.00
FY17 Q3	96.0	91.00	82.0	91.00

Source: https://about.usps.com/what-we-are-doing/service-performance/historical_trends/index.html

Washington, D.C. Activity

- **Postal Reform bills**
- **Two near-identical bills in House (HR 756) and Senate (S2629)**
 - Bipartisan support; industry, union and USPS testified on behalf of passage
 - Moves retirees to Medicare
 - 2.15% postage increase
 - Senate version is slightly preferred
- Pretty much dead for this year; lacks a strong “champion”
- Likely to be reintroduced with little or no change in 2019
- Won’t be a permanent fix but could buy time for a bigger effort

Washington, D.C. Activity

- **Opioid Control bill**
 - Synthetics Trafficking and Overdose Prevention (STOP) Act
 - Senate bundled with other epidemic response measures and passed Sept 17
 - House passed in June but with differences; joint committee to reconcile
 - \$1 surcharge for all international packages – 50/50 split to USPS and Customs
 - Requires advanced electronic data
 - 70% by end of year
 - 100% by 2021

Washington, D.C. Activity

- 10-year review of PAEA (current law) by PRC
 - Initial proposed rulemaking was issued by the PRC and comment period has closed
 - Basically radio silent; Commissioners have not been speaking to industry groups
 - Two Commissioners' terms expire this year but can be extended
 - New nominee announced June 8 – Michael Kubayanda

Washington, D.C. Activity

- Executive Order Task Force
 - August 10 deadline met; details kept under wrap
 - Strong belief President Trump didn't like results and/or political reality
 - May release after mid-term elections but could stay out of public eye indefinitely
 - No immediate impact

Washington, D.C. Activity

- **Board of Governors**
 - Robert Duncan and David C. Williams have been confirmed and sworn in
 - Expected to come up to speed quickly due to past experience
 - Duncan's term expires December 8, 2018 and Williams' December 8, 2019
 - Both eligible for one year extension if no replacement
 - Could be re-nominated if all others are filled
 - Still not at quorum but can operate as the TEC
 - Two new candidates have been nominated and are waiting to start confirmation
 - Ron Bloom
 - Roman Martinez

Washington, D.C. Activity

- Budget Planning Impacts
 - Expect rate increase in January
 - Likely using September CPI for proposal in early October
 - 2.419% CPI-U current (August)
 - Could be a second increase in mid-year due to PRC or Postal Reform
 - USPS has stated that they plan to present 2019 promotions similar to previous

Canada Post Strike Potential

- **93.8% urban and 95.9% rural workers voted in favour of strike action**
 - Working conditions, especially around the change in makeup of mail (parcels vs letters), is the key issue
- **Will be in legal position to strike September 26th if no agreement is reached**
 - Does not mean they have to or that they will, just that they could
- **Suggested response**
 - Keep working BAU but be cautious of time-sensitive pieces
 - Good time to push for e-delivery

UPS Strike Potential

- Contract ended July 31 but both sides agreed to continue under it while final negotiation and ratification process happened
- Union is in the process of voting through October 5th
 - Not a sure thing they will approve
- UPS carries over 1/3 of parcels in US
 - Post Office similar; FedEx roughly 60% of those two
 - Interconnectivity and Union supporters could compound issues
- Presidential response unclear
- Business Continuity Plans
 - US Postal System and FedEx likely primary alternatives
 - Accelerated Amazon, DHL Metro and other local/regional carrier transitions
 - Expect delays regardless of who you use

Group Discussion

Q&A time

Resources

USPS Historical Quarterly Performance

https://about.usps.com/what-we-are-doing/service-performance/historical_trends/index.html

Postal Regulatory Commission

<https://www.prc.gov/>

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