

# THE RED TAG NEWSLETTER OCTOBER 2020



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## 2020 CALENDAR OF EVENTS

10-27/28-20 MTAC Meeting

Washington DC

The remaining meetings are still scheduled but subject to the COVID 19 situation and travel restrictions.

*Red Tag appreciates the support of its associate members: Crain Communications, Fry Communications, Imex Global Solutions, and LSC Communications.*

## USPS TURMOIL OVER MAIL DELAYS CONTINUES – SERIOUS DELAYS EVIDENT WHILE COURT DECISIONS REVERSE CHANGES – NOT EVERYTHING IS SMOOTH SAILING – SOME POSITIVE SWINGS IN PERFORMANCE – EBAY SHIFTS VOLUME TO UPS -

### Rough Seas At USPS

Things are getting more complex every day at the Postal Service since the appointment of Louis DeJoy as Postmaster General. It began when sudden and abrupt changes to certain existing programs, adaptations of those programs and the incorporation of new practices, all in the name of cost efficiency were implemented right after his appointment.

The first issues that implemented after his appointment were to cut all overtime, accelerate removal of blue mail collection boxes on streets, accelerate and increase the removal of sorting machines, and go full speed ahead with facility closings. This plan quickly caused delays in the processing and delivery of mail.

This not only had an effect on regular mail delivery but imperiled mail-in ballots as well creating controversy over ballot manipulation since key cities seem to have been targeted.

The arguments were made that this was an immediate means to cutting what seemed to be runaway costs and would result in more efficiency at the Postal Service. However, the loss of places for mail to be deposited in collection boxes, the mail going to facilities where sorting equipment was removed and the new rules that said mail trucks would leave facilities on schedule even if they were empty to prevent overtime caused immediate problems.

To be clear on what was happening it is important to understand that this was not a series of contrived programs, instead this was what appears to be a manipulation of existing programs.

Collection boxes were being removed from streets when it was determined by careful monitoring that there was very little use of a box, or when it was no longer repairable. Boxes were being replaced with new theft-proof boxes at many locations. This program was changed and accelerated with, in numerous cases, no replacements.

An existing program was in place that would allow sorting equipment that was significantly underutilized to be relocated to facilities where volume warranted the machines. What changed was that equipment was being removed at key sites and being either disabled and stored or set up for scrap. This was never the intent of the program.

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There is a plan in the Postal Service that was divided into three phases that after much coordination with communities and businesses that would allow the consolidation, repurposing or closing of certain processing facilities. Two of the three phases were completed when at the urging of Congress, communities and labor unions, the program was put on hold. There were between 60-70 facilities that remained as is.

The resumption of that process was not ready to go and the recommended closing of a number of small post offices is not a part of the plan.

As far as overtime goes, no one wants it to get out of hand but an organization must realize that to cut it outright is not practical.

It goes against all existing postal policy to allow trips to be dispatched without their loads and certainly leaves no room for empty vehicles to be sent out to stay on-time. These practices undoubtedly were not acceptable to either of Mr. DeJoy's previous organizations, New Breed Logistics or XPO Logistics.

As a sidebar, the fact is that without the indebtedness caused by the need to set aside \$5.4 billion annually for future retiree health benefits, USPS would be on the plus side of the balance sheet. It isn't any of these aforementioned programs that caused the losses.

Adding to this ocean of woes is the chronology that has occurred since this decision.

First, the USPS agreed to stop the progress on these programs until after the November 3<sup>rd</sup> election.

This was followed by another comment from Postmaster General that that the programs, although halted for now, would not participate in restoring any of the work already completed. This was after Mr. DeJoy testified before Congress to explain why these practices occurred.

A subpoena has been issued by a House subcommittee on the Postal Service seeking to access Mr. DeJoy's calendar as Postmaster General. He has declined to provide it prior to that action.

There have been calls from Congressional leadership to the USPS Board of Governors to have Mr. DeJoy suspended.

The Governor of Montana and several other states filed suit against Mr. DeJoy and these practices.

Investigations are underway relative to potential campaign finance law violations by Mr. DeJoy when he was CEO at New Breed Logistics. The claim alleges he instructed employees to contribute to a candidate or candidates in the maximum sums so as not to exceed contribution maximums and then reimbursing those employees through holiday bonuses.

