BUSINESS MAILERS REVIEW

Monitoring the Postal Service, Private Carriers and Suppliers
Published by PNMSI Publishing Co.

Volume 38, Number 8 **April 10, 2017**

USPS Cash Position Raises Concerns

On March 31, the Postal Regulatory Commission (PRC) released its Financial Analysis report, which analyzes the United States Postal Service's Fiscal Year (FY) 2016 overall financial position. As expected, the report describes an agency with liquidity challenges that require congressional intervention to resolve.

In FY 2016, the Postal Service generated an operating income of $610 million despite an increase in operating expenses and the expiration of the exigent surcharge in April 2016. While this is the third consecutive year of net positive operating Income, it is $578 million less than the net operating income of $1.2 billion recorded in FY 2015. Revenues from Market Dominant and Competitive products rate increases, the exigent price surcharge on Market Dominant products during the earlier half of the fiscal year, and continuing growth in Competitive products volume contributed to the net operating income. However, when all adjustments are included, the Postal Service incurred a net loss of $5.6 billion, a $531 million deterioration from FY 2015. The increase in the total net loss is largely driven by a $1.5 billion increase in overall compensation and benefits costs and an increase in non-cash workers' compensation expense of $906 million caused by a decrease in the discount rate, the PRC stated in its report.

At the end of FY 2016, net liabilities primarily consist of Retiree Health Benefits Fund (RHBF) accruals, workers' compensation liability, and the total net debt owed the Federal Financing Bank. Current liabilities, consisting largely of Retiree Health Benefits Fund (RHBF) obligations and short-term borrowing, contributed to a large portion (67.3%) of the $81.2 billion in total liabilities. The Postal Service has not yet paid the RHBF statutory requirement for FY 2011 through FY 2016, which accounts for $33.9 billion of current liabilities.

Additionally, at the end of FY 2016, the Postal Service recorded a $55.9 billion net deficiency from several years of net losses starting in FY 2007. Although FY 2016, FY 2015 and FY 2014 had net operating income, the slow replacement of fully depreciated capital assets and high personnel related liabilities led to continued erosion of financial sustainability.

Significant highlights of FY 2016 include:

- Consumer price index (CPI)-based price increases were not enough to offset revenue lost from declining volumes and the expiration of the exigent surcharge.
- Total Market Dominant revenue decreased 1.5% after two consecutive years of revenue growth.
- Market Dominant products unit revenue decreased by 0.4 cents while unit attributable cost remained nearly unchanged.
- Competitive products attributable cost grew 4.9% and institutional cost contribution grew 32.8%.
- Competitive products' share of total Postal Service revenue, attributable cost, and contribution to institutional cost have more than doubled since FY 2007.
- Growth in Competitive products volume increased its share of total attributable cost in every cost segment, more than doubling since FY 2008.
- Total Factor Productivity (TFP) declined slightly for the first time since FY 2009.
- Net deficiency is $55.9 billion resulting from several years of net losses starting in FY 2007.
- Financial sustainability continues to erode due to large personnel related liabilities and the slow replacement of fully depreciated capital assets. Overall financial condition is adversely impacted by insufficient current assets (38% of total assets) to cover current liabilities (67% of total liabilities).
- Working capital is negative $45.1 billion, largely due to the growth in employee-related liabilities, including the statutory accruals for payments into the RHBF.
- Cash position is at the highest level since FY 2007 but significant balance sheet liabilities and off-balance sheet unfunded liabilities for pension and annuitant health benefits are affecting improvements in financial condition.

The PRC's analysis of the Postal Service's financial position is primarily based upon the Postal Service's Form 10-K statement consisting of: Income Statements, Balance Sheets, Statements of Changes in Net Deficiency, and Statements of Cash Flows.

A complete copy of the PRC's Financial Analysis report may be found at *www.prc.gov/prc-reports*.

Short Takes

United Parcel Service, Inc. (UPS) is adding Saturday package pick-up and delivery. UPS tested the service last summer in a few markets, and will add fifteen more this month. Adding new markets over the coming months could lead to covering more than 4700 cities and towns by the time the 2017 holiday shopping season starts. Saturday delivery grows the value of both UPS Air and UPS Worldwide Express services. Both FedEx Corporation and the USPS already offer delivery on Saturdays. The USPS does not charge an extra fee for this service.

