BUSINESS **MAILERS** REVIEW

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USPS Fleet Development Stalled

Spartan Motors, Inc. announced on Feb. 21 by press release that its Spartan Fleet Vehicles and Services business unit stopped development of the USPS Next Generation Delivery Vehicle (NGDV) Program as a prime contractor in the functional prototype development project. Spartan is continuing efforts to support this project and will partner instead with a leading USPS prototype award participant, to provide interior cargo solutions specific for the USPS's needs.

"As a global leader in fleet vehicle design and production, we were honored to be among a select group of vehicle makers to win the USPS prototype award," said Daryl Adams, President and Chief Executive Officer of Spartan Motors. "However, when we took a close look at the economics as a result of our inability to reach a satisfactory agreement with our commercial chassis supplier, further participation in the program as the primary body builder did not meet our baseline financial targets. Working closely with one of the USPS prototype award participants will enable us to participate in this significant NGDV program without the related upfront developmental capital requirement, while building what we're best at for the fleet market – custom interior cargo management solutions."

In other words, Spartan has determined that remaining in the USPS NGDV project as a cargo management supplier provides a better return on capital, which better serves it and its shareholders.

Spartan, through its Utilimaster go-to-market brand, has produced route delivery and other vehicles for the USPS since 1999. Utilimaster was one of six vehicle manufacturers selected to receive the prototype award as part of a comprehensive USPS Request for Proposal (RFP) process, but it has dropped out because of cost concerns.

"We would like to extend our most sincere thanks to the USPS for considering and selecting Spartan to take part in the evolution of their fleet," continued Adams. "We look forward to assisting with development effort and providing the USPS with high quality cargo management solutions that best meet the needs of their business, while ensuring improved safety, productivity, and performance for their route delivery personnel." *http://finance.yahoo.com/news/spartan-motors-utilimaster-seeks-withdrawal-123000703.html*.

Amazon Prime Pumped

Amazon seldom says much about its tally of Prime members. However, hard data helps, even if incomplete. Sales of Prime memberships reached $6.4 billion last year, up from $4.45 billion in 2015 and $2.8 billion in 2014, according to a form 10-K filing with the Securities and Exchange Commission for Fiscal Year (FY) 2016. *https://www.sec.gov/Archives/edgar/data/1018724/000101872417000011/amzn-20161231x10k.htm#sFC893F32B9D95857A13E82725E90F41D*.

Estimates peg Prime membership at 63 million as of the end of June, up from 44 million at the same time last year, representing 52% of Amazon's total American customer base, Consumer Intelligence Research Partners reported last year.

Net sales from the ecommerce giant's retail third-party marketplace, including commissions, related fulfillment and shipping fees, and other third-party seller services, reached $23 billion last year, rising from $16.1 billion in FY 2015 and $11.7 billion in FY 2014.

Net sales of "retail products," which includes product sales and digital media content sold by transaction, reached $91.4 billion in 2016 compared to $77.9 billion in FY 2015 and $68.5 billion in FY 2014.

Etail Flies Higher and Faster

Ecommerce sales grew faster in 2016 than they have in the past three years, according to a report released on Feb. 17 from the U.S. Commerce Department. Ecommerce sales reached $394.86 billion in 2016, a 15.6% increase from $341.70 billion in 2015. In contrast, total retail sales were $4.846 trillion for 2016, a 2.9% increase from $4.708 trillion in 2015. The Commerce Department included in the retail sales figures the sale of some items not normally bought online, including fuel and automobiles.

Factoring those and other non-comparable items out,

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Short Takes

The president and his family's brands have faced significant pushback from disgruntled citizens since his Inauguration. Big-name brands, including Uber, Lyft, Nordstrom, and Neiman Marcus, and others have been the subject of politically charged boycotts or presidential Twitter outcry in recent weeks.