There are questions about his stock ownership with XPO Logistics where he was before USPS. His holdings in that company connect to no-bid contracts with the Postal Service for long distance haulage.

In the meantime, Senator Tom Carper along with 13 other Senators have filed amicus briefs in support of legal challenges to the recent operational challenges at the Postal Service. The brief focuses on the Postal Reorganization Act, which Congress passed to insulate postal service operations from partisan influence and to ensure accountability to the public.

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The Postal Reorganization Act makes the Postmaster General responsible to the Postal Regulatory Commission (PRC) and to the American people, rather than the President, and requires USPS to follow certain procedures before implementing operational changes that could impact mail service. The brief argues that if by failing to request an opinion from the PRC or provide an opportunity for public comment, Postmaster General Louis DeJoy's operational changes to USPS violate federal law.

## Serious Delays From USPS Changes Already Evident

A report released earlier in September by two U.S. Senators found "significant and increasing delays" in the delivery by mail of prescription drugs under the tenure of PMG Louis DeJoy. Both Senator Bob Casey of Pennsylvania and Senator Elizabeth Warren of Massachusetts were advised by some of the country's biggest pharmacies that they were experiencing delays in delivery of from 18 to 32 percent, with normal 1-2 day delivery falling to 3-4 day delivery. The only pharmacy chain that has not experienced delivery issues does not have end-to-end delivery.

Governor Bullock of Montana is one of the state Governors suing the Postal Service and PMG DeJoy over delivery issues. Governor Bullock has made it known that in Montana a majority of town are made up of mostly rural deliveries and that they can suffer the most by delivery delays that are on the increase in these areas.

Congresswoman Debbie Wasserman Schultz said she was barred from entry into two postal facilities in her home state of Florida. She is a member of the House

Oversight Committee on the Postal Service and is within her rights to review operations. The Postal Service spokesperson said she had not given sufficient advance notice to the postal facility. A congressional aid said that postal officials were notified in the early afternoon of the preceding day, explaining that the short notice was to allay concerns that any issues might be hidden before her visit.

In general delivery has been slowed well below targeted norms throughout the nation and the argument that it is all COVID-19 related is questionable at the very least.

During this series of events, PMG DeJoy relented to the extent that no further actions would be taken to change operations or remove equipment but that those procedures already done would not be reversed.

## Court Injunctions Reversing USPS Decisions

A federal judge in Washington State, joined by others since the initial decision has issued an injunction requiring to Postal Service to "unwind" the changes implemented by PMG DeJoy and restore equipment and service prior to that determination.

The initial reaction to that decision was to "explore legal options" according to the Postal Service. This made it unclear as to whether or not the changes would be made and the court decision appealed instead.

In a subsequent filing, the Postal Service said that they would comply with the court order.

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The judge's ruling was that these changes were set in motion as part of a politically motivated attempt to disenfranchise voters, as the resulting delays put the timely delivery of ballots at risk.

Based on the court decisions, the instructions to postal workers was that late or extra trips that are "reasonably necessary to complete mail delivery" cannot be "unreasonably restricted or prohibited." It also clarified that mail should not be left behind.

The memorandum authorized supervisors at the local level, repeatedly blamed by headquarters officials causing the mail delays, to use their best business judgement to meet postal service standards. Postal Management made it clear that the new memo superseded any previous guidance in conflict with it.

USPS said it has complied with all field requests to reconnect processing machines and instructed managers to reconnect any additional machines they deem necessary for the timely delivery of election mail. PMG DeJoy said he would not have decommissioned machines reconnected as they were deemed superfluous given current mail volumes.

Postal employees were advised to take steps to ensure timely delivery of election mail, including prioritizing it each day for expedited distribution. Election mail will be given expedited treatment regardless of the postage type.

USPS is asking for one clarification. Even when trucks are held, they must be dispatched within a reasonable time period and some ballots may miss that

Trip and could be delayed because mail contractors may not have the extra trucks. While USPS can make additional trips where needed, consideration may need to be given to use them to compensate contractors. This is yet to be resolved.

## Even With These Court Ordered Changes, There Are Hitches.

Not all of the changes and reinstatements of equipment are smooth sailing, even after the court determination.

