



RED TAG NEWSLETTER JULY 2022

JULY 2022 – TABLE OF CONTENTS

Page 1.....Calendar Of Events
Page 2-4.....PRC Believes Some USPS Plans Are Disruptive And Unrealistic
Page 4-5.....USPS Preparing To Build Newest Megacenter
Page 6-7.....What To Know Refresher – DMM 207.5.3 Decisions On Applications
Page 8.....From The Desk Of Eddie Mayhew – Are Periodicals Becoming An
Afterthought?

CALENDAR OF EVENTS – 2022

7-26/28-22	MTAC Meeting	DC or Virtual
8-16-22	Southern Area Aim Meeting	TBD
8-24-22	Central Area AIM Meeting	TBD
10-20-22	Atlantic Area AIM Meeting	TBD
10-25/27-22	MTAC Meeting	DC or Virtual

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

For more information on AIM Meetings, contact:

Atlantic - Corey Adams 202 480 3614
Southern – Erinn McKenzie 281 386 2865
Central – Lois Gunlogson 630 539 4716

Red Tag appreciates the support of The Mail Group as an associate member

THERE ARE QUESTIONS FROM THE PRC ON SOME PARTS OF THE USPS SERVICE PLAN – THE USPS NEW MEGACENTERS”. WHAT ARE THEY?” – A REFRESHER ON APPROVALS - EDITORIAL OPINION: WHY PERIODICALS ARE STILL IMPORTANT

PRC Believes Some USPS Plans Are Disruptive And Unrealistic

The Postal Regulatory Commission issued an advisory opinion to the Postal Service on June 9, 2022. The advisory stated that the position of the PRC is that the USPS plan to speed up delivery for some packages it ships will be costlier, cause the Postal Service to increase staffing to handle the change and drive fewer efficiencies than the Postal Service claims.

The Commission recommends the Postal Service go back to the drawing board to ensure that it has taken customer input into account and has relied on reasonable assumptions as it is seeking faster delivery for items sent through its Retail Ground and Parcel Ground Select offerings. Customers are able to use those services to send packages weighing between one and 70 pounds and expect delivery within two to five days. The current standard is two to eight days and only 40 percent of current packages fall into the two to five-day window in the current system.

This proposal was put forward in the Postmaster General’s compilation of the ten-year business plan, intended to bring

the Postal Service out of the red and is coupled with the recent implementation of a change to slow down delivery of some First-Class Mail and Periodicals. The slower service would be for lighter weight First-Class Mail packages.

The Postal Service claims it can streamline its operations and bring trucks to fuller capacity by bringing the three types of package mail into the same two to five-day delivery window, and that this will require less handling throughout the process until delivery.

Postal management says that the change will bring a lower cost, medium speed option to its customers. USPS says that this is not part of the portfolio in the current layout of package business and will be in-line with private sector carriers and that it should change costs significantly or inconvenience customers.

The Postal Service has, pretty much, a free hand in determining the competitive services portfolio but does need to submit these plans to the PRC to get an advisory opinion from them. That opinion, however, is non-binding and can be ignored by the Postal Service if it so chooses.

(Continued On Page 3)

(Continued From Page 2)

The reason the PRC questioned the Postal Service plan was because they do not believe the Postal Service provided sufficient evidence that any near-term savings would be realized. At the same time, the PRC did praise the Postal Service for seeking to improve service. They believe that while an outcome of improved service would be in the interest of major mailers and in the public good of all customers, the plan failed to demonstrate when benefits may be expected to materialize.

The PRC addressed concerns that the addition of heavier packages would require more personnel and strain the system, leading to slower delivery across the service.

USPS responded that it will continue to use and rely on more air transportation to deliver the packages faster, but will phase that out over time into surface transportation, as well as to deliver with other mail. The PRC continued to fault the logic that this would bring cheaper more efficient deliveries, or that this plan could be implemented operationally to maintain consistency over that time, actualize its models in reality avoid cannibalizing its existing offerings.

Postal management countered by saying that its assumption of adding faster delivery will generate more package volume. The PRC did not support that claim as evidenced above. The PRC does not believe USPS conducted sufficient research with its customers to be able to make the assumptions of more volume and faster delivery because the market research was

inadequate. The Postal Service countered by saying that it interviewed industry leaders and other experts in that field as well as surveying e-Commerce businesses. The PRC was not swayed in their opinion that there would be service disruptions.

While the advisory by the PRC is not binding, PRC refers back to the implementation of First-Class package slowdowns in May 2022 over the objections of the PRC (which also was an advisory opinion and not binding) that this would not work according to projections. The Commission previously criticized the agency for failing to show how it could prove that implementation of that plan could avoid service disruptions, achieve consistent, reliable service or get efficiencies.

The PRC is holding steady to its opinion that the Postal Service leaned on oversimplified assumptions that were potentially inaccurate and unachievable. The PRC added that USPS has failed time and again to analyze the impact on customers, the effect on personnel requirements and the impact on deliveries. The Commission challenged the claims of the Postal Service relative to the proportion of packages that would be affected.

While postal management ignored the suggestions by the PRC the last time around, PRC has put forward a series of recommendations including calling on the agency to create a detailed timeline of when each of the reforms in the 10-year plan will be implemented and how each step would contribute to the assumed improvements. The PRC also called for better oversight so that the Postal Service

(Continued On Page 4)

(Continued From Page 3)

can learn lessons along the way, and said management should create a plan to measure the impact on users and other mail.

However, as has been stated above, the Postal Regulatory Commission recommendations are only advisory and do not carry any enforcement mechanism.

There are numerous reasons why the Commission only has non-binding advisory authority in this process, but there also times when their conclusion that the process was not sufficiently researched to claim success when no proof exists of a realization of savings and/or an increase in efficient delivery.

USPS Plans To Build Its First Mega centers

The Postal Service, in line with its 10-year plan is preparing to begin construction on the first few of a total of 60 new regional mega-centers hoping to make the agency more operationally efficient and create a better workplace for employees..

What about all the facilities that are closed or in the process of being shut down? The Postal Service says that those facilities that have closed or are in the process of closing were redundant and created costly inefficiencies.

The sites will be replaced by new and repurposed mega-centers that can process, sort and send out mail for delivery all under one roof. Postmaster General Louis DeJoy calls the upcoming changes a

“transformative investment that will make the Postal Service a more attractive place to work and enable it meet its on-time delivery goals while maintaining its self-sustainability”.

At least three new facilities are in the works for calendar 2022. The building of these new and repurposed facilities will take several years and is part of the planned \$40 billion capital investment in improvement projects.

Plans for the new centers are already underway. The first major initiatives for these new sites are targeted for the Atlanta, Georgia, Charlotte North Carolina and Indianapolis Indiana areas in 2022.

The primary goal for these “super centