USPS Enters into New Agreements with Package Consolidator Companies Consistent with its Delivering for America (DFA) Strategy

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The Postal Service has been implementing a new strategic approach with respect to its contracts with package consolidator companies - ones that consolidate large volumes of packages for entry into various points of the USPS network. These contracts no longer reflect operational and financial realities in todayâ€™s market, the Postal network, or USPSâ€™ refreshed product offerings. As a result, while the Postal Service has and will enter into new agreements with package consolidator companies consistent with its current business strategy, the Postal Service will no longer offer discounted rates through Negotiated Service Agreements (NSAs) for packages entered by consolidators at Post Office Delivery Units.

“As we engage in the process of modernizing our network, we are also changing our product and pricing strategies to ensure that they are aligned with our operating model and goals,” said Postmaster General, Louis DeJoy. “As one part of this new approach, we have decided that it is appropriate to make changes to how we utilize NSAs in the provision of our Parcel Select product. In that regard, to more effectively utilize our network and realize enhanced economies, we no longer intend to provide discounted rates through NSAs that incent parties to aggregate mail volume from multiple shippers and to bring such volume directly to our delivery units.”

DeJoy continued, “It’s challenging for us to justify entering into NSAs that incentivize bypassing our transportation and processing network, while leaving us responsible for managing the final mile, which is often the most resource-intensive part of the delivery process. To continue this practice is not consistent with our business strategy to create an efficient network and grow our own end-to-end ground package product (USPS Ground Advantage) for shipping customers. Reevaluating these business arrangements is the right thing to do for the Postal Service and the American people. And of course, we will make agreements with consolidators who are willing to negotiate deals based upon a more rational use of our network in a fashion that is mutually beneficial. On that front, we have already concluded a number of new contracts with consolidators that are consistent with our current business strategy, that have been approved by our regulator,

and that are operating effectively."

The Postal Service is comprehensively transforming all aspects of its operating and marketing strategies pursuant to its 10-year Delivering for America Plan (DFA Plan). The intent of the DFA Plan is to create a revitalized organization capable of achieving its public service mission – providing a nationwide, integrated network for the delivery of mail and packages at least six days a week – in a cost-effective and financially sustainable manner over the long term, as Congress intended. Pursuant to the DFA Plan, the organization is redesigning its outmoded processing network to one that deploys logically sequenced operating plans and schedules, more sortation equipment, and improved operating tactics to increase throughput, gain productivity, and increase asset utilization. It is restructuring its transportation network by shifting volume from air to ground transportation, aggregating volume in fewer facilities, and optimizing routes to use less trips and increase truck utilization. It is also rationalizing its delivery network by consolidating operations from delivery units into centralized Sorting and Delivery Centers in many geographic areas, which provide increased sorting capabilities, support an optimized local transportation network, and facilitate the deployment of its new delivery fleet, including battery electric vehicles.

Through the DFA Plan, the Postal Service is continuing to execute meaningful actions to reduce costs, grow revenue, and improve service. The Postal Service's decision to reevaluate its business relationships with consolidator companies and to eliminate contractual price discounts for Delivery Unit entry, which is already being implemented and is well underway, is a crucial step towards long-term operational excellence, as well as financial self-sustainability that is required by law.

Source: USPS

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