The Postal Service is refusing to unilaterally reinstate overtime until after the election. Judge Victor Marrero, as part of his injunction ordered USPS to pre-approve all overtime from October 26 through November 6 for getting ballots delivered. Attorneys for both sides were ordered to come up with a solution and plan to get this done. This was not accomplished because of a disagreement on the language used to describe the problem area.

There is disagreement on how to use overtime and an insistence that all overtime was not cut. USPS claims that critical overtime was not cut back and wants the court order to modify the decision to allow USPS discretion in determining where overtime is needed. The Judge paused that part of the order while it is being worked out.

In the meantime, USPS is under scrutiny for what appears to be a failure to update 1.8 million addresses for timely mailings. There is no resolution on this situation yet and on whether or not it is unavoidable.

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There is no confirmation on whether or not there was a deliberate attempt to slow down these address changes, or if it is something that can routinely happen, or if it is pandemic related. More to come when more is known.

Another issue to be resolved is where sorting equipment was removed and had key parts taken from them or were set up for scrap, Mr. DeJoy was adamant that these machines would not be repaired and/or replaced.

## Service Performance Is Beginning To Show Some Positive Turn Around

New service performance data provided to Congress by the Postal Service has shown improvement in on-time performance for First-Class Mail at 88.74 percent and Periodicals Mail at 80.32 percent during the week of September 5-11. This included the Labor Day holiday. Marketing Mail did show a slight slowdown at 87.9 percent.

These numbers are well below pre-COVID numbers but are improving over the past few weeks. It is apparently a result of the restoration of some sorting equipment and dispatch times. All products declined over their 2019 performance by significant numbers but the first signs of a turnaround are a positive.

The biggest issue remaining unresolved is that to get back to where delivery standards were means that a rise of 15 percentage points has to be the goal and that is a lofty task to say the least.

Fall and winter remain an unknown factor because of the Coronavirus and it will be difficult at best.

## eBay Is Shifting Volume To UPS Because Of Postal Delays

Shipping giant eBay is planning to shift most of its package mail over to UPS because of increasing postal delivery delays.

eBay is the second largest shipper in the Postal Service stable of major package clients. eBay has been the source of over \$743 million in postage revenue in the past fiscal year. They said that the reliability of the Postal Service is below their minimum cost to shipping ratio and customer service to continue at the current level.

UPS has offered them an improved shipping and delivery time and has offered a 62 percent decrease in cost beginning October 1<sup>st</sup>. In other words, too big an offer to refuse.

The Postal Service is burdened with an unthinkable debt of \$160.9 billion and cannot afford the loss of this revenue. The worst part of this scenario is that other shippers are likely to follow.

Amazon is growing its distribution and delivery centers and purchased a fleet of 30,000 delivery vans and will likely be the next one to consider jumping ship.

The allegations of attempts to cripple the Postal Service's on time delivery performance, even before a final determination of whether it they are true or not, is throwing a lead anchor at the floundering post office rather than a needed life preserver.

In addition to the damage being done

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to Package Services and other related Competitive products, other classes of mail are being hurt in their performance as well and it is much more than election ballots in that mix.

Even with recent improvements in service, other classes of mail are seeing significant downturns and that disruption is creating even more significant issues. Reports are even coming in of carriers digging into mailing containers to find prescription medicines so they can be delivered on their routes.

What is known for sure is that First-Class Mail and Periodicals mail while better than last month are still far from returning to on time delivery.

## PMG/USPS Affirms Readiness To Handle Election Mail

The Postmaster General held a conference call with the National Association of Secretaries of State (NASS), Election Committee on September 17 to reiterate that the handling and delivery of election ballots would receive top priority between now and Election Day on November 3 and that the Postal Service is ready, willing and able to handle the volume of election mail for those that choose to utilize the vote by mail process.

He underscored USPS commitment to doing their part and teaming up with state and local election officials to work to ensure that voters who choose the vote by mail option can do so effectively and not worry that their ballot will get there on time over the next several weeks.

He emphasized that the use of a

postcard as a reminder to voters and instructions where to inquire about the process got about 750,000 positive responses.

Things are still a little crazy at the Postal Service when you get to the level of processing and delivery around the country, but it seems to be moving in a positive direction.