As January ended, activists and celebrities used Twitter to urge a boycott of Uber using the hashtag #DeleteUber. The movement began when the New York Taxi Workers Alliance called for a one-hour refusal to take rides heading to JFK airport as a gesture of solidarity with visitors who were held there after President Trump's executive order barred entry from seven predominantly Muslim countries.

Uber tweeted that it would take the fares and waive surge pricing, provoking anger. Uber claimed it was not trying to interfere with the taxi strike, but CEO Travis Kalanick was on Trump's Economic Advisory Board, which led some to question his motives. Lyft donated $1 million to the ACLU, which took on the travel ban in court. Customers started installing Lyft and deleting Uber from smartphones.

It then came to light that Carl Icahn invested $100 million in Lyft back in 2015. His representative even had a place on Lyft's board of directors. However, unlike Kalanick, Icahn vocally supported Trump's election campaign. *http://www.cnbc.com/2017/01/30/uber-boycott-boosts-carl-icahn-lyft-investor.html.* Then Kalanick, Uber's CEO quit President Donald Trump's advisory board to show his support for more progressive measures.

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For those determined to fight the president, tracing the Trump money trail gets tricky. As *Fortune* reported: "Trump advisor Carl Icahn . . . owns a near 3% stake in payment platform Paypal, nearly 35% of car rental service Hertz Global Holdings, and roughly 4% of insurance giant AIG, according to his most recent filings with the Securities and Exchange Commission." *http://fortune.com/2017/01/31/uber-boycott-trump/*. All of those companies could become vulnerable to boycotting.

The same article tracked more Trump allies. "Paypal founder Peter Thiel, who now acts as an advisor on Trump's transition team, owns a fractional stake in Facebook worth $28 million[,] . . . participated in Reddit's $50 million Series B round in 2014, and has invested in other startups including digital payment system Stripe, online lender SoFi, as well as question-and-answer website Quora, according to Pitchbook." Add to that Trump supporters who are investors in pharmaceutical companies Shire, Allergan, and Mylan. Then there are links to Etsy, Johnson & Johnson, and T-Mobile. SNL parodied the boycotters who ended up naked and on the street in their efforts to punish the president and his supporters. *https://www.youtube.com/watch?v=D1Asxw56J9o*.

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The president's detractors have not been the only persons engaged in commercial warfare. After Nordstrom stopped selling Ivanka Trump's fashions because they were not selling well, the president tweeted his irritation, and his adviser, Kellyanne Conway got into hot water with the Office of Ethics for hawking the line on cable TV.

Boeing, Lockheed Martin, and Toyota, drew the president's ire through what some have called the Trump Twitter tirades. PBS reported that: "Shares of Lockheed fell sharply after the president tweeted in December that the cost of its F-35 fighter jets was 'out of control,' then fell again after he complained about the military contractor at a news conference the next month." *http://www.pbs.org/newshour/rundown/boycotts-trumps-tirades-part-new-business-landscape/*.

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The latest casualty could be Trump wines. Wegmans, the retail grocer, reports that the Prince William County, Va. chapter of the National Organization of Women has asked it to remove wines it sells under the Trump Winery brand name. *The Washington Post* reports that: "The nonprofit, which was founded 50 years ago, has more than 500,000 contributing members, making it the country's largest feminist organization." The stores carry five wines from the nearby Trump Winery.

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Meanwhile, Ivanka Trump's perfume ranked #1 on *Amazon.com* last week. As *Market Watch* commented: "The recent success of Ivanka Trump's perfume on Amazon, particularly after her products were dropped from other stores [Nordstrom and Nieman Marcus], suggests the 'resistance economy' to boycott products associated with the family of President Trump can help a brand as well as hurt it." *http://www.marketwatch.com/story/ivanka-trumps-signature-perfume-soars-to-no-1-on-amazon-2017-02-18*.

He may be a good businessman, but the president still must prove to be good for business.

