



RED TAG NEWSLETTER APRIL 2022

MARCH 2022 – TABLE OF CONTENTS

Page 1.....Calendar Of Events
Page 2-4.....Postal Reform Passes The Senate And Is Off To The White House
Page 4-5.....Postal Reform Could Affect All Retired Postal Retiree Health Benefits
Page 5-7.....USPS “Unplugs” Plans To Add Electric Vehicles to the Vehicle Order
Page 7.....The Latest Update On Postal Delivery Performance
Page 8..... What To Know Refresher – Periodicals Record Retentions
Page 9.....From The Desk Of Eddie Mayhew – “The Joint Is Jumpin”

CALENDAR OF EVENTS – 2022

4-5/7-22	MTAC Meeting	DC or Virtual
5-15/18-22	National Postal Forum	Phoenix AZ
7-26/28-22	MTAC Meeting	DC or Virtual
10-25/27-22	MTAC Meeting	DC or Virtual

Meetings listed as virtual or DC are subject to CDC and USPS recommendations

Red Tag thanks The Mail Group (IMEX) for its long time support as an Associan Member

POSTAL REFORM PASSES THE SENATE AND HEADS TO THE PRESIDENT'S DESK FOR SIGNATURE – ALL USPS MAY BE AFFECTED BY CHANGED RETIREE HEALTH BENEFITS – ELECTRIC VEHICLE DELIVERY FLEET OUT OF GAS – LATEST STATS FOR ON-TIME DELIVERY

Postal Reform Passes The Senate And Is Off To The White House

On Tuesday March 8th, the Senate joined with the House of Representatives and passed the Postal Reform Bill by an overwhelming bipartisan tally of 79 to 19 sending the bill to President Biden's desk for signature making this the first sweeping overhaul of the Postal Service in fifteen years.

The Postal Reform Act is more than ten, frustrating, but ultimately fruitful, years in the making. Each of the years in the past decade ended up with the bill stalling or failing by the end of the annual legislative sessions. This time around the bill received broad bipartisan support in spite of being delayed by one republican Senator for a month over a procedural issue.

The bill will make sweeping changes to Postal Service operations even though the scope of the bill is pared back from previous failed attempts to get reform passed.

The core of the bill will require new postal retirees to enroll in Medicare for their health care and it will force most postal workers to select USPS-specific health care

plans. The plan will take the financially crippling payments required for funding health care benefits for future retirees off the agency's balance sheets. These payments of more than five billion dollars annually have had a crippling effect on USPS budgets and their removal has long had bipartisan support. This has been an issue since shortly after implementation in 2006.

Congress came to agree that while the Postal Service had deferred these payments for years because of its financial condition, they placed an undue burden on the agency that no other government entity takes on and floods the USPS with debt. This was shared by stakeholders as well, citing that few if any private companies or corporations had same or similar programs.

The bill was endorsed by Postmaster General DeJoy who said that its core components were essential to eliminating projected losses over the next decade as part of his 10-year business plan. He too lobbied Congress to get rid of this requirement. DeJoy said, "With the legislative reforms achieved today, combined with our own self-led operational reforms, we will be able to self-fund our operations and continue to deliver to 161

(Continued on Page 3)

(Continued from Page 2)

million addresses six days per week for many decades to come.”

The bill won unanimous support at the committee level last year, but languished for months until a renewed push led to the measure easily clearing the House in February. This breakthrough in the stalemate occurred in part because the Congressional Budget Office (CBO) score last month found the measure would save the government \$1.5 billion over the next 10-years. Lawmakers and postal management believe that the bill may save the Postal Service as much as \$50 billion over that same period by eliminating accumulated debt in those same 10 years.

A positive note in addition to the savings in this bill is the ability for the Postal Service to provide non-postal services, including for state governments and other federal agencies. The bill also includes a mandate for 6-day delivery, which PMG DeJoy said he already intends to keep.

Under this Reform effort, postal management will face a new requirement to update the White House, Congress and its regulator every six months on its financial state, volume, implementation of changes, investments into its network and performance. As a part of that USPS will also be obligated to create new annual performance targets with a public web site for tracking results.

While a majority of Republicans supported the measure, Democrats only won their support after significant negotiation. The minority party only offered its support after successfully fighting to remove a provision

Democrats had originally included to restrict USPS from altering its service standards. PMG DeJoy is in the midst of implementing his business plan, which has included slowing down delivery for some mail. In 2020, Congress, on a bipartisan basis, approved a \$10 billion grant to USPS to offset some of its pandemic-related losses.

