

## Issue 15

September 25, 2013

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USPS Suppliers,

You are receiving this newsletter from the Postal Service as you have registered your interest to do business with the Postal Service or your e-mail is on file as a point of contact for a current or past contract. Please share this newsletter with your colleagues within your company as it contains important supplier related information about the Postal Service.

As part of our communications plan to keep our suppliers fully informed of all major initiatives affecting them, please see the recently released information from the U.S. Postal Service.

**This issue is simultaneously being sent to USPS Supply Management employees for their information.**

Thank you!

### **U.S. Postal Service Announces New Prices for 2014**

*Price Increases Expected to Generate \$2 Billion in New Revenue to Improve Financial Situation*



The United States Postal Service today announced proposed price changes, including an increase in the price of a First-Class Mail single-piece letter from 46 cents to 49 cents. The proposed changes, which would go into effect in January 2014, are intended to generate \$2 billion in incremental annual revenue for the Postal Service.

Highlights of the new single-piece First-Class Mail pricing, effective Jan. 26, 2014 include:

- Letters (1 oz.) — 3-cent increase to 49 cents
- Letters additional ounces — 1-cent increase to 21 cents
- Letters to all international destinations (1 oz.) — \$1.15
- Postcards — 1-cent increase to 34 cents

Stamp prices have stayed consistent with the average annual rate of inflation of 4.2 percent since the Postal Service was formed in 1971.

Pricing for Standard Mail, Periodicals, Package Services and Extra Services also will be adjusted as part of a filing to the Postal Regulatory Commission (PRC) scheduled to take place Sept. 26.

The Governors of the Postal Service voted Sept. 24 to seek price increases above the typical annual increases associated with changes in the Consumer Price Index (CPI).

In a letter disseminated to customers today, Board of Governors Chairman Mickey Barnett described the “precarious financial condition” of the Postal Service and the “uncertain path toward enactment of postal reform legislation” as primary reasons for seeking price changes above the CPI increase. He also indicated that the price adjustment above the CPI increase is necessary in order to ensure that the Postal Service will be able to maintain and continue the development of postal services of the type and quality which America needs.

“Of the options currently available to the Postal Service to align costs and revenues, increasing postage prices is a last resort that reflects extreme financial challenges,” said Barnett in the letter. “However, if these financial challenges were alleviated by the timely enactment of laws that close a \$20 billion budget gap, the Postal Service would reconsider its pricing strategy. We are encouraged by the recent introduction of comprehensive postal reform legislation in Congress, and despite an uncertain legislative process, we are hopeful that legislation can be enacted this year.”

Except in exceptional or extraordinary circumstances, postage price increases are capped at the rate of inflation as measured by the CPI-U. The Postal Service is filing a price increase above CPI-U due to extraordinary and exceptional circumstances which have contributed to continued financial losses. The Postal Service recorded a \$15.9 billion net loss last fiscal year and expects to record a loss of roughly \$6 billion in the current fiscal year, and has an intolerably low level of available liquidity even after defaulting on its obligation to make prefunding payments for retiree health benefits.

The PRC will review the prices before they become effective Jan. 26, 2014, and must agree the prices are consistent with applicable law. The new price proposals are scheduled to be filed Sept. 26 and will be available on the PRC website at [www.prc.gov](http://www.prc.gov) and also will be available at <http://pe.usps.com>.

The full text of the Board chairman’s letter sent to postal customers about the pricing decision will be available later today at the following link: [http://about.usps.com/news/national-releases/2013/pr13\\_chairman-letter.htm](http://about.usps.com/news/national-releases/2013/pr13_chairman-letter.htm).

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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## **Postmaster General Tells Congress USPS Liquidity Remains Dangerously Low**

*PMG Donahoe Presses for Legal Framework to Act with Speed and Flexibility*



Postmaster General Patrick R. Donahoe told a U.S. Senate committee on September 19 that the U.S. Postal Service is in the midst of a “financial disaster” and that its cash liquidity remains dangerously low.

Donahoe is seeking legislation that will enable the Postal Service to act with speed and flexibility in the mailing and shipping marketplace and help it close a \$20 billion budget gap by 2017.