Etail Flies Higher and Faster... ***(cont. from page 1)***

total retail sales reached $3.375 trillion in 2016—a 3.9% jump compared with $3.247 trillion in 2015. This means that ecommerce sales represented 11.7% of total retail sales in 2016. Ecommerce also represented roughly 41.6% of all retail sales growth in 2016.

Not surprisingly, Amazon.com Inc. did well at check-out. The total value of transactions from U.S. consumers on *Amazon.com* increased 31.3% compared with $112.0 billion in 2015, according to *Internet Retailer* estimates. "That means that Amazon comprised 65.9% of the $53.1 billion growth in U.S. online retail last year, and 27.4% of the $127.6 billion increase in the total retail market." *https://www.internetretailer.com/2017/02/17/us-e-commerce-sales-grow-156-2016*.

FedEx Fulfills for Small Businesses

FedEx Corp. (FedEx) will offer ecommerce fulfillment to merchants as an alternative to Fulfillment by Amazon. FedEx Fulfillment hopes startups, small ecommerce businesses, and midsize retailers selling across multiple sites and online marketplaces will use its new service. FedEx bought logistics firm Genco back in 2015, renamed it FedEx Supply Chain, and now has 130 warehouses and distribution centers in North America, totaling 35 million square feet. FedEx reports it handles 358 million returns annually and 580,000 direct-to-consumer shipments daily.

FedEx Fulfillment picks, packs, and ships ecommerce orders for merchants. It handles international ecommerce requirements in the 220 countries where FedEx operates through FedEx CrossBorder, which tackles checkout and delivery involving more than 80 currencies, 15 payment options, and many delivery options.

Self-Fulfilling Retail Businesses

Retailers are in the process of reducing their real estate holdings while others try to repurpose them to boost sales per square foot owned or leased. *http://nreionline.com/multifamily/challenged-retailers#slide-0-field_images-2042261*. Repurposing includes putting stores' underutilized shelf space to work to fulfill online orders. Ship-from-store helps retailers remain competitive with ecommerce giants like Amazon.

United Parcel Service, Inc. (UPS) has a stake in the fulfillment market now cornered by Amazon.com Inc. "The strategy captures sales that might have been lost otherwise. The consulting firm Kurt Salmon reports that fulfilling web orders from store inventory when the warehouse is out of stock improves revenue 10 to 20 percent, and that Nordstrom increased online sales revenue 39 percent by integrating online and in-store inventories. Men's Wearhouse estimates it prevents more than 1,000 lost orders per day by leveraging inventory from other stores, according to Kurt Salmon data." *https://compass.ups.com/ship-from-store-benefits/*.

The approach makes sense for numerous reasons. Chief among them is that the store makes use of underused storage space. Declines in retail growth and rising rental rates for mall properties mean that some stores have excess space and lack consumer demand to fund store expansion. Other advantages of ship-from-store sales include:

• Reduction of markdowns. Excess inventory directed to customers' online orders may mean additional costs to ship, but the shipping costs often prove less expensive than markdowns of in-store inventory. Radial, another provider of fulfillment services, says: "On average, our clients see a 20% or more increase in sales, and a 33% increase in margins by selling merchandise prior to end-of-season discounts." *https://www.radial.com/omnichannel-technology/store-fulfillment#sthash.pjJwfJHu.dpuf*.

• Forgiveness of poor forecasts. Retailers have paid the price in the past for having ordered winter clothes for a region that experiences unseasonably warm temperatures while another region experiences cold weather for which stores are unprepared. Ship-from store provides a way for offsetting incorrect forecasts of demand. "At the macro level, ship-from-store is about connecting demand with inventory in the most flexible and cost-effective way. Without a crystal ball, it is virtually impossible for retailers to craft a perfect forecast, so inventory ends up in the wrong place. The result? Companies have a product, and a customer who wants that product, but they cannot connect the two. Ship-from-store helps companies sell that inventory wherever it lies," Fortna, a supplier of fulfillment software and systems explains. *http://www.fortna.com/whitepapers/ship-from-store-distribution-reduces-impact-of-imperfect-forecast-FINAL-EN.pdf*.