The hitch that delayed the bill for a month happened when a version of the bill that did not have up-to-date text was submitted for review and approval. Senate Majority Leader, Chuck Schumer (D-NY) quickly acted to vote on the correct version, but Senator Rick Scott (R-FL), objected, sending the process into chaos since a recess for two weeks was coming that Friday. The bill was delayed for those two weeks and only taken up again after the recess, effectively delaying the decision by a month. Senator Scott said he was concerned the measure had not gone through the committee process and was concerned about funding for a potential increase in Medicare costs.

It isn't only because of bipartisan support that this bill passed both Houses and moved forward. Some earlier efforts that died in process had bipartisan support. Advocates for the legislation this time cited both parties plus the support of postal leadership, the White House, large mailers and postal unions.

Some mailers, however, remained concerned late in the process that a provision to require USPS to deliver mail and packages through an “integrated

(Continued on Page 4)

(Continued From Page 3)

network” could lead to unintended consequences for the postal system.

The bill faced further delays after Senate leadership was forced to negotiate over which amendments to allow on the bill. Senator Schumer and Republicans spent days ironing out whether to allow amendments or which would receive votes. Proposals ranging from forcing the Postal Service to further study electric vehicle adoption to banning the agency from offering financial services. Ultimate, the Senate did not approve any changes to the House bill.

Democrats have been much quieter about criticisms of PMG DeJoy in recent months and, through his appointments to the Postal Service Board of Governors, President Biden has indicated he is not seeking to oust the Postmaster General.

Mr. DeJoy recently drew the ire of Republicans who had allied with him and fully endorsed his 10-year reform plan by launching a limited pilot program for financial services. The pilot program saw little success in a very limited test market.

The Biden administration and the Postal Service are still in the midst of a clash over the decision by the Postal Service to replace its delivery vehicle fleet with nearly all gas-powered vehicles as well.

Ending on positive note, the Postal Service and both major political parties were able to collaborate on delivering 500 million at-home COVID-19 testing kits to consumers across the country.

Postal Reform Will Affect All Postal Retiree Health Benefits

There is a hitch in the Postal Reform Plan that may fall back on employees already enjoying retirement. This is related to ending the pre-funding requirement for future retirees.

Current federal retirees, including postal retirees, can choose whether or not to enroll in Medicare part B. Plans in the Federal Employee Health Benefits (FEHB) cover retirees whether or not they enroll in Medicare or choose to have only FEHB plan coverage. This alternative is generally not a choice for employees in the private sector.

The choice for federal employees can be problematic since if they choose to continue their health plan, they will pay the \$170 per month Medicare fee in addition to the health plan. Fortunately, many FEHB plans waive plan deductibles, co-payments and co-insurance when Medicare is listed as the primary carrier.

Currently, about 75 percent of current Medicare-eligible are enrolled in Medicare parts A & B and according to the American Postal Workers Union (APWU), nearly 80 percent of eligible postal workers are too.

Under the reform measure, current USPS retirees will have a special period set aside to enroll in Medicare without a late enrollment penalty or can continue with FEHB coverage only. This was a change to

(Continued on Page 5)

(Continued From Page 4)

The original reform bill to avoid unintentionally increasing health benefit costs for all non-postal federal employees and retirees and postal retirees without Medicare by moving some, but not all, employees and retirees into separate risk pools in a new USPS Health plan.

The Reform plan that passed balances the risk pools based on lower use by younger employees and more increased use by older employees keeping costs down. This should settle the problems by minimizing or eliminating additional costs and premiums may well be reduced for FEHB programs.

The importance to the postal customer in this health care related topic is in maintaining a good work environment for postal employees that will make working at USPS less costly and continuing to get caring employees in the business.

USPS “Unplugs” Plans To Add Electric Vehicles To The Vehicle Order

The Postal Service is moving forward with its plan to buy 165,000 delivery vehicles using gasoline engines, with relatively few (10%) powered by alternative means, effectively defying the Biden administration and rejecting a request that USPS slow down the multi-billion dollar spending on fossil fuel vehicles.

The plan to go forward with the purchase of 90 percent gas and 10 percent electric vehicles has been finalized after releasing a “record of decision” which rebutted complaints lodged by the EPA and Council

on Environmental Quality (CEQ). In rejecting the president’s team argument, USPS said the administration suggestions to consider options and impacts would not yield better information or change the agency’s decisions.

Postal officials stressed that 10 percent of the 165,000 vehicles is the minimum number of electric vehicles it will procure, as the final total could vary based on costs coming down or Congress providing USPS with additional funds. In separate letters earlier this month, EPA and CEQ said the USPS award process (Selecting Oshkosh Defense to manufacture at least 50,000 vehicles to modernize the fleet) violated the National Environmental Policy Act and CEQ regulations.