“The Postal Service plays an incredibly important role in the American economy and in America’s communities,” said Donahoe. “And yet, it is in the midst of a financial disaster.”

Over the past two years, the Postal Service recorded roughly \$20 billion in net losses and defaulted on \$11.1 billion in retiree health benefits payments to the United States Treasury. Donahoe told the Senate Committee on Homeland Security and Governmental Affairs that the Postal Service will default on another \$5.6 billion retiree health benefits payment that is due September 30th.

“Our cash liquidity remains dangerously low,” said Donahoe. “The Postal Service, as it exists today, is financially unsustainable...[and] burdened by an outdated and inflexible business model.”

Donahoe added that mail needs to be kept affordable so that it remains competitive and continues to deliver value for America’s businesses.

“Unfortunately, because our financial condition is so precarious, and the legislative process is so uncertain, we’ve reached the point that we have to consider price increases above the rate of inflation,” said Donahoe. “I believe it is important that we discuss this issue today, because the prospects for legislation have a direct bearing on pricing decisions that may impact the health of our business customers.”

Donahoe said that in 2006, Congress gave the Postal Service the flexibility to better compete in the package delivery business. “We made the most of that flexibility. We created effective products and marketing campaigns. And now our package business is growing rapidly. But we need this kind of flexibility across all of our businesses.”

Earlier this year, the Postal Service published a Five-Year Business Plan at <http://about.usps.com/strategic-planning/five-year-business-plan-2012-2017.pdf> designed to restructure the organization and return it to profitability. If fully implemented, the plan will generate \$20 billion of savings by 2017, including the repayment of our debt.

Donahoe said that the Postal Service is pursuing elements of the plan “very aggressively” and is “achieving some great results,” especially in consolidation of mail processing facilities, elimination of delivery routes, optimization of the retail network, and generation of new revenue in the package business.

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## **Postal Service Launches Major Upgrades to Priority Mail**

*Improved Priority Mail® Includes Free Insurance, Free Tracking and Day-Specific Delivery*



Capitalizing on strong growth in its shipping business, the United States Postal Service has launched major changes to its Priority Mail line-up, with improved features including free insurance, improved USPS Tracking™ and day-specific delivery which are expected to generate more than a half a billion dollars in new revenue over the next year.

“This major upgrade of our Priority Mail products is one of the most dramatic new offerings from the Postal Service that meets the strong marketplace demand for core shipping features at affordable pricing,” said Patrick R. Donahoe, Postmaster General and Chief Executive Officer. “We believe this Priority Mail line-up positions the Postal Service very competitively in the shipping marketplace and gives small businesses and other frequent shippers a continued and compelling reason to do business with the Postal Service.”

Priority Mail will now provide scheduled delivery – 1-day, 2-day or 3-day based on the origin and destination of the package. The Postal Service also will provide improved USPS Tracking™ for all Priority Mail products. Tracking and scheduled delivery information will be prominently and conveniently located on customer’s retail receipts and is also available online using Track and Confirm.

Free insurance is another new and important Priority Mail feature designed to close competitive gaps in the shipping market place and meet the growing needs of small businesses and other frequent shippers. Priority Mail 1-day, 2-day and 3-day will include \$50 or \$100 of insurance coverage depending on the payment method, such as whether a customer brought it to a retail counter or it was paid for online.

“Our revamped Priority Mail product line should be a game changer in the shipping marketplace,” said Nagisa Manabe, Chief Marketing and Sales Officer. “We’re meeting the rising expectations of customers with important new features that include new packaging, free insurance, date specific delivery and free tracking.”

Newly redesigned Priority Mail boxes and envelopes are available in Post Offices and online at [www.usps.com](http://www.usps.com) with many Priority Mail Flat Rate sizes and pricing. Express Mail services will continue as Priority Mail Express, providing next day service with a money-back guarantee and up to \$100 of free insurance.

The Postal Service has seen strong growth in its package business, which grew more than 14 percent over the last two years. This e-commerce-fueled growth trend is projected to continue for the next decade. Online consumers are expected to increase their spending by 62 percent by 2016 and U.S. E-commerce retail sales are expected to grow by 41 percent to \$370 billion annually by 2017.