• Decreases shipping time and expense. Zone shipping prices make it cost-efficient for many retailers to ship close to their stores instead of from a more distant fulfillment center. Kurt Salmon explains: "On the other side of the profit equation, using stores as distribution points lowers parcel shipment costs and therefore drives COGS decreases (as seen by Toys R Us and Jos. A. Bank). For example, as a result of its ship-from-store program, Toys R Us was able to deliver 94% of its store shipments via ground in two days as single-zone parcels, reducing freight costs and improving order cycle times. The cost savings from skipping a shipping zone can more than make up for the decreased shipping economies of scale found at stores." *http://www.kurtsalmon.com/uploads/Why%20Ship%20from%20Store%20130509VFSP.pdf*.

Are the savings sufficient to offset the advantages of size and scale of Amazon's Fulfillment services? Companies say they are. "An analyst from investment bank Credit Suisse (CS), cited in a *USA Today* article, estimates that beleaguered Best Buy stands to make an additional $5.8 billion in annual sales and $168 million in profit with ship from store. That's something like 12 percent of the company's most recent annual top-line figure, and a slightly higher percentage of the net profit the last fiscal year the company was in the black (2011). It's no exaggeration to say that this could mean the difference between survival and extinction for such a company." *https://www.aol.com/article/2014/02/20/ship-from-store-retailers-amazon-problem-answer/20833459/*.

Business Insider research supports claims ship-from-store programs are a critical tool in competing with Amazon, particularly in competition to make same-day deliveries of goods. "Ship-from-store—a fulfillment process where retailers use stock from their store's estate to fulfill orders—can help brick-and-mortars evolve and avoid stagnation. This method is an essential strategy for legacy retailers because it can help them survive digital disruption and remain competitive with e-commerce giants like Amazon." *http://www.business insider.com/same-day-shipping-key-to-fighting-amazon-2017-2*.

Public Enemy #1

Politics of business mailers usually focus on whether or not Congress will pass a postal reform bill. Last week President Donald Trump wrote on Twitter that the nation's news media "is the enemy of the American people." Later in the same weekend, Reince Priebus, one of his top advisers told *Face the Nation*: "I think that the media should stop with this unnamed source stuff, put names on a piece of paper and print it. If people aren't willing to put their name next to a quote, then the quote shouldn't be listed, period." *http://www.cbsnews.com/news/face-the-nation-transcript-february-19-2017-priebus-graham-nunes-cummings/*.

While many GOP representatives openly supported a free press, all were not happy with media's take on the president's first month in office. On *Face the Nation*, Sen. Lindsey Graham (R-S.C.) criticized the president's attack on the media but added: "'But I think our friends in the press need to up their game because it really is hard to watch from a Republican point of view.'"

The news media is numerous in its channels. As a business mailer, it most frequently is a newspaper. Newspapers have struggled since the Great Recession began in 2008.

Print Recession

The Pew Research Trust conducts an annual review of journalism and media. In its 2016 analysis, the trust explained the challenges for newspapers as follows: "In 2015, the newspaper sector had perhaps the worst year since the recession and its immediate aftermath. Average weekday newspaper circulation, print and digital combined, fell another 7% in 2015, the greatest decline since 2010. While digital circulation crept up slightly (2% for weekday), it accounts for only 22% of total circulation. And any digital subscription gains or traffic increases have still not translated into game-changing revenue solutions. In 2015, total advertising revenue among publicly traded companies declined nearly 8%, including losses not just in print, but digital as well." *http://www.journalism.org/2016/06/15/state-of-the-news-media-2016/*.

The industry represents people—employees and customers. The same Pew Trust report tallies the newspaper industry (and its recent losses) in numbers as:

• 100 fewer daily publications than in 2004.
• 33,000 full-time newsroom employees, at least 20,000 fewer than 20 years ago, representing a 39% decline.
• 32% of daily reporters stationed in Washington, D.C. to cover issues and events tied to Congress, 38% of the reporters who cover statehouse legislatures.
• But daily print circulation was down 9% in 2015 from the previous year.
• Sunday print circulation fell 5% in the same period.