EPA’s Associate administrator, Vicky Arroyo, called the Postal Service environmental analysis “fundamentally flawed” and said the agency failed to consider all relevant factors. Arroyo said, “The Postal Service’s current course represents a crucial lost opportunity to be a leader in reducing the carbon footprint of one of the largest government fleets in the world.”

Brenda Mallory who chairs the White House’s CEQ called the USPS approach “out of touch.” She went on to say that “The EPA identified major concerns with the environmental review for this contract, and the Postal Service should have corrected flaws with its approach before moving forward.”

In making their assessments, the Postal Service withheld important data, declined to detail its economic and other

(Continued on Page 6)

(Continued From Page 5)

assumptions, and did not disclose specifics of the contract, according to administration officials. Postal Service also underestimated the greenhouse gas emissions of the new fleet and the cost of mostly gas-powered vehicles, failed to consider all alternative options and neglected the environmental impact on local communities.

The administration has called on the Postal Service to craft a new impact study and to hold a public hearing about its plan, but postal officials announced they would not meet those requests.

Postmaster General DeJoy said, “the process needs to keep moving forward,” and added that the Postal Service would seek to acquire more electric vehicles as internal or external funding sources become available. He said, “The men and women of the Postal Service have waited long enough for safer, cleaner vehicles to fulfill our universal service obligation to deliver to 161 million addresses in all climates and topographies six days per week.

The Postal Service said that some issues raised by administration officials were previously addressed when the concerns were first flagged last summer and included that in the record of decision. The EPA’s disagreement with the Postal Service conclusions does not change the fact that the Postal Service’s analyses and assumptions are reasonable, based on credible sources, and reflect the Postal Service’s superior expertise and extensive experience in the field of logistics and procurement, said USPS. They said EPA and

CEQ brought up some new concerns, but addressing them would not move the needle.

USPS said, the additional analyses and mitigation recommendations by EPA would not produce superior information that would significantly alter the relative costs and benefits among the final environmental impact statement’s alternatives, when considered in the context of requirements necessary to safely and efficiently deliver the mail.

Administration officials said, for example, that USPS did not consider a sufficient number of alternative scenarios rather than the 90-10 percentage split of internal combustion and electric vehicles. Postal officials said they did consider reasonable alternatives and the other options did not present the same operational and ergonomic advantages as the planned vehicles.

EPS Criticized the Postal Service for acquiring new vehicles that would bring its fuel economy up to 8.6 gallons per mile as opposed to the current 8.2, but USPS said the EPA was making an apples-to-oranges comparison. The current vehicles do not have air-conditioning and the 8.6 number is when the cool air is running. When air conditioners are off the new mileage is 14.7 miles per gallon. The new vehicles will have more cargo space and require less trips, saving fuel said the Postal Service.

“Despite EPA’s mischaracterization,” said Mark Guilfoil, USPS VP for supply management, the new vehicles are “significantly more fuel efficient.”

(Continued on Page 7)

(Continued From Page 6)

The Biden administration accused the Postal Service of underestimating gas costs by using outdated prices, but USPS said the difference would be negligible relative to the added expenses of purchasing new electric vehicles. While the Postal Service conceded an all-electric vehicle fleet would lead to a 200 percent drop in emissions, it rejected the administration's call to use different assumptions to address potential undercounting. The White House and EPA accused USPS of predetermining its goals for the contract, but postal officials said the outcomes remain flexible.

The White House and congressional Democrats have both proposed providing \$6 billion in additional funding for USPS to electrify its fleet. Unfortunately the funding for that is in the "Build Better Act" remains stalled and in limbo. The President has called on the entire federal government to switch to electric vehicles over the coming decades.

Postal Management has warned for a decade about its low cash-on-hand, though that total has skyrocketed over the last two years and sat at \$23 billion at the end of 2021. The biggest reasons for that will disappear with the signing of the Postal Reform Act.

Both the White House and EPA declined to spell out the next steps they could or would take to influence the Postal Service fleet overhaul, but CEQ's Mallory suggest USPS should take advantage and tap into significant cash reserves to increase the electric fleet while the push continues for additional funding.

The Latest Update On Postal Delivery Performance

The newest report from USPS on March 25th 2022 continues to show average on-time delivery performance at 2.7 days from numbers gathered on March 18. Second quarter performance scores are as follows (Jan 1 – Mar 18 2022):

First-Class Mail – 86.7% delivered on-time against the USPS (revised) standards. It is a decrease of 2.4% from the first fiscal quarter.

