



RED TAG NEWSLETTER APRIL 2021

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CALENDAR OF EVENTS – 2021

05-02/05-21	National Postal Forum	Nashville TN (*)
05-03-21	Red Tag Meeting at National Postal Forum	Nashville TN (*)
05-06-21	Atlantic Area AIM Meeting	Virtual
06-03-21	Atlantic Area AIM Meeting	Virtual
06-29/30-21	MTAC Meeting	Wash DC – Tentative
08-10-21	Southern Area AIM Meeting	Virtual
11-02/03-21	MTAC Meeting	Wash DC - Tentative

(*) – The decision has been made to hold the NPF as a virtual/ZOOM set of meetings

AIM Meetings have not been scheduled for 2021 in-person yet and virtual for some.

POSTMASTER GENERAL LETTER – THE 10-YEAR PLAN IN A “NUTSHELL” – THE PROS AND THE CONS – AN OLD REFRESHER AND A LITTLE ABOUT WHAT’S COMING

The Official Word From USPS.

The Postmaster General and the Chair of the Board of Postal Governors have issued a letter announcing the projected 10-year plan for the Postal Service. The letter is as follows:

“Nearly every person in America experiences the Postal Service brand every day – by saying hello to their mail carrier on their daily rounds, passing postal vehicles on the street, visiting a post office or USPS.com, using Postal Service mobile applications, or simply reading their mail or opening a package at the end of the day. On any given day, The Postal Service delivers for America – from essential medicines and COVID-19 stimulus checks, to packages and election ballots.

The 644,000 women and men of the Postal Service – who live, work and serve in every American community – represent our brand with every customer interaction and through constant dedication to our mission of universal service. As we fulfill our role of binding the nation together – as we have for 246 years – their commitment ensures that our delivery platform and services are always a trusted, visible, and valued service

always a trusted and visible and valued part of America’s social and economic infrastructure.

And yet, our organization is in crisis. Our business and operating models are unsustainable and out of step with the changing needs of the nation and our customers. We have seen steep annual financial losses in the billions of dollars, unmet service performance goals, and less market relevancy as consumer behaviors have changed.

In 2020, our Board of Governors, with a new Postmaster General and a newly established officer corps – composed of experienced postal executives with expert knowledge of our business and marketplace – moved quickly to address our financial and operational challenges and forge a bold vision for transformation.

With a deep commitment to preserve our mission, Postal leadership began a wide-ranging effort to address our challenges rigorously, holistically, and collaboratively to define a new high performing future. We realigned the organization to streamline operations and enable the effective Planning, management and execution of change.

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The team evaluated and quantified the many compounding challenges across the postal enterprise. We dissected the dramatic from traditional letter mail to package delivery; underperformance in processing, transportation, delivery, and retail operations; failure to meet service performance standards; unacceptably high rates of non-career employee turnover; and a perilous and worsening financial – marked by \$87 billion in losses over the last 14 years.

The COVID-19 pandemic led to even sharper declines in First-Class Mail and Marketing Mail and historic levels of demand for package delivery, dramatically reinforcing the urgent case for change.

We studied market research, prior internal plans and proposals, reports from the Office of Inspector General, the Government Accountability Office and the Postal Regulatory Commission, and many white papers and documents authored by postal stakeholders. We received feedback from key customers and industry associations, out unions and management associations, and members of Congress – valuable input from a diverse set of stakeholders.

Throughout the development of this Plan, the Postal Board of Governors played an active role in representing the public interest as we sought to preserve our ability to fulfill our universal service mission while transforming our business and operations. Their collective expertise – in logistics; leading and working with unions; leading and serving on boards of large organizations; advising on finance and restructurings; and working in the political

arena with political parties on both sides of the aisle – has provided a solid foundation for the Plan.

The resulting Plan – Delivering For America – establishes clear strategies to quickly achieve financial stability and service excellence. Our new operating model will dramatically improve service through strategies aligned to the changing needs of our customers. We will optimize our mail and package processing capabilities, improve the technology and oversight of our surface logistics network, realign service standards to enable the best use of our transportation and processing networks, strengthen our delivery network, promote measurable operating excellence, modernize vehicles and infrastructure, revitalize our post offices, enable long-term postal careers for employees, and innovate solutions and services for customers.