There are verified instances of clerks, mail handlers and carriers digging through unsorted and otherwise unworked containers and equipment to pull out prescription medications at a number of sites and get them delivered. Some carriers have been delivering materials on their own time.

There are instances of employees who had been instructed to dismantle sorting equipment finding ways to stall the process to prevent the equipment from being removed from facilities.

A talking points memo was issued nationwide on September 24 that outlined the correct steps to halt the ongoing processes to remove equipment and to allow overtime when necessary to get on time delivery. Additionally, emphasis was given to identify and expedite election mail.

There is much to be done at the Postal Service yet, but it looks like the right efforts are beginning to resolve the election crisis coming from this slowdown.

Unfortunately, Mr. DeJoy's appointment has been hurt by all of the controversy surrounding ballot mail that led to the overall disruptions. A careful review will be an absolute necessity once the dust settles from the upcoming election.

## Domestic Mail – What To Know – Simple Reminders On Class

There are no new and exciting rule changes that impact mail in general and Periodicals in particular this month. However, this is as good a time as any to issue a reminder to properly identify mail by class. There are sections throughout the Domestic Mail Manual that describe how to identify each class and category of mail.

It is more important than ever to make sure that all mail classes are identified by the proper markings to indicate class and have the placement of the indicia, postage stamp, or meter impression in the area designated to identify mail.

First-Class Mail, Marketing Mail and Packages are marked with the appropriate imprint that identifies the class of mail. Markings should identify as presort while barcodes are clear. Periodicals are unique in that there is no permit imprint indicia. Instead there is an identification statement in specified locations inside the magazine or newspaper.

Periodicals are, for the most part, required to include the word “PERIODICALS” where it is visible to identify it as well. Some publications identified as common enough to be readily identified by trademarked style such as a cover design or unique title font may not have to use the written identification on the outside.

Election related mail is identifiable by a unique postal approved logo on the face of the mailpiece and should or may be entitled to receive appropriate or expedited treatment.

This may all seem elementary for readers but sometimes, even the simple things are overlooked when examining the more complex aspects of mailing and these are times when everyone is witness to the appropriate identification of mail.



## From The Desk of Eddie Mayhew – 2020! The Year That Lasted A Decade

It just doesn't want to move closer to December 31 even though there are only 24 hours in a day. The minutes drag on as everyone looks to get the world spinning again. And there is still a three-month period to get through.

The issues with the Postal Service continue to make new -- at Congress, in the courts and in public opinion. At least 26 senators and representatives have filed actions against USPS to restore service standards. Three different judges have ruled that the mess created with the Postal Service needs to be reversed and arguments continue to be made about balloting by mail as a secure way to vote.

Several bills have been passed by the House of Representatives and at least one made it through the Senate before getting vetoed at the White House, and yet the Postal Service still hasn't seen a penny in support of postal reform or just operating at an efficient level. Postal Reform is lost somewhere in emergency spending bills.

COVID-19 continues to plague the ranks of the Postal Service (and now the White House) making it hard to maintain standards even without the new PMG's alleged meddling. Business is still down significantly reducing the amount of mail being generated. While shipping of packages continues to grow, shipping giants like Amazon, eBay and Walmart are looking over the metaphorical shoulder of USPS at greener pastures with their own delivery vehicles like Amazon, or shifting mail to competitors like eBay.

Climate hasn't been a friend this year either. The wildfires on the west coast from California to Washington State are at their worst with smoke sometimes hazing out the sunshine in New England. Mail delivery in those areas is a nightmare. Back east, storms seem to want to reclaim most of the east coast and the gulf states with back to back hurricanes and tropical storms with water levels measured in feet rather than inches. Delivery is no easier there. And even in the heartland, Iowa was slammed with a Derecho windstorm virtually unheard of in the area.

Not only are customer addresses thrown into a maze but printing, production, preparation and mailing of huge mailing campaigns are tossed into a mixed salad of how do I get this done on time?

As we peek out of one eye at 2021, we can only hope that there will be an improvement over this lingering year. With luck, we will have a working vaccine for COVID-19 by the middle of the year. Then, we need the economy to really bounce back, partisan politics to take a break so something can get done and our health and social contact begin the road back. I've given up on crowded office buildings but I will hope for something exciting and new.

My goal for 2021; eat at a restaurant, got to a movie and mingle with people. It's not too much to ask...is it?