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Amazon.com has made it easy to purchase through any number of payment methods and now allows those who are underserved by the banking industry to pre-load an Amazon account with cash. Amazon Cash allows customers visiting participating stores to deposit between $15 and $500 in cash into an Amazon account by presenting an account-associated barcode (on a smartphone screen or print-out) to the cashier. CVS, Speedway, and Family Fare are some of the retailers already on-board.

Amazon is not the first company to offer cash customers an accommodation. Since 2012, Walmart has helped customers to order online with their "Pay With Cash" option. Customers order from Walmart's online store, then provide their order number at a Walmart location and pay with cash at the register, authorizing the order to ship.

PayPal My Cash, which is available at outlets including 7-Eleven, CVS, and Rite Aid according to the PayPal website, serves a similar function as Amazon Cash. Deposits through PayPal MyCash, incur a $3.95 service fee, whereas Amazon Cash has no service charge attached.

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Amazon.com Inc. has made another commitment to grocery retailing by opening two pick-up points for groceries ordered online as part of AmazonFresh, the e-grocery service available only to Amazon Prime members. Consumers can pick up their groceries, which include perishables rather than have them delivered.

Called AmazonFresh Pickup, the points are in the Ballard and SODO (south of downtown) neighborhoods of Seattle, Amazon's hometown and the city where e-retailer originated the Fresh program in 2007. Amazon is in a beta test mode but hopes to fully open soon.

AmazonFresh Pickup will schedule a pick-up time as soon as fifteen minutes. When the consumer arrives at AmazonFresh Pickup, the consumer stops at a covered pickup slot and groceries are loaded into the trunk.

This model is operating at other brick and mortar locations. Wal-Mart Stores Inc. offers its e-grocery service Walmart Grocery in more than thirty metropolitan areas in the United States, and is quickly adding more markets. Kroger Inc. offers e-grocery ordering for store pickup in more than 640 stores.

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Ford will issue $2 billion dollars of debt to fund development of self-driving cars, mobility services, and electric vehicles. Michigan just enacted law that will permit cars without steering wheels or drivers to be tested on the state's highways. *http://www.insidecounsel.com/2017/01/23/us-insurance-market-braces-for-a-seismic-shift-due*. Already, Nevada, California, Florida, North Dakota, Tennessee, and Washington, D.C., have passed autonomous vehicle legislation. Sixteen states introduced legislation related to autonomous vehicles in 2015, up from twelve states in 2014, nine states and D.C. in 2013, and six states in 2012. The groundwork for a new market is coming soon to wherever you live and work.

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The package shipping and delivery industry is exploring a variety of strategies for autonomous delivery, including self-driving vehicles. In some cases, the technology that will one day make vehicles fully autonomous is being introduced as a limited feature. The Insurance Information Institute reports that autonomous driving features in cars already are improving vehicle safety, and reducing accidents and injuries. "General Motors will offer a super cruise system with hands-free automated driving on freeways that have proper lane markings . . . . However, drivers will have to be ready to take over control of the vehicle and cars will be fitted with a device designed to alert the driver to pay attention even during highway driving. Toyota said it plans to offer crash-avoidance technology in Toyota and Lexus models by 2017. Daimler is now offering a system on certain models that allows a car to brake, accelerate and remain in its lane without human intervention at speeds of under 16 miles an hour." *http://www.iii.org/issue-update/self-driving-cars-and-insurance.*

PRC Reports on USPS Annual Compliance

The Postal Regulatory Commission (PRC) on March 28 issued its Annual Compliance Determination (ACD), an assessment of the USPS rate and fee compliance and service performance in Fiscal Year (FY) 2016. The PRC has identified several compliance issues and directs the Postal Service to address them in FY 2017. Consistent with last year's ACD findings, Flats cost and service issues and overall service performance remained challenges for the Postal Service. A number of workshare discounts also failed to meet compliance standards. Appendix A of the ACD provides a complete listing of the PRC's principal findings and directives. A status report of PRC directives from FY 2015 is also noted in the ACD's Appendix A (not reproduced here).

ACD Process

Consistent with the approach adopted in past years, the ACD focuses on compliance issues as defined in 39 U.S.C. §§ 3653(b)(1) and (b)(2). These statutory subsections require the PRC to make determinations on whether any rates and fees in effect during FY 2016 were not in compliance with chapter 36 of Title 39 of the United States Code and whether any service standards in effect during FY 2016 were not met. The PRC's review in this year's ACD is based on the rates approved in Docket No. R2015-4 without the exigent surcharge approved in Docket No. R2013-11 for Market Dominant products, and all the rates in effect during FY 2016 for Competitive Products.

