



RED TAG NEWSLETTER JULY 2021

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CALENDAR OF EVENTS – 2021

08-10-21	Southern Area AIM Meeting	Virtual
11-02/03-21	MTAC Meeting	Wash DC - Tentative

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

- **BETTER SERVICE PERFORMANCE FOR THIRD QUARTER**
- **BEER AND WINE ARE STILL HOT TOPICS**
- **LAWSUIT FILED OVER NEW USPS DELIVERY VEHICLES**
- **WHERE ARE THOSE NEW PRICES TAKING US IN AUGUST?**
- **SMALLER PUBLISHERS FEAR THE INCREASES.**

Third Quarter USPS Service Performance Improvements

Postal Service reports on mail processing shows that there is an uptick in performance through June 25, 2021. All categories and classes of Market Dominant mail have demonstrated consistent improvement from the period, April 1 through June 25, 2021.

First-Class Mail has seen an on-time delivery performance increase by more than 9 percent to 87.5 percent. It still has a way to go but is moving on the right direction.

Marketing Mail is at the top with a delivery performance rating of 90.9 percent. That is an improvement of nearly 6 percent since the second quarter. Its currently outperforming First-Class Mail by over 3 percentage points.

Periodicals mail is meeting service standards 79.2 percent of the time. While this is an improvement of nearly 8 percent, there is long way to go to reach that 90 percent range.

Package Services are improving and are no longer combined with the Market Dominant categories.

The Postal Service is encouraged by the improvements and is moving ahead with plans for the 2021 holiday peak-mailing periods. Network enhancements and investments currently are underway to move mail and packages more efficiently. This effort includes the installation of additional package sorters and the leasing of annex facilities to accommodate anticipated volume increases during the 2021 holiday season.

Meanwhile, plans are going forward with a major increase in postage rates in August, 2021. This means there will be at least two increases in one year.

Negotiations Continue Regarding the Potential for Shipping Beer and Wine.

Other package delivery couriers regularly handle shipments of beer, wine and other alcoholic spirits with little or no difficulty.

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The Postal Service, however, still operates under standards that date back to prohibition and were never updated.

Representative Jackie Speier (D-CA), Representative Dan Newhouse (R – WA) and Senator Jeff Merkley (D – OR), have introduced a bill called the USPS Shipping Equity Act in Congress. This bill would allow USPS to ability to handle the mailing of beverage alcohol products directly from licensed producers to legal-drinking-age consumers in states that allow such delivery direct-to-consumers. They include distillers, brewers, wineries and cideries.

While some states restrict delivery, and some don't permit it at all, a majority do, a this means that this could be a new revenue source for the money-strapped Postal Service.

Lawsuit Filed Against New USPS Delivery Vehicles

A contract was awarded to the successful bidder for the design, plan, and building of the first of more than 180,000 new postal delivery vehicles to replace a fleet that is reaching antique-automotive status. Current vehicles are between 24 and 37 years old and are subject to more and more frequent vehicle failures.

The contract was awarded in February 2021, to Oshkosh/Ford for mostly-gasoline powered vehicles. Two events then took place as a result of the bid award. First, the Postal Service received much criticism because they were originally planned to be

fuel-efficient electric vehicles. Second, they were sued by VT Hackney/Workhorse, one of the other bidders, claiming the bid award had been capricious and that while Workhorse did have a single mishap with a prototype during testing, that USPS had not taken their offering as serious competition in the bidding process.

The single mishap was on a prototype electric vehicle that was deemed a "safety incident" but that Workhorse claims to be driver error. Workhorse also claims that they were not notified of the deficiency and that they were misled in the areas that needed to be addressed to update their proposal.

Oshkosh/Ford in the meantime is already planning to assemble the new trucks at its Spartanburg SC dedicated factory site. It is not known how much of delay this lawsuit may cause.

Proposed Price Increase For August, 2021 – Critical Synopsis

Pricing changes proposed for August, 2021 are both varied and unprecedented. You may all remember that the "Exigency Case" a number of years ago was intended to be temporary. This increase differs from that case in that it is intended to be permanent, and if or when implemented will be the first time in recent history that two increases will happen in the same calendar year.

The Postal Service makes the argument for a second rate increase this year by making it part of a 10-year "Delivering For America" plan to offset the continuing loss of volume

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and revenue since 2008. The USPS stresses that the result of these proposed changes will allow the Postal Service to continue to be among the most affordable in the world. This may arguably be true, but it is likely that the American consumer is more concerned about domestic prices than those of other nations.

The proposed rate changes are intended to be used to fund a \$40 billion investment in people, technology and infrastructure over the next 10 years that will “modernize and improve the Postal Service’s operations and customer experience”. This also again raises the question of whether there will also be fewer facilities and employees in the plan. The proposal to move to nearly 100 percent surface-only transportation will without doubt dramatically slow-down delivery of mail.