The Plan’s strategic initiatives are designed to reverse a projected \$160 billion in losses over the next ten years by achieving break-even operating performance. We can accomplish this goal with modest regulatory and legislative changes, effective use of newly acquired and existing pricing authorities, operating more efficiently across our enterprise, and by driving revenue growth through innovative customer solutions. We seek service excellence and financial sustainability that preserves our universal service mission of providing the nation with six days of mail and seven days of package delivery.

We look forward to productive discussions with our stakeholders about our goals for the future of the organization and the most

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effective strategies to pursue them. We will listen and learn and adapt the Plan to take account of stakeholder advice and guidance, carefully considering advice from the Postal Regulatory Commission, findings from the Office of the Inspector General, and feedback from our customers. We will adhere to legal, statutory, contractual, and regulatory requirements as we implement the initiatives within this Plan.

Most importantly. We recognize that our success depends upon implementing the totality of the Plan – which will occur through deliberate, well-communicated phases in the coming years – and that doing so with the broad, bipartisan support of the Congress will ensure its full and enduring impact.

We present this Plan as another important chapter for the Postal Service in our long history and tradition of changing and improving to better serve the public. We trust you will find this Plan to be convincing that a high performing, financially sustainable future for the Postal Service is both necessary and attainable.”

The letter is signed by Louis DeJoy, Postmaster General and the Honorable Ron Bloom, chair of the postal Board of Governors.

The 10-year plan is an ambitious effort at resolving the issues of the financial condition of today’s Postal Service. Keeping in mind that the COVID-19 pandemic is still a major factor in staffing and operations at the Postal Service nationwide, the following article will highlight the relevant portions of the extensive plan to see what the odds are

of a short and long-term resolution to the issues affecting the Postal Service today.

Outline of the USPS 10-Year Plan For Recovery

Before outlining these key issues, the full plan “Delivering For America” is over 70 pages in length and more than we can post in this newsletter. You can download the complete plan at USPS.com. Look near the bottom of their page for “Delivering For America” and use the button to download the complete plan.

Remember, as you read this, that roughly 19 percent of postal employees are reportedly still not working due to COVID-19 as they are either ill or in quarantine because of exposure. Once the virus is more under control this number will shrink and can, in fact will, affect some of these issues.

The first major problem to be remedied is a rapid and significant shift of volume downward for all classes but a bigger shift upward in packages. This shift of kinds of volume is stressing what is described as a misaligned and outdated mail network. Simply put the existing network of hubs and processing facilities is not properly equipped to handle less letters and flats and a lot more packages.

The second most prevalent problem is the shortage of employees due to quarantine or illness. In real numbers, that 19 percent equates to nearly 123,000 out of 644,000 employees being out as long as fourteen days due to

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the pandemic and that creates a scheduling nightmare to balance volume to be moved against human resources available. It has dramatically distorted on-time performance numbers.

Transportation is a significant issue because the surface and air transportation network is underperforming because of the pandemic and a failure to schedule or have available equipment and resources to shoulder the added burden.

There is an underinvestment in the retail and delivery network that ties back to the transportation and capacity issues at processing and delivery facilities. Based on reviews and in-house and independent reviews, it has shown that the organization's design is misaligned in numerous areas and redundant in others.

The turnover in non-career employees is having a negative impact on these problems. The workforce has been depleted by the pandemic and an uncertainty of available staff.

Pricing regulation changes from the singular CPI based formula initiated in 2006 and reviewed in 2016 at the ten-year mark is lacking a timeliness to input necessary changes to postage rates and peripheral pricing.

Legislative and administrative mandates have hampered more viable solutions to these issues. There has not been a price restructuring since the review five years ago. Postal Reform cases have been introduced in the House and Senate for

nearly a dozen years only to expire at the end of each Congressional session.

The plan establishes clear strategies to quickly achieve financial stability and service excellence. It does require a significant infusion of funds through capital investments and restructuring, and by building on the career workforce.

These capital investments would be focused in areas considered the weakest points of the USPS structure. It exceeds the base capital plan by \$15 billion.