Service Performance

Despite a PRC directive to the Postal Service last year to improve service performance and provide a comprehensive plan of remediation, the Postal Service struggled to reach service performance targets in FY 2016. In particular, no First-Class Mail product met its service performance target for the second consecutive year. As a result, the PRC finds First-Class Mail Single-Piece Letters/Postcards service performance remained out of compliance in FY 2016 and directs the Postal Service to provide additional transparency by reporting specific information on First-Class Mail Single-Piece Letters/Postcards metrics within ninety days of issuance of this report and also as part of its FY 2017 Annual Compliance Report (ACR).

Flat-Shaped Mail

The PRC continued to identify significant issues related to flat-shaped mail (Flats). In FY 2016, the combined attributable costs of Outside-County Periodicals and Standard Mail Flats exceeded revenues. While not reaching its targets, service performance did show some improvement. However, the Postal Service has not met its service performance target for any Flats product since the inception of its current service performance measurement system. Since 2008, the PRC has discussed these issues in each ACD and provided the Postal Service opportunities to address the challenges in profitably processing and delivering Flats. In the FY 2015 ACD, the PRC directed the Postal Service to provide a comprehensive plan to measure, track, and report flats cost and service issues. Because problems continue to persist and it does not appear that the Postal Service has a plan to address these issues, the PRC finds additional transparency is necessary in these areas to hold the Postal Service accountable. Thus, the PRC will initiate a strategic rulemaking to develop reporting requirements related to Flats operational cost and service issues.

Additionally, for the Periodicals class, the PRC finds that the Postal Service meaningfully addressed the FY 2015 ACD directives to report on the cost and contribution impact of worksharing incentives offered for 5-Digit and Carrier Route presortation and progress in improving pricing efficiency. The PRC directs the Postal Service to continue reporting on Periodicals pricing issues in its FY 2017 ACR.

Workshare Discounts

Workshare discounts that exceed avoided costs adversely affect Postal Service finances because they incentivize mailers to perform worksharing that the Postal Service could have done on a less costly basis. The PRC identified forty-eight workshare discounts with compliance issues. Out of them, twenty-one did not comply with the law. No action by the PRC was required for five of the twenty-one workshare discounts because price changes aligned the discounts with avoided costs or the Postal Service eliminated the discount. Sixteen workshare discounts remained out of compliance prompting the PRC to direct the Postal Service to either align the discounts with avoided costs in the next Market Dominant price adjustment or specify an applicable statutory exception.

Market Dominant Product Issues

The PRC identifies eleven noncompensatory Market Dominant products: Periodicals In-County, Periodicals Outside County, Standard Flats, Standard Parcels, Media Mail/Library Mail, Inbound Letter Post, Stamp Fulfillment Services, Money Orders, Collect on Delivery, Stamped Envelopes, and the Market Dominant negotiated service agreement (NSA) with PHI Acquisitions, Inc. (PHI).

With respect to Periodicals In-County, Periodicals Outside County, and Standard Mail Flats, the PRC finds that additional transparency is necessary to hold the Postal Service accountable. The PRC will initiate a strategic rulemaking to develop proposed reporting requirements related to flats operational cost and service issues. For the Special Services products: Money Orders, Collect on Delivery, and Stamped Envelopes, the PRC finds that revenue was not sufficient to cover attributable cost in FY 2017. The Postal Service must investigate the accuracy of the costing methods for these products. For Money Orders and Stamped Envelopes the Postal Service must also improve cost coverage through above average price increases in future Market Dominant price adjustments.

For Inbound Letter Post, the PRC recommends that the Postal Service continue to pursue compensatory Universal Postal Union (UPU) terminal dues and pursue bilateral agreements with foreign postal operators that result in an improved financial position for the Postal Service. The Postal Service used a methodology for the International Cost and Revenue Analysis (ICRA) that was not previously approved by the PRC. If the Postal Service intends to use this methodology in its FY 2017 ACR, it should file the proposed methodology in a rulemaking proceeding. For the PHI NSA, the PRC finds that the PHI NSA did not meet the criteria of 39 U.S.C. § 3622(c)(10)(A) in Contract Year 2. The PRC directs the Postal Service to report on its forecast for the remainder of the PHI NSA within ninety days of the issuance of this ACD.