While digital circulation has improved in the same periods, print circulation still keeps the lights on and the presses running. As the Pew Trust explained: "Amid these declines, print remains a vital part of newspapers' distribution picture. In 2015, print circulation makes up 78% of weekday circulation and 86% of all Sunday circulation. Only three newspapers had more average weekday digital circulation than average weekday print circulation in the same period." What is common is that an internet surfer will come across a single story on a newspaper's website and read it without subscribing or even returning. This form of readership continues to grow without growing revenues that can sustain a vital industry.

Vital Mission

Newspapers remain critical as an institution that protects a democracy. As Jack Shafer, a senior media writer, writing for POLITICO, recently explained: "[C]onventional newspapers, for all their shortcomings, remain the best source of information about the workings of our government, of industry, and of the major institutions that dominate our lives. They still publish a disproportionate amount of the accountability journalism available, a function that's not being fully replaced by online newcomers or the nonprofit entities that have popped up. If we give up the print newspaper for dead, accepting its demise without a fight, we stand to lose one of the vital bulwarks that protect and sustain our culture." *http://www.politico.com/magazine/story/2016/10/newspapers-digital-first-214363*.

Readers prefer print to digital publications as a source of news. "One 2012 survey found that 66 percent of users prefer the print version of their daily over the Web edition. Even a majority of young readers prefer print, the Chyi-Tenenboim study reports," writes Shafer.

Shafer wrote about recent research by H. Iris Chyi and Ori Tenenboim of the University of Texas and published this summer in *Journalism Practice,* in which the authors concluded that newspapers might have erred when they ceased fighting for print and began investing in digital expansion.

The economics of the switch may have worsened, instead of improved, prospects for print newspapers'—and digital newspapers'—vitality. *The Inquisitr* last fall reported that: "The Newspaper Association of America had a membership of 2,700 newspapers in 2008, but in 2016, just eight short years later, there are only 2,000 newspapers in their membership." *http://www.inquisitr.com/3491801/the-newspaper-industry-vs-news-online/*. The shifting dynamics has led to the Association's decision to rename itself and accept as members for the first time digital-only newspapers. The trade representative group, formed by newspapers in 1887, now operates as the News Media Alliance.

Article author Kim McClendon points to another purpose served by a healthy press. It promoted the vitality of other businesses, especially small businesses, by giving them a price effective means of reaching their potential customers. "Newspaper industry advertising, especially in small towns is not only vital to the paper, it is vital to small business. While there may be a few gaps in the reach of the online edition, the news online does still attract local readership. The biggest problem is in the perception of advertisers that it doesn't reach the target anymore because of lowered circulation of the print edition. Even a slight drop in circulation can be perceived as a major decline in the value of a newspaper's advertising," McClendon wrote.

In a recent interview with Chuck Todd for *Meet the Press*, Sen. John McCain (R-Ariz.) spoke up for a free press when he said: "the suppression of a 'free and many times adversarial press' is 'how dictators get started.'" *https://www.yahoo.com/tv/john-mccain-reassures-meet-press-170534557.html*.

Worth Dying For

We should remember that the press has a corps of members who have given their lives to report the news so that people in even the most dangerous or oppressive corners of the world could have their stories told. There are 2291 names inscribed on the Journalists Memorial at the Newseum. *http://www.newseum.org/exhibits/online/journalists-memorial/*. The idea that newspapers owe the public a reprieve from coverage while they enjoy their new president's first 100 days, should turn over the names of confidential informants or not post their statements, or that they should write stories from a Republican viewpoint ignores the sacrifices made.