Marketing Mail: - 92.1% delivered on-time against the standard. This is consistent with first quarter performance.

Periodicals – 81.4 percent delivered on-time against the standard. This consistent as well with first quarter performance.

Package delivery in dominant market and competitive services was not indicated in the press release form the Postal Service.

These numbers are below the Postal Service 10-year plan on delivering mail for America. That goal is 95% or better once all the elements of the USPS plan is implemented. Service performance is defined as the time it takes to deliver a mailpiece or package from its acceptance into the Postal Service until delivery to the business or consumer. Those numbers are measured against the delivery standards as stated above.

The amended service standards have the largest effect on First-Class mail, while there is a lesser effect on Periodicals and there should be no change to marketing Mail. Keep an eye out for future numbers.

Domestic Mail – What To Know Refresher – Periodicals Records Retention For Mailing Documents

Periodicals Publications have multiple retention dates for documents related to mailings. They are as follows:

Marked Copies - These are copies of publications with advertising/non-advertising content marked to show percentages of each used to determine the correct postage for a mailing. Many publications have evidence of marked copy percentages on approved computer programs.

The retention period for marked copies is six months for digitized and hard copy records. This time period was listed in the pages of a postal publication called ASM-305. That publication is now obsolete and replaced by the Administrative Support Manual.

Postage Statements for 3541 for all categories of Periodicals, must be retained for a period of no less than three years from the date of mailing. These documents are in hard copy and approved digital formats.

Additional entry and Reentry documents, Form 3510 are considered as financial documents and as related financial documents since they represent filing fees paid for reentry and for postage rates affected by changing or adding and subtracting offices of mailing.

Statements of Ownership – Forms 3526 and 3526R are required for many publications, as listed in the DMM, by USPS standards and by a federal mandate. These records must be retained for a period of four years to address reviews by USPS and inquiries made by other parties through the Freedom of Information Act.

Exception: The one exception to this standard for all documents is in the event of a finding in a review by USPS employees, an audit by the Postal Inspection Service, or by other complaint, all documents must be retained until the dispute is settled or clarification accepted.

Editor's Note: Publications that have multiple versions or editions may keep composite copies of all of the versions or editions to represent the advertising and non-advertising content of the issue. Postage statements must be separate statements for all versions and editions.

From The Desk Of Eddie Mayhew – “The Joint Is Jumpin”

The song was written by Andy Razaf and J C Johnson and performed first by Thomas Wright “Fats” Waller in 1937. It is a bouncy tune that is still used today and was a movie title in 1949. It was so popular that Waller was “briefly” kidnapped by the infamous Al Capone to have him perform at a private party. Sadly “Fats” Waller died of bronchial pneumonia at age 39 in 1943.

Using that for this issue’s theme seems appropriate because things are jumping at the Postal Service. Postal Reform is finally here after 16 years. The battle over gas or electric vehicles is continually changing. A new Board of Governors needs to roll up their sleeves for a reborn USPS. The crushing weight of the \$5 billion annual payment for future retiree health benefits has been lifted. And, with the pandemic in abeyance, at least for the moment, the 10-Year Plan is ready to take hold.

The Postal Service hasn’t seen this much change in one fell swoop since it became the Postal Service in 1971. (I’m not saying it was a long career but I was already a three-year postal employee back then.) We have a lot to watch for and very likely still a lot to worry about from here on in.

The delivery numbers are not yet where they should be and Periodicals is still at the bottom of the on-time barrel. Keep in mind, this is with the new delivery standards that has average delivery at 2.7 days nationwide. There have been many anecdotes about delays and mail simply not being delivered in all parts of the country, even with the current standards, but in fairness, the pandemic was relentless then.

We need to see the effect that Postal Reform will have at USPS. We will get the opportunity to monitor service issues as mandated within the Reform plan. We will need to watch the impact on what appears to be becoming a twice annual rate increase, including how the effect of the economy and current fuel prices will affect those decisions and the CPI Index.

Much postal debt is being wiped out by the dropping the future retiree benefit payment that hung like an Albatross around its necks. It’s time to see what USPS can do with capital expenditures, improvement of service and adequate nationwide staffing. We get to keep six-day delivery and that’s a good thing. The Postal Service is holding its own against private competition in the package business but those competitors will only grow in size and in number.

However the new vehicle purchase decision ends, there will be 165,000 new vehicles replacing an antiquated fleet and that helps. Those new vehicles that run on something other than fossil fuel will be a plus, but getting new vehicles at all was already a big win.

Happy spring when it decides to arrive.