For the remaining noncompensatory products, the PRC finds that the Postal Service is taking appropriate steps to improve cost coverage.

Competitive Products

The PRC finds that revenues for sixteen Competitive products did not cover attributable costs and, therefore, did not comply with 39 U.S.C. § 3633(a)(2). The Competitive products that did not cover attributable costs are: the non-NSA portion of Parcel Return Service, thirteen domestic NSAs, Inbound Air Parcel Post (at non-UPU Rates), and International Money Transfer Service—Inbound (IMTS—Inbound). The PRC directs the Postal Service to take corrective action, including reporting on an investigation of cost estimates, reporting on the status of contract negotiations, and recommends seeking authority to terminate or renegotiate agreements.

Post Office Suspensions

The number of facilities under suspension increased by eighty locations from the end of FY 2014 to the end of FY 2015. The PRC requires the Postal Service to reduce the number of facilities under suspension in FY 2017 or provide a detailed explanation in its FY 2017 ACR discussing why it was unable to do so.

Process Followed

As directed by statute, the ACD was prepared after a ninety-day evaluation of the Postal Service's ACR and supplemental material, and evaluation of public comments.

The full report, including an executive summary, is available on the PRC's website, *www.prc.gov/prc-reports*, along with related documents under Docket No. ACR2016.

Informed Visibility Coming Your Way

The Postal Service is extending its Informed Delivery service. This new digital notification service offers a mobile preview of most letter-sized mail you can expect to be delivered to your mailbox, at no additional cost. It also gives marketers the opportunity to attach a digital offer or other interactive content to mailpieces.

Informed Delivery users get emails containing detailed black and white images of letter–sized mail pieces that will soon arrive. The emailed images are of the exterior, address side of mail (postal workers do not open the mail), and notifications are only sent on days when mail is being processed and delivered. Users can also view the images for seven days on their dashboard, which they can find on Informed Delivery. This can be especially useful to travelers who are expecting a certain piece of mail and want to confirm that it has been delivered.

The service is currently available in several major metropolitan areas. Nationwide roll-out is expected by Apr. 14.

Postal Service Special Delivery

The role of the Postal Service in modernizing the U.S. is the subject of Winifred Gallagher's book, *How the Post Office Created America*. *Parcel* magazine recently reviewed the book and the agency's role in the development of the U.S. Matt Simmon, Vice President of Marketing at iDrive Logistics, writes:

"[T]he United States Postal Service has done far more than change the way we communicate — the Postal Service has molded the structure of the entire nation."

Gallagher's book discusses how the USPS influenced the paving of roads in a nation that began when horses and stagecoaches were the preferred methods for transporting people and the mails. "As new cities petitioned for a post office, the government would carve out reliable roads to allow mail to flow. These early roads were the predecessors to many interstate and intercity highways we now use daily," says Simmon.

The agency became a leader in adoption of the railroads as well. To serve the "West-coast settlers and gold-seekers" who waited months for mail the Postal Service started a partnership with railroads, including attracting investments. "Interestingly, without that government investment, trains wouldn't have become viable for passenger transportation; with the subsidy, however, national mail transit times dropped from months to weeks, and passengers and supplies began to flow as well. These contributions from the United States Postal Service helped modernize and settle the western United States," Simmon writes.

In the 1940s, the Postal Service put airplanes to work in carrying the mails. Now the focus is on modernizing a delivery system that can serve an ecommerce economy. As Simmon explains, "The USPS was built for residential delivery, and the extensiveness of their residential network is unparalleled. In fact, recent years have proven that e-commerce shippers opt for the United States Postal Service over the competition by a wide margin. While e-commerce sales grew 30% from 2013 to 2016, USPS increased their package delivery volume by 38%, while FedEx and UPS only increased by 11% and 14% respectively. The correlative growth between e-commerce sales and USPS packages shipped can largely be attributed to the fact that the USPS has a friendlier direct-to-consumer delivery network inclusive of lower shipping costs and reduced times-in-transit." *http://parcelindustry.com/article-4862-How-the-United-States-Postal-Service-Shaped-America.html.*

If Congress could only revise the agency's business plan to free it to continue responding to a changing nation's needs. It surely would deliver the reforms needed to take the U.S. to a modern and efficient world.

Annual Dog Attack City Rankings

The number of postal employees attacked by dogs nationwide reached 6755 in 2016— more than 200 higher than in 2015. The USPS tracks the attacks and reports annually on the trends. The annual ranking of top dog attack cities show the value of training for postal workers and pet owners can work.