The USPS also states that these rate adjustments are in accordance with the Postal Regulatory Commission’s (PRC) request for price changes to take effect on August 29 2021, are in accordance with approvals from the past year that address operating losses and declining mail volume.

After conducting a long-overdue 10-year review of the 2006 pricing authority granted under the Postal Accountability and Enhancement Act, the PRC, in November 2020, decided that under the right circumstances increases above the CPI can be applied to rates in classes of mail that are lagging in cost coverage.

These changes primarily affect Market Dominant products – First Class Mail letters

and flats, Periodicals Mail, Marketing Mail, and various other services and fees. The proposed overall increase is roughly 6.9 percent.

First-Class Mail prices will increase 6.8 percent overall with some exceptions. Notable among those are rates for post cards, which will see double-digit increases and the elimination of the non-automation presort option that prices postcards at letter-size rates. This is a clear encouragement to barcode those post cards.

Another unusual change is the incentive to move away from lightweight flat-sized pieces by making the increase for a one-ounce flat 15-17 percent while the increase for a 13-ounce flat (the heaviest without becoming Priority Mail) is only 3.2 percent. The justification presented is that First-Class Mail volume has dropped 32 percent for sorted, discounted pieces but it has dropped 47 percent for single-piece rate mail with postage stamps affixed.

Marketing Mail is project to see approximately a 3 to 8 percent increase depending on weight and level of sortation. Marketing Mail flat-sized pieces that are currently underwater in cost coverage may see a 6 to 11 percent increase depending on preparation. The nonprofit portion of the mail volume is looking at increases at or close to double digits as well.

Customized Marketing Mail will see its rate going up by 7.6 percent as well.

By USPS calculations, Periodicals Mail has been seriously underwater for years, and has lately covered only about 76 percent

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of its costs. Periodicals will also receive increases well in excess of the CPI, but the rate breakdowns are inconsistent.

For advertising pound rates, with mail sorted to entry levels at DDU, DSCF and DADC, rates are reduced by 25 percent, while advertising pounds from Zones 1&2 will increase by 3.5 percent. Zone 4 remains nearly the same, Zone 5 decreases by 19.8 percent, Zone 6 decreases by 34.8 percent, Zone 7 decreases by 45.8 percent and Zones 8 and 9 decrease by 53.1 percent. Rates for editorial pounds will remain the same as current prices.

Rates for addressed pieces will increase 4.8 percent for Barcoded letters and flats at carrier route saturation rates and 7.6 percent for nonmachinable flats, The same spread of rates will apply to Periodicals large enough to be presented as parcels.

Bundle prices will increase 3.3 percent for carrier route FIRM bundles and 4.0 percent for Mixed ADC bundles.

Pallet, tray and sack prices increase by 6 cents (less than 1 percent) for Carrier route DDU containers and by 6.1 percent at the lowest Mixed ADC rate for the containers. In-county pound rates are unchanged. Rate increases for addressed In-County pieces will be 3.4 percent for 5-digit letters, 7.4 percent for 3-Digit letters and 14.8 percent for basic letters.

Pallet, tray and sack prices for flats are increased by 12.9 percent for 5-Digit flats, 14.3 percent for 3-Digit flats and 14.5 percent for basic flats. Nonautomation

letters, flats and parcels are increased by 2.6 percent for CR Saturation levels, 7.3 percent for CR High Density and 10.5 percent for CR Basic containers.

Nonprofit prices follow the same formula except that non-advertising pound rates are down by 5 percent. The reduction does not apply to commingled non-subscriber or non-requester copies.

Ride Along rates increase by half of one percent from \$0.18 to \$0.181.

The DDU discount for addressed pieces goes from \$0.008 to \$0.010 per piece.

Annual bulk mailing fees for First-Class presort per office of mailing, Marketing Mail and Destination Entry Flats only for Bound Printed Matter increase from \$245.00 to \$265.00. Periodicals Application Fees will increase from \$755.00 to \$805.00 and reentry fees where applicable increase from \$95.00 to \$105.00.

For Periodicals the biggest increases are targeted at sacks, trays, and pallets with pallets being the least expensive by the numbers as compared to sacks and trays.

All other rate and fee changes are available on Notice 123 on the Postal Explorer web page, where you can also find a draft of the proposed rates so you can make a more in-depth comparison.

It is important to note, as mentioned earlier, that there is no clear picture of how service standards and potentially even the universal service mandate, may be altered by these and other changes being proposed and implemented and.

Newspaper and Magazine Owners Fear the Effects of a Second Price Increase In 2021.

A major impact of the pending pricing increase is the effect it will have on publishers of newspapers and magazines mailed at Periodicals rates. Newspapers and magazines serving small urban or carry specialized material for limited audiences will see some of the largest percentage increases due to their smaller volumes.

But all publishers will suffer, with an estimated 3.3 to 8.9 percent average increase for large publishers and an 8 to 11 percent increase for small publishers, They have a right to be concerned. The increase proposed August, 2021 would be not only larger than the last but would be the second one in a calendar year.