The investments are \$20 billion towards the mail and package processing network, including USPS facility space upgrades and procurement of new processing equipment. Another \$19 billion will go towards the retail and delivery network, including upgrades to retail lobby spaces and acquisition of a Next Generation Delivery Vehicle Fleet. \$2 billion is earmarked for technology upgrades, including upgrades to major IT systems.

Having stated the obvious range of issues, the Postal Service has built eleven transformational goals into the ten-year plan.

The first goal is a strengthened public service mission that still includes six- and seven-day delivery. The seventh day, Sunday, will be for packages as it is in most locations at the current time.

The second goal, tied directly to the first, is to achieve service standards that foster service excellence leading to 95 percent on-time reliability across the board.

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An ambitious goal is number three, which will create a bold approach to growth, innovation and continued relevance that aims to generate \$24 billion in new revenue. This will require new creative and innovative postal thinking and an open mind from Congress.

The fourth goal will require Congressional support but is planned to support a new clean energy, all electric, delivery fleet no later than 2035.

Goals five through eight are inextricably tied together for success. Five is to provide “Best in Class” mail and packaging processing and delivery operations. This is supported by goal six by providing a modern, transformed network of Post Offices designed as “go-to” destinations. A fully optimized surface and air transportation network is goal number seven. This is supported by goal number eight that achieves a stable and empowered workforce that includes reducing non-career workforce turnover by fifty percent.

The ninth goal will create an organization structured to support effectiveness, an important while goal ten provides for a supportive legislative and administrative framework.

Finally, goal eleven provides for a more rational pricing approach, including the judicious implementation of new and existing pricing authority.

The Plan relies on a major infusion of cash and spending power to succeed and that needs to be quantified.

The Downside Of The 10-Year Plan

The 10-Year Plan for the Postal Service has a number of upbeat themes through the pages, but, there are some concerns as to the means of achieving these goals.

The means of achieving this set of goals involves, not just hard work and a sharpshooter’s aim but sacrifice and money. The price tag is big and the sacrifice seems to be at odds with achieving the goals.

The goal of staying open for delivery for six days, and seven for packages, is one USPS has been striving to maintain. However, the plans in place are reorganizing and consolidating facilities. Where there are currently 67 Districts, they are being narrowed to 50. While the loss of staff in this change is minimal from a management standpoint, the change if management is significant because of familiarity with the current flow and transit of mail between facilities with the new boundary jurisdictions.

Service standards will be adjusted to take into account the change from next day delivery of First-Class Mail (for some areas) to inclusion in the three to five days delivery window for long-distance First-Class Mail. This may be a significant impact to reducing the that overnight delivery area. Slow delivery of bills and checks may push consumers to pay on-line

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and migrate away from USPS. Deliveries of prescription medicines need to be there when authorized by Doctors when needed. Additionally, there are daily and weekly Periodicals publications that rely on quick service as the only means remaining to compete with digital competition. "On time deliver" may improve with the more liberal standards, but at what cost to potential losses of volume.

Another concern is the number of post office closings that may be in the cards. There are various local legal options ranging from restraining orders to lawsuits on closing a number of local offices at the current time. This is not giving the customer the best service or supporting the universal concept of the Postal Service.

There are efforts out there to acquire newer and better mechanized equipment for sorting mail and getting it from point A to point B but these machines need time for development, testing and implementation while current equipment is already being sidelined.

There is a promise of a cleaner, greener, USPS with the replacement of the delivery fleet of nearly 220,000 vehicles with alternative energy vehicles, primarily electric. However, the first segment of the contract calls for 8,000 gas powered trucks indicating the need for better coordination on the specifications of these contracts.

The Postal Service has a \$10 billion dollar loan (they call it "borrowing authority") in place but according to postal officials, these

funds are nearly depleted, and the Postal Service is looking for an additional \$40 billion going forward. That revenue is not realized at this point.

The USPS has roughly 644,000 employees and there is a goal to make many noncareer employees into career employees. These employees are the backbone of the Postal Service and can best be used with adequate and knowledgeable management. There is an incentive out to get some management employees to leave or retire and there is much talk about an involuntary letting go of employees. This would likely be the worst time to do this rather than the optimum. Employees in the Postal Service know their jobs but there must be sufficient supervision and administration as well.