"Even good dogs have bad days," said U.S. Postal Service Safety Director Linda DeCarlo in Los Angeles, where postal employees suffered eighty attacks—more than any other city in 2016. "Dog bite prevention training and continuing education are important to keep pet owners, pets and those who visit homes—like letter carriers—happy and healthy."

DeCarlo highlighted USPS safety measures that alert letter carriers to dogs on their delivery routes. The Package Pickup application on *usps.com* asks customers to indicate if there are dogs at their addresses when they schedule package pickups. This information is provided to letter carriers on their delivery scanners, which also can send real-time updates if an unleashed dog is reported in a delivery area.

"The scanners that Postal Service letter carriers use to confirm a customer's delivery include a feature for carriers to indicate the presence of a dog at an individual address," said DeCarlo. "This information is particularly helpful for substitute carriers who fill in for regular carriers on their days off."

DeCarlo was in Los Angeles to kick off National Dog Bite Prevention Week, which runs Sunday, Apr. 9 through Saturday, Apr. 15. The Postal Service, joined by the American Humane, American Veterinary Medical Association, Insurance Information Institute, and State Farm Insurance, are driving home the message that dog bites are a national issue and education can help prevent dog attacks.

Postal employees are not nearly as likely to be bitten as children. Half of the 4.5 million Americans bitten by dogs annually are children, according to the Centers for Disease Control and Prevention (CDC).

Training pets reduces dog attacks. Training pets' owners works even better. DeCarlo gave tips and encouraged sharing them using the hashtag #preventdogbites.

- If a letter carrier delivers mail or packages to your front door, place your dog in a separate room and close that door before opening the front door. Dogs have been known to burst through screen doors or plate-glass windows to attack visitors. Dog owners should keep the family pet secured.
- Parents should remind their children and other family

members not to take mail directly from letter carriers in the presence of the family pet, as the dog may view the letter carrier handing mail to a family member as a threatening gesture.

• The Postal Service places the safety of its employees as a top priority. If a letter carrier feels threatened by a dog, or if a dog is loose or unleashed, the owner may be asked to pick up mail at a Post Office until the letter carrier is assured the pet has been restrained. If the dog is roaming the neighborhood, the pet owner's neighbors also may be asked to pick up their mail at the area's Post Office.

• Watch the dog training tips video at *https://uspsvideo.com/shop/video/forever-stamp-commemorating-jfks-birth-centennial-dedicated-monday/* to learn more.

• 2016 Top Dog Attack Rankings by City: (1) Los Angeles, (2) Houston, (3) Cleveland, (4) San Diego, and (5) Louisville.

Walmart Engages in Price War

Walmart has sent Kroger a message—our prices are better than yours. Customers are finding already that the price war between these two powerful grocers means lower prices for them. Walmart is winning the battle for the American wallet.

Walmart's groceries cost about 4% less than Kroger's, according to a recent price check by Barclays. Analysts compared prices on a basket of seventy-eight identical items at Walmart and Kroger stores in Nashville, Tenn., to determine which retailer would go lower.

Walmart offered the lower prices on 74% of the products. Barclays saw the biggest price differences between the two retailers on nonperishable and frozen items, where Walmart had a 5.6% price advantage over Kroger.

Kroger beat Walmart in the "fresh" category, however, which includes proteins, dairy, and vegetables. Kroger offered 3.3% lower prices in this category, but mostly because of deep discounts on a few items including eggs, apples, green grapes, baby carrots, bell peppers, and chicken breasts. Excluding those items, Kroger's "fresh" products cost 15% more than Walmart's, according to Barclays.

Both Walmart and Kroger have been aggressively lowering prices to better compete in the increasingly crowded grocery market. Kroger's same-store sales, or sales at stores open at least a year, fell 0.7% in the most recent quarter, halting a thirteen-year streak of quarterly same-store sales increases.

Barclays analysts said Kroger may find it tough to match Walmart on price. "While we feel Kroger has clearly proven over the years that it is a superior operator, the magnitude of Walmart's investments may prove difficult to overcome," analysts wrote.

Americans Welcome Low Gas Prices

A new national survey from finds that gas pump prices would have to increase to $3.37 per gallon before consumers begin to curtail driving. That price point would represent a more than $1 per gallon before they cut back on driving, according to results of the Association for Convenience & Fuel Retailing NACS Consumer Fuels Survey.