Parts of the industry are ambivalent about the news that newspapers may be dying out. In a September 2016 article posted online, writer Charles Giordano, said: "Print newspapers are on the way out. However, it is wrong to say they are 'dying,' not because the industry will be led to revitalize the press but because the things were never alive in the first place. Newspapers are paper, a substance once organic now wholly dead and made unnatural." *http://dailycollegian.com/2016/09/13/the-newspaper-industry-whats-really-dying/*. His point was that the dirges performed at every announcement of the industry's demise are an expression of nostalgia and typical of a society facing progress. Some youth finds it easier to close caskets than some mature folk do.

The difficulty with this cavalier attitude is that technology companies generally do not succeed by funding newsrooms and hiring professional journalists. They may find it economical to use programs that prune stories from the inorganic internet and repackage them as "news." *http://www.newsweek.com/pew-research-state-news-media-newspapers-470673*. They may operate at a profit because they do not pay numerous "guest" writers for their work in any currency except "exposure"—giving new meaning to the idea of a "free" press. *https://medium.com/@matthewkeys/on-the-huffington-post-and-paying-bloggers-169b217495be#.1wmuacr38*. Some news media, also online sources, pegged the number of unpaid writers at 100,000 or more for a single online publication. *http://writerunboxed.com/2016/02/19/amazing-disgrace-the-pride-of-the-huffington-post/*. Some digital publications using that business model take the position that this is no different from newspapers that do not pay for opinion editorials, but the notion that news and opinions are the same and that news may be reported "for exposure" just like opinions are, suggests that some may have ingested a little more alternative reporting than is good for them or the rest of us.

Newsgathering and news reporting are an "industry" in more than one sense. While the most common definition of the word may be economic activity concerned with the manufacture of goods in factories, a second meaning is "hard work."

There are remedies for publications and persons who disrespect the industry of journalism. A discerning public can treat as "entertainment" publications and persons who write for exposure for themselves and treat as "news" publications and persons who write to expose what is not so entertaining but may be critical to democracy. The distinctions need not focus on print, digital, TV, cable, or other media. As explained on *FreePress.net*: "Our press freedom work defends the rights of journalists and individuals—from the national security reporter to the smartphone user recording the police—to freely and securely report on the world around them. Free Press and our allies fight government surveillance of journalists and their sources, protect the right to record and report, bolster access to public records, and advocate for policies that protect newsgathering, privacy and civil rights." *http://www.freepress.net/quality-journalism*. Whether or not we like what we find in print, we owe it to ourselves and our nation, to recognize that the news reporting is not gossip or scapegoating. Facts are not "alternative." Freedom is not cheap even if it seems free on the internet. Newspapers are business mailers that deserve support in their commitment to continue.

Budget Debates on the Horizon

The nation needs a budget passed by Apr. 28 to avoid a costly government shutdown that could stymie many businesses' growth plans that hinge on consumer confidence and prospects of tax cuts. What concerns some CEOs is the possibility that Congress could consider what *Business Insider* describes as "a catchall spending package that's likely to top $1 trillion and . . . a budget-busting Pentagon request." If it does so, expect battles. As an example, expect Senate Democrats to work hard to fight the president's plans for building a wall at the U.S.-Mexican border, if it is to be funded.

Business Insider describes the conflict: "At issue is the annual must-do legislation funding government agencies and departments. The path for the huge spending measure—by Republicans' own choice a piece of leftover business from last year—would be difficult and complicated in a smoothly running Washington. But partisanship has engulfed the city, and the upcoming measure is made even more challenging once upcoming Trump requests for $18 billion or more for the Pentagon and money for his contentious border wall are added to the mix." *http://www.businessinsider.com/ap-in-trumps-future-looms-a-familiar-shutdown-threat-2017-2*. Additionally, House spending conservatives are unwilling to approve infrastructure and military spending without sacrifices made by other programs.

