



## Summary of ACMA Postal Policy Positions, Fall 2020

ACMA is a trade association representing catalogers, remote sellers, and e-commerce marketers plus their suppliers. Direct marketers and remote sellers are part of a mailing industry that contributes >90% of USPS revenues. The USPS is essential infrastructure to the industry, which in 2019 employed 7.3 million Americans and generated \$1.6 trillion of GDP (about 7% of the total).

ACMA is an active member of the Coalition for a 21<sup>st</sup> Century Postal Service (C21), an organization that pulls a broader cross-section of the larger mailing industry (mailers, shippers and the supply chain) together. ACMA agrees substantially with C21 positions. In fact, full stakeholder alignment between mailing groups, labor groups and postal management is generally requisite to successful passage of postal legislation, and ACMA & C21 endeavor to work closely with all groups to forge consensus solutions in postal policy that will make a difference for the agency and businesses that both support and depend on it.

### **Pandemic Impact:**

- The USPS has experienced additional costs in the pandemic (overtime, replacement labor, sick time, PPE, cleaning, etc.) that should not be borne by ratepayers. It is wrong that virtually every federal agency but the USPS has received money to cover pandemic costs.
- Mail revenue and volume declines started in the late 2000s; once the pandemic hit, they plummeted while soaring package revenues became the only savior from Postal Service illiquidity, which was originally expected in Fall 2020.
  - Note that package volume increases have recently moderated and mail volume decreases have eased in late summer.
- Regardless, the USPS projects to be illiquid by the Fall of 2021.

### **Financial Performance:**

- No significant tax dollars support the USPS since the 1970s.
- If not for the prefunding requirement imposed in 2006, USPS would have had earnings in most years since. Of the \$68 billion lost from 2007 to 2019, \$55 billion is due to excessively aggressive prefunding burdens. (Note: While cash payments stopped since 2012, these are still on the Balance Sheet and reflected in earnings reports.)
- Prior to imposition of a price cap, the USPS had no significant history of cost reduction. Since 2006, expenses have continued to grow.
- Only Congress can revise the laws governing the USPS; legislation has been worked on for over a decade without result. It is time to pass a bipartisan legislative solution.

### **Mailers' Concerns:**

- The incremental cost to reach consumer or business customers drive mail volumes directly.
- Postage rates must be stable, predictable and reasonable, and package rates cannot be subjected to huge increases. Driving packages out of the system will only place a higher financial burden on mail, forcing it out at a faster rate.
- The reported costs for flat shaped mail used by catalogers has gone up 5.4% to 5.6% (MM Flats and MM CR, respectively) each year for the past 21 years while inflation averaged 2.2%. Flats have a cost problem, not a pricing problem.

- Recently, there are signs that the agency may be on the brink of reducing the excessive cost of processing and delivering flat mail, but this is nascent and tentative.
- Catalogs are desired and used by boomers and millennials alike; they are content in the mailbox keeping mail interesting for all manner of business and advertising mail.
- The PRC is threatening to dramatically force up postal rates for mailers that will be disastrous and put the agency into a death spiral as mailers abandon mail in much larger numbers.

#### **Elements Required in Legislation:**

- Fix the burdensome prefunding requirement.
- Enable conservative market investments of postal trust funds in a Thrift Savings Plan that has earned 7% consistently, not the 2% Treasury returns achieved now that do not even keep up with the growth in actuarial costs.
- Enable flexibility in pension funding limits and vested liability. Require postal-specific actuarial calculations.
- Encourage co-locating government activities in postal retail locations providing greater public service to each community. Nobody knows how to find FEMA in an emergency, but everyone knows how to find the USPS.
- Allow common-sense advertising on vehicles and offices.
- Allow shipping of beer and wine, when permitted locally.
- Forbid competition with the private sector but enable the fostering of new markets, services and business opportunities by the private sector. An analogy is DARPA investments enabling the creation of entirely new markets and services. These will generate new revenue flows for the USPS while give rise to jobs and economic activity nationwide.
- Encourage continued Public Private Partnerships such as Worksharing in the operation of an efficient postal system where the total delivered cost is the measure of success.
- Offset pandemic costs with grants, not debt that then gets foisted on ratepayers.

#### **Service Performance:**

- With the exception of Covid hotspots or weather, ACMA members have noticed no significant slowdown of service.
- We have no concerns about the USPS ability to handle vote-by-mail volumes. As a point of reference, a ballot to even every household would amount to no more than a Saturation mailing, and Saturation mailings are common.
- We encourage removal of unneeded equipment and shedding of costs whenever possible. In 2006 it was estimated the system was configured for 300 billion pieces, and in 2020 less than 150 billion will be carried. In fact, maintaining unneeded machines would increase costs and result in no service improvement.

#### **Funding the Universal Service Obligation:**

- Ratepayers funded the public utility cost from the 1970s onwards.
- Continuing declines in mail volume make this less and less viable.
- A time to rethink this may be coming. Basic choices include:
  - Re-work the USO and other public service mandates to lower the costs (weaken USO)
  - Push up postage rates aggressively
  - Find stable funding mechanism for taxpayer to underwrite public utility function and mandates from Congress and let ratepayers pay for costs they use and originate.

ACMA is happy to work with Hill offices to discuss any aspect of the US Postal Service. Please call 1-800-509-9514 or email [staff@catalogmailers.org](mailto:staff@catalogmailers.org)