There are other suggestions for things to be included in the postal reform effort like include beer and wine delivery as well as managing census work. A number of outside groups also recommend postal banking be added to the reform effort. There are no assurances that this current Congress get a reform package in place before the end of this calendar Congressional year. There is also a separate bill in Congress that specifically addresses the future retiree health benefits issue that would allow the Postal Service to retain that \$5 billion plus dollars a year but again there are no guarantees.

The 10-Year Plan is admirable and the goals are not unrealistic, in fact, they are necessary, but the means of achieving these goals are subject to many questions of how this can be realistically done without radically changing some current concepts.

Domestic Mail – What To Know Refresher – Periodicals, DMM Section 207.4.4, CSR-070 – Production Of Printed Sheets

Why Worry About Printed Sheets?

DMM, Section 207.4.4 provides that Periodicals publications must be formed of printed sheets. Periodicals sheets may not be produced by the following means:

- Stenciling including silk screening
- Mimeograph (who uses this anymore?)
- Hectograph, which is an arcane method of production utilizing manual compression as opposed to typical print processing.
- Electronic Media (see definition below)

Printed sheets is in the charter of the Postal Service as defined in the Classification Schedule as one of the building blocks of defining a Periodicals publication and separating it from other media, that while able to be mailed, do not qualify for the Periodicals rates of postage.

What constitutes electronic media?

Electronic media is the reproduction of the printed word on microfilm, microfiche, magnetic medium (tape recordings) or CD-ROMs, or Flash Drives or similar media.

Xerography (old term for producing a paper copy of the original) is considered a form of printing although it is a slow to produce and can be an expensive method.

What is allowed?

Printed sheets are allowed if produced by any legitimate printing process, including die-cut sheets and deckle-edged sheets, and can be made of paper and/or paper-like materials that are thin and durable enough to turn like other printed pages. The process of creating printed sheets may consist of as little as two pages or as much as sixteen pages. As long as one page of a folded, continuous sheet has printing, it is eligible.

Blank pages formed from this process may be allowed but also may be charged the same postage rates as the page or pages that contains printing based on the overall advertising/non-advertising ratio of the issue of the publication.

If the blank pages or parts of pages are necessary to complete the advertisement or to hold it in the publication as part of an insertion process, the blank page is charged as advertising

From The Desk Of Eddie Mayhew – Pay Heed To The Winds Of Change

The winds of change are indeed blowing but is it clearing out the clutter or is it an ill wind blowing. It is hard to say. There is no question that change is needed. The Postal Service cannot meet the needs of the mailing public and mail related businesses by continuing as is. There is an absolute need for change, but at what price?

We know, thankfully that as bad as it has been, America and its workforce will overcome COVID-19. Over 200 million people have received the vaccine and the number will continue to grow. Hygiene protocols are in place and will be there for a while yet, but even that will lessen in time. The delays directly caused by the pandemic will fade from memory. However, the Postal Service can't survive by going back to the status quo.

The Postal Service is best suited to meet their current slogan "Build Back Better" but it can't do it without some changes that may be painful. It is just as important that the "pain" be manageable. The cure can't be worse than the symptoms. Streamlining the networks for processing and transportation are good ideas, but not if standards are changed to take into account the use of transportation networks that rely almost completely on surface transportation. We do hear about saving airline costs but I haven't seen much on what the increase in surface transportation will be.

Delayed deliveries don't go away by stretching out delivery standards. They go away by tightening the operation and meeting the existing goals. Closing post offices is not always a solution. Sometimes the good will of the customers is as important as the bottom line. Postal services are guaranteed in the Constitution and the means to do that is by using the efficiency of the Postal Service. USPS is meant to be a service to the public and to business and not a profit-making organization. Sometimes we forget that and we mustn't forget that.

The Postal Service is the most respected of the government agencies by a country mile and that must not change. It is also one of the largest employers outside of the military. USPS is also a leader in recycling and pushing alternate energies. There is a fleet of more than 200,000 delivery vehicles that should be target one of the climate folks followed by improvements to the buildings where mail is handled.

One of the pains that they have been talking about is prices. Sure, postage does need to increase but not so much as to cripple or destroy a market or future avenue of opportunity. And there are still things we don't want to talk about like "underwater rates on costing". They should be fixed but in phases not in one painful lump sum. Let's make it better. The opportunity is there.