The GOP chose to kick the budget down the road to April to avoid the necessity of seeking approval of lame-duck President Barack Obama. The president signed the last funding bill with an hour to go before shutdown would take place. GOP party leaders in Congress knew then that there would be tough times ahead. As *The Hill* wrote back in December: "The bill, which passed the House earlier in the week, sets up a spending fight next year within President-elect Donald Trump's first 100 days in office that will test his promise to cut deeply into the federal deficit by eliminating what he calls 'tremendous waste, fraud and abuse.' Senators will have to reach an agreement by late April on spending levels for the rest of fiscal year 2017 while juggling the confirmations of various executive branch nominees and perhaps a Supreme Court nominee. They will also be working on regulatory reform and a budget to pave the way for tax reform" *http://thehill.com/blogs/floor-action/senate/309788-senate-passes-stopgap-funding-bill-averting-shutdown*.

The Senate confirmed Rep. Mick Mulvaney (R-S.C.) as OMB Budget Director on Feb. 16 by a vote of 51-49, leaving Mulvaney about two months to help the president reconcile his conflicting budget priorities. No Democrats voted for Mulvaney, and Sen. John McCain (R-Ariz.) voted with the Democrats because Mulvaney does not support what the senator considers are essential investments in an expanded military. "We must rebuild our military while at the same time putting our nation on a sustainable long-term fiscal path. We can and must do both," McCain said. "Unfortunately, Congressman Mulvaney has spent his last six years in the House of Representatives pitting the national debt against our military."

CNBC reported back in 2015 the cost of the last government shutdown: "In January 2014, the Bureau of Economic Analysis estimated the direct impact of the last shutdown, in October 2013, lopped about three-tenths of a percent off real gross domestic product growth in the 2013 fourth quarter. That was in line with estimates from private economists, who figured the impact of the shutdown came to, at most, a few tenths of a percent of GDP. The 16-day shutdown also side-tracked the creation of an estimated 120,000 new jobs, according to a report from the Council of Economic Advisers." *http://www.cnbc.com/2015/09/21/another-government-shutdown-heres-the-cost.html.*

All hope for reasonable spending plans and negotiations.

An App for Tax

The real threat to U.S. labor is not the undocumented immigrant. It is not the Chinese factory worker. As Wolfgang Lemacher recently wrote for *Fortune*: "[T]here is another, more plausible explanation. To paraphrase Democratic presidential candidate Hillary Clinton, 'It's the robots, stupid.'" *http://fortune.com/2016/11/08/china-automation-jobs/.*

Lemacher does the math most do not. American factory workers' jobs are declining in number, but manufacturing revenues continue to grow. This happened because "88% of the jobs were taken by robots and other factors at home." Moreover, these lost jobs are the $20 or more per hour jobs that American workers most want.

NextGov.com recently wrote about the prospect of a largely unemployed America. "In a recent interview with *Quartz*, [Bill] Gates said a robot tax could finance jobs taking care of elderly people or working with kids in schools, for which needs are unmet and to which humans are particularly well suited. He argues governments must oversee such programs rather than relying on businesses, in order to redirect the jobs to help people with lower incomes. The idea is not totally theoretical: EU lawmakers considered a proposal to tax robot owners to pay for training for workers who lose their jobs, though on Feb. 16 the legislators ultimately rejected it." *http://www.nextgov.com/emerging-tech/2017/02/robot-takes-your-job-should-pay-taxes-says-bill-gates/135547/?oref=nextgov_today_nl; https://qz.com/911968/bill-gates-the-robot-that-takes-your-job-should-pay-taxes/.*

Gates is not the only person touting a tax on robots. Former President Barack Obama addressed the issue following the White House's release of a report on the subject back in December.