“With e-commerce driving major changes in shipping habits, and consumers becoming more reliant on delivery services, the Postal Service can play an increasingly vital role as a driver of growth opportunities for America’s businesses,” said Manabe. “We expect our Priority Mail product will continue to be very popular.”

“Our customers see strong value in the national delivery platform we provide, and we anticipate continued package growth as small businesses take advantage of our new Priority Mail offerings.” stated Donahoe.

Other competitive advantages of Priority Mail products will continue to be the following:

- No hidden charges — no fuel or residential surcharges.
- Free supplies — free boxes and envelopes delivered at no charge.
- Free package pickup — regardless of the number of packages.
- Multiple packaging options — full family of variable and Flat Rate packaging with a variety of package sizes and pricing.

The Postal Service plans to educate business and residential customers about its new Priority Mail products through an integrated marketing campaign that will extend through the holiday season.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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## **New Online Postal Store**

*USPS Collaborates with eBay to Sell, Auction Postal Merchandise*



USPS has announced it will be collaborating with eBay, one of the world’s largest marketplaces, to open a Postal Store on the site at [www.ebay.com/stamps](http://www.ebay.com/stamps).

The new website will offer stamps and other USPS-related merchandise for sale. The goal of this alliance is to expand the Postal Service’s reach to more domestic and international customers through the online store.

Chief Marketing Officer Nagisa Manabe also announced that USPS will begin auctioning stamp-related collectible items from the Postmaster General’s Collection periodically on eBay at [www.ebay.com/rpp/collectibles](http://www.ebay.com/rpp/collectibles).

“This powerful alliance with eBay allows the Postal Service to showcase its unique collection of stamp artwork on one of the world’s largest online marketplaces,” said Manabe.

The Postmaster General’s Collection began in the 1860s with a small sampling of stamps and Post Office Department files. Today, and thousands of stamps later, the collection has become a one-of-a-kind stamp archive consisting of unique and rare stamps and original stamp artwork totaling approximately 30,000 items. To preserve the collection, only duplicate items will be auctioned.

“The Postmaster General’s Collection is a stamp collector’s dream,” said Manabe. “It includes U.S. stamps and other rare postal artifacts found nowhere else in the world.”

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## **Postal Service Exceeds Facility Energy Saving Goals**

*Energy-Efficient Facilities and Green Teams Contribute to Savings*



The U.S. Postal Service reports it has reduced total facility energy consumption by nearly 34 percent, or 11.4 trillion BTUs, since 2003. While proactive energy savings projects implemented by USPS facility managers and employees have contributed to the reduction, and have already exceeded the 30 percent corporate facility energy goal, the efforts will continue.

“Postal employees are passionate about reducing energy use, which also saves us money,” said Vice President of Facilities Tom Samra. “The energy savings we have seen in our facilities from 2003 to 2012 is about the same amount of energy used by 110,000 U.S. homes.”

The Postal Service operates nearly 32,000 buildings nationwide. Through the use of cutting-edge tools, including the Enterprise Energy Management System and Utility Management System, USPS can measure and prioritize ways to cut energy costs, ranging from low-cost employee-driven efforts to large organization-wide projects.

“Tracking our success and opportunities through audit systems improves our ability to utilize cost-saving options.” said Chief Sustainability Officer Thomas G. Day. “Continuing this reduction trend is the right thing to do for the Postal Service and the environment.”

The Facilities Energy Program has completed 3,000 projects by investing substantial resources into energy audits and analysis. These projects have significantly reduced energy usage and costs for the Postal Service.

Another cost-saving initiative the U.S. Postal Service has implemented is the Green Teams program, established in postal facilities to help employees implement low- and no-cost initiatives. Currently, there are 1,340 facilities participating in the initiative.

The Postal Service has won numerous environmental honors, including the U.S. Environmental Protection Agency’s (EPA) WasteWise Partner of the Year award in 2010 and

2011, the EPA's National Partnership for Environmental Priorities award in 2011, The Climate Registry Gold award in 2011, the 2012 GreenGov Presidential Award, and most recently 10 Federal Green Challenge Awards nationwide.