Overall, 84% of consumers say that low gas prices are good for the economy, a 1-point drop from 2016, according to survey results announced by NACS, the association that represents convenience stores. Convenience stores sell an estimated 80% of the fuel purchased in the United States.

Americans also say that if gas prices reach $4.43 per gallon they will seek out alternatives to driving or drive drastically less.

"These findings are in line with what we traditionally find in our monthly surveys: Consumers say that prices have to increase by about a dollar per gallon from its current price before they consider cutting back. Gradual price increases also gradually push up the price at which they would drive less and it would take a sudden, unexpected price increase before most drivers would consider driving less," said NACS Vice President of Strategic Industry Initiatives Jeff Lenard.

The survey results were released as part of the 2016 NACS Retail Fuels Report (*www.nacsonline.com/gasprices*), which examines conditions and trends that could impact gasoline prices. The online resource is annually published to help demystify the retail fueling industry. The survey was conducted online by Penn Schoen Berland; 1114 U.S. adults who purchase fuel for a vehicle such as a car, truck or van at least once per month were surveyed Jan. 4-6, 2017. NACS has surveyed consumers about their perceptions related to gas prices since 2007 and has conducted monthly consumer sentiment surveys since 2013. *http://www.nacsonline.com/Media/Press_Releases/2017/Pages/PR040617.aspx*.

Reducing Rider Anxiety

An autonomous shuttle developed by Oxbotica, a robotics research firm that has conducted vehicle tests in the U.K., will begin extended trials on a route in London, the BBC reports.

Oxbotica has worked with the Transport Research Laboratory and Royal Borough of Greenwich on the tests. Unlike most tests that focus on working out difficulties with technology, this program exposes the public to autonomous vehicles to build up familiarity with the technology and begin to normalize the experience.

During the test, the shuttle will carry 100 passengers along a two-mile route along the River Thames. The vehicle can seat four people and removes a steering wheel, brake pedals, or any means of control other than an emergency brake. Each ride will include a trained operator who can stop the vehicle should issues emerge. After the conclusion of the trip, each passenger will be interviewed on the experience of riding in such an autonomous vehicle.

More than 5000 members of the public applied to be a part of the trial and to get a chance to ride on the shuttle, demonstrating an excitement for the concept.

Testing of driverless vehicles with a trained operator present tracks the methods used when businesses started installing elevators in buildings. From the beginning, elevators were capable of being used by the public, but the new technology found favor with the public by offering the elevator operator as a source of reassurance that the elevator was safe. Lee Edward Gray, *From Ascending Rooms to Express Elevators: A History of the Passenger Elevator in the 19th Century* (2002).

BI Intelligence reports that: “The self-driving car is no longer a futuristic fantasy. Consumers can already buy vehicles that, within a few years time, will get software updates enabling them to hit the road without the need for a driver.” *http://www.businessinsider.com/a-driverless-shuttle-is-ferrying-passengers-in-london-2017-4*.

Fully autonomous cars will be on the roads in the U.S. in 2018, and adoption will progress from there.

Unmanned Vehicle "Threat" to Job Security

Everyone is not happy about the prospect of driverless cars. In a recent article posted at *npr.org*, Vignesh Ramachandran, raises the issue of “a driverless future” that could threaten “the livelihood of America’s professional drivers, including scores of people of color.”

New research from the Center for Global Policy Solutions shows “that while 62 percent of the nation’s 4.1 million driving jobs are held by white Americans, many African-Americans, Latinos and Native Americans rely on them since the median annual wages they earn are higher than in nondriving jobs.”

“’These are important living-wage, if not middle-class jobs for people of color,’ said Maya Rockeymoore, president of the Center for Global Policy Solutions. ‘If these jobs go away, you’ve got a significant percentage of the African-American workforce [4.23 percent] who would be negatively affected.’”

Charlton Paul Jr., an African-American UPS Freight driver based in New York state, told Ramachandran that he is not afraid of the driverless truck. “But Silicon Valley is moving fast. One company, Starsky Robotics, is already retrofitting large trucks to make them driverless. By the end of the year, the startup hopes to operate one truck without a driver in the actual vehicle.”

“’As a driver and as an individual, to me personally, I don’t think there’s anything safer than a professional driver behind a wheel,’” said Alphonso Lewis Sr., an African-American and a professional driver forthree decades. “’If a system fails on these automated trucks, you want to have a driver there.’” *http://www.npr.org/sections/codeswitch/2017/04/05/522597987/how-driverless-vehicles-could-harm-professional-drivers-of-color*. Maybe, maybe not.