In an article analyzing the consequences of a tax on robots, *NewAtlas.com* described the limitations of a tax on robots. "Well, apart from a confusing burden of implementation (for example, how much automation in a job would equal a taxable rate?), this really amounts to a tax on businesses that would inevitably result in a trickle down to the consumer. If a business was to make the decision to automate a percentage of its workforce, the technology itself would be a significant up-front cost before even adding an ongoing robot tax. The tax would ultimately either slow the rate of automated adoption and robotic development, or result in a sharp inflation of costs to the general public." *http://newatlas.com/robot-tax-universal-basic-income-future-work/48014/.*

The Gates idea has many critics. Some of them point out that the tax would be one on production. Many of these commentators would prefer a tax on consumption, not on production. *http://www.forbes.com/sites/timworstall/2017/02/18/the-error-in-bill-gates-latest-odd-idea-lets-tax-the-robots-stealing-our-jobs/#51514c9f6f0b*; *http://www.zerohedge.com/news/2017-02-20/bill-gates-embraces-tax-robots-socialist-idiocy-four-questions-worlds-richest-man*. But analysis favoring such trade-offs ignores the question of how low American workers can go to make a living (and paying consumption taxes) when the robots and artificial intelligence do their jobs so much better than humans do.

Elon Musk prefers the idea of a universal basic income, say $10,000 per year, paid to all citizens to cover basic expenses. Some countries are now looking at what happens to work ethic when people are paid to do little or nothing to measure productivity of people so supported.

Business mailers already are on the front lines of the battles over fair pay and efficient operation of repetitive tasks. They are working on significant technological development in the form of fulfillment software, drones, robots, and automation. *(See BMR 02/27/2017, p. 8.)* They may want to think now about how those improvements could affect their generation of consumers capable of buying what those consumers are no longer needed to make or deliver.

Briefs

Internet Retailer in its *Quintessential Guide to E-Commerce Platforms*, reports survey results indicating that merchants not only want to switch from their current ecommerce platforms, but are moving quickly to do so. “Nearly 17% of retailers surveyed say they are in the midst of a replatforming, while more than 72% say they plan to switch within the next two years,” *Internet Retailer* says. *https://www.internetretailer.com/2017/02/06/nearly-half-e-retailers-want-new-e-commerce-platform*.

Agility Robotics has introduced a bipedal walking robot named Cassie that offers several possible applications, including home delivery of packages. Think of the walking bi-pedaled robots that took on the Ewoks in an early Star Wars film. In the films, similar vehicles were “hog-tied” and made to stumble. Now the technology incorporates improved hip joints, which make the robot easier to steer. If all goes as planned, Cassie eventually will be equipped with arms and sensors as well. The robot was developed after Agility was funded with a $1 million DARPA grant. Read more and watch Cassie walk down the sidewalk at *http://spectrum.ieee.org/automaton/robotics/industrial-robots/agility-robotics-introduces-cassie-a-dynamic-and-talented-robot-delivery-ostrich*.

Delivery drones need more time to catch up to the drone market for entertainment and camera operation. They are expected to amount to less than 1% of the commercial drone market by 2020, according to a new market forecast from Gartner.

Drone manufacturer revenue is expected to increase 34% globally to reach more than $6 billion in 2017 and more than $11.2 billion by 2020. Gartner forecasts that about three million drones will be produced in 2017, 39% more than in 2016.

The chief obstacles to growth involve development of logistics software and systems and the need for capital investment to bring the equipment to market. *http://www.gartner.com/newsroom/id/3602317*. *NextGov.com* reports designers may soon have a program that would help delivery drones and driverless cars read traffic signs. *http://www.nextgov.com/big-data/2017/02/how-teach-car-traffic-sign/135532/?oref=nextgov_today_nl*.

Google has driverless cars—a good thing as it is in need of people to drive. Google’s driverless car development project paid staff well enough that several of them moved on to pursue other opportunities, *Bloomberg Technology* reports. Reports indicate that pay included salaries, bonuses, and equity. In some cases, incentives were subject to multipliers. “One member of the team had a multiplier of 16 applied to bonuses and equity amassed over four years, one of the people said,” according to *Bloomberg*. *https://www.bloomberg.com/news/articles/2017-02-13/one-reason-staffers-quit-google-s-car-project-the-company-paid-them-so-much*.

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