The 10 USPS sites winning a Federal Green Challenge award are:

- Connecticut Valley District for its "best in class" landfill diversion
- Northern New Jersey District for its "best in class" landfill diversion
- Albany, NY, District for its "best in class" landfill diversion rate
- Mid-Hudson, NY, Processing and Distribution Center's Innovation award for its "backhaul recycling program"
- Allentown, PA, Airport Branch Post Office's Innovation award for its "backhaul recycling program"
- Fort Myers, FL, Processing and Distribution Center's Education and Outreach award for its "backhaul program"
- Little Rock, AR, Processing and Distribution Center's Innovation award for its "backhaul program"
- Topeka, KS, Material Distribution Center's Overall Achievement and Innovation award for electronic waste recycling and solid waste recycling
- Honolulu, HI, Processing and Distribution Center's Innovation award for its "backhaul recycling program"
- Anchorage, AK, Processing and Distribution Center's Innovation award for its "backhaul recycling program"

Visit <http://about.usps.com/what-we-are-doing/green/welcome.htm> for more information about the Postal Service's sustainability initiatives, including the 2012 Annual Sustainability Report at <http://about.usps.com/what-we-are-doing/green/report/2012/>.

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### **Revisions to the Supplying Principles and Practices**

#### *New Changes Now in Effect*

Effective September 1, 2013, updates and revisions were made to the Supplying Principles and Practices (SPs and Ps) for Time-and-Materials Contracts.

The following clause has been revised:

*Clause 2-38: Payment (Time-and-Materials and Labor-Hour Contracts) (September 2013)*, has been revised to emphasize that (1), Allowable costs of direct materials will be determined by the contracting officer in accordance with Section 2-34, Conduct Price/Cost Analysis, in effect on the date of contract; (2), Reasonable and allocable material handling costs may be included in the charge for materials to the extent clearly excluded from the hourly rate; (3), Profit or fees will not be paid on the cost of materials or materials handling; and (4), Profit or fees will not be paid on the cost of subcontracts.

Readers are reminded that the Supplying Principles and Practices are not binding regulations of the Postal Service, and that they are intended to provide flexibility and discretion in their

application to specific business situations. For further information, consult the Supplying Principles and Practices at <http://about.usps.com/manuals/spp/html/welcome.htm>.

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A self-supporting government enterprise, the U.S. Postal Service is the only delivery service that reaches every address in the nation — 152 million residences, businesses and Post Office™ Boxes. The Postal Service™ receives no tax dollars for operating expenses and relies on the sale of postage, products, and services to fund its operations. With more than 31,000 retail locations and the most frequently visited website in the federal government, [www.usps.com](http://www.usps.com), the Postal Service has annual revenue of more than \$65 billion and delivers nearly 40 percent of the world's mail. If it were a private sector company, the U.S. Postal Service would rank 42<sup>nd</sup> in the 2012 Fortune 500. The Postal Service has been named the Most Trusted Government Agency for seven years and the fourth Most Trusted Business in the nation by the Ponemon Institute.

**ARE YOU REGISTERED TO DO BUSINESS WITH THE U.S. POSTAL SERVICE?**

More than 11,000 suppliers have registered since our launch of the Supplier Registration site in July 2009.

All suppliers interested in doing business with the U.S. Postal Service should register their company in the Postal Service Supplier Registration system.

For more information, please go to <http://about.usps.com/suppliers/becoming/registration.htm>.

**CONTACT US!**

We value your questions and feedback to this newsletter. Please feel free to reply to this message with your feedback or mail to:

U.S. Postal Service  
Supply Management Communications  
475 L'Enfant Plaza, SW, Room 1100  
Washington, DC 20260-6201

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**DID YOU KNOW ?**

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**1.2 million people visit *usps.com* each day.**

An advertisement graphic with a white background. On the left, the text 'DID YOU KNOW ?' is displayed in a bold, black, sans-serif font, with a red square containing a white question mark to the right of 'KNOW'. Below this is a horizontal line, followed by the text '1.2 million people visit usps.com each day.' in a bold, black, sans-serif font. On the right side of the graphic, there is a photograph of a person's hands in a dark suit jacket typing on a white computer keyboard.