Sharing the Road

The autonomous vehicles are coming. Passengers, shippers, package delivery services, and taxi companies are counting on the benefits of improved safety, reduced labor expense, and improved customer service that such vehicles offer. They also bring new concerns for some industries, including the insurance industry.

Until such time as all vehicles on the road are autonomously operated all of the time, drivers are vehicles will have to share the roads, the parking lots, and bays at the car repair shops of America. *Tech Crunch* recently looked at what this might mean for insurers.

It evaluated the unique environment in which a new technology and its predecessor co-exist and asked: “While self-driving cars will likely be much safer than human-driven vehicles once they’re widely adopted, will they really be safer when there are still people driving on the road? How do you account for the complex and elusive ‘human element’?” Read the answers at *https://techcrunch.com/2016/11/08/the-insurance-impact-of-self-driving-cars-and-shared-mobility/*.

Briefs

Intellectual property litigation might soon answer the question of who controls the future of self-driving cars. Waymo (Google's self-driving car unit) accuses Uber of patent infringement and trade secret misappropriation because Uber acquired a $700 million start-up company formed by an ex-Waymo engineer who may have stolen Waymo's technology *with* Uber's knowledge.

Waymo has alleged as much and a California courtroom is examining the facts to determine if this is the case. The stakes are high, with some analysts forecasting the global market for autonomous driving vehicles' hardware to grow from $400 million in 2015 to $40 billion in 2030.

Participants in the autonomous vehicle hardware components market include everyone from the inspired and aspiring, such as Tesla, to the entrenched and intrigued, like Ford and Nissan. In the fray as well are the companies whose investment in driverless vehicles promises a direct path past a middleman. Companies like Uber and Lyft could replace taxi drivers with autonomous sensors and software *and* cut out the car dealers by developing their own hardware, too.

In a recent article published by *Inside Counsel,* Ryan Koppelman, a partner in Alston & Bird's IP Litigation Practice and co-leader of the firm's Connected & Autonomous Vehicle Group assesses the potential for the Google/Uber dispute to determine who wins and who loses in the burgeoning market for autonomous vehicles. "'Companies in the space have been quietly building their patent war chests, but without commercial self-driving cars on the road yet, there has not been much interest in enforcement and litigation,' said Koppelman. 'This is often the case before a real commercial market has developed. It's like juicing a raisin when there are no damages to go after.'"

To the patent holders go the riches. "'Trade secrets can in theory last forever and in industries where it is hard to learn what competitors are doing, some good technical secrets can provide some real business advantages,'" says Koppelman. Read more at *http://www.insidecounsel.com/2017/03/28/who-has-the-keys-to-self-driving-cars?*

The Insurance Information Institute is busy exploring some of the liability and insurance issues that a new autonomous vehicle market presents. Its website offers these insights: "Each new generation of cars is equipped with more automated features and crash avoidance technology. Indeed, many of today's high-end cars and some mid-priced ones already have options, such as blind-spot monitoring, forward-collision warnings and lane-departure warnings. These will be the components of tomorrow's fully automated vehicles. At least one car manufacturer has promised to have fully automated cars available by the end of the decade."

In a few cases, vehicles already have had accidents. "On June 6, 2016 a Google prototype autonomous vehicle (Google AV) was involved in a minor collision with no injuries. On June 15, 2016 a Google AV was rear-ended with no injuries."

Insurers must evaluate not only the effects of these new technologies on the risk of accidents and the damages associated with such risks, but whom to blame. The Institute explains that insurers must assess "whether the accidents that do occur lead to a higher percentage of product liability claims, as claimants blame the manufacturer or suppliers for what went wrong rather than their own behavior. Liability laws might evolve to ensure autonomous vehicle technology advances are not brought to a halt."

BUSINESS MAILERS REVIEW (ISSN: 0739-3873) is published biweekly by PNMSI Publishing Co., an independent newsletter firm. Subscriptions to **BUSINESS MAILERS REVIEW** are $497/year in the U.S., Canada and Mexico; delivered airmail for $527 elsewhere. Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by PNMSI Publishing Co. for libraries and other users upon request. **BUSINESS MAILERS REVIEW** is available electronically via e-mail. Contact the circulation department at 301-528-7777, or email to -support@pnmsi.com.

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