The most “cost-friendly” price increases are obtainable only if you can achieve the highest presort levels and are able to use the Intelligent Mail Barcode on all pieces. Many small publications that serve specialized markets or small cities, towns and rural areas are not able to achieve presort to several Carrier Route levels. Additionally, newspapers are generally prepared in a manner that prohibits the majority of them from enjoying barcoded discounts even if they could achieve five-digit and three-digit presort levels.

Publishers of larger publications will continue to consider delivering subscriber or requester copies digitally to offset these increased postage costs. Local daily and weekly newspapers will continue to depend on the Postal Service to deliver their printed

issues, but some of them too will an option to deliver a digital product.

Some small and rural publishers may need to consider reducing staff and reverting to utilizing communal news racks and local supermarkets and vendors rather than using the USPS to distribute the papers to each household by mail.

These decisions, when made, may be the tipping point that determines the survivability of a large number of local papers. The News Media Alliance represents more than 2,000 small publishers and has provided data to the PRC that these plans will “ultimately harm the public interest while doing little to improve the Postal Service’s financial condition.”

The Postal Service has responded by holding around a dozen public sessions and by stating that the Postal Service and it’s leaders are “committed to judiciously implementing a rational pricing approach that helps enable us to remain viable and competitive and offer reliable postal services that are among the most affordable in the world.”

Unfortunately, wording above form the Postal Service does not give mailers, large or small, a “warm fuzzy feeling” for the future. On the contrary, there is much concern that this is truly a momentous and concerning time for all users of the U.S. Postal Service.

Congress and the newly filled USPS Board of Governors could take actions to soften the blow, but whether or not they do, things will be changing the face of the mailing industry.

Domestic Mail – What To Know Refresher – Periodicals, DMM Section 207.3.4.1 to 207.3.4.4 – Impermissible Mailing Components

Why address this subject now?

With the imminent increase in postage in August, it is a good idea to review the components that may not qualify as part of a Periodicals publication to avoid even more costs

Prohibited Matter

These particular items, if included with or in a Periodicals publication makes the issue ineligible for mailing at the Periodicals rates:

A separate price on and enclosure or subscription instructions for an enclosure that different from those of the host publication (with the latest changes, these would be for non-Periodicals authorized or eligible publications)

The word “CATALOG” where it defines the additional content as a catalog for sales purposes.

A Permit imprint indicia for another class of mail.

An ISBN (for a book) or an ISSN for a different publication.

Material that can be defined as commercially available products independent of the publication.

Matter formed of nonprinted sheets with the exception of material described in 207.3.3.1a

Material that is embossed with raised lettering or etched or stenciled does not qualify as printed sheets, as well as sheets containing pictorial images without any text or captioning are not considered printed and therefore do not qualify.

Please note that the printed sheet rule does not apply when printing appears on either side of a page that is part of sheet.

From The Desk Of Eddie Mayhew – Skating On Thin Ice

As of this writing, we are less than two months from a substantial potential postage increase. The problem is that this is the second one in 2021 and this one is considerably more costly. There are two other non-financial factors that affect and complicate this mid-year jump in pricing.

First, most of the nation is in the process of being vaccinated and minimizing the continuing effects of the 16-month pandemic we have endured that virtually shut down the nation. As everyone returns slowly from the trenches the question arises. Are we ready to handle a major increase in costs for mailing?

Second, when this pricing increase begins to take hold, the service standards that USPS and its customers live and die by will have entered an uncertain arena. Most First-Class Mail delivery will be slowed significantly, and almost all other service standards appear to be on a path to change for the worse. Most mail will be relegated to surface transportation and locations and standards are being adjusted to meet these new guidelines. These guidelines also include the closing of some facilities and the leasing of others.

The USPS's reaction to these two factors just does not seem to add up. There is much talk about reduced mail volume and lost revenue. However, it is difficult to see how slower service at any level can encourage more mail. Many things are affected including the delivery of prescriptions, magazines and local newspapers, and there will be even more delays in rural areas.

Additionally, can we be almost certain that universal mail service will be negatively impacted in this continuing future story of pricing. There is an entire group who both continue to use the "privatization" word for services that are necessary but are not postal moneymakers. I see the possibility of parceling out (no pun intended) some services to the private sector, who then could set their prices as the market demands or alternatively provide a lower quality of service.

It is also possible that the concept of purchasing and/or leasing forty plus facilities to handle package flow (because it is a good revenue producer) is tenuously based on the assumption of an ever-increasing package business. With COVID-19 slowly but surely waning, we have to wonder if package mail will continue, or whether it may start to slow and flatten out.

Lastly, we need to consider the effects of the continuing voluntary/involuntary early-out retirement plans that are being offered to management employees at the District levels. Thinning the herd is not always a bad thing, but we also know that much expertise will disappear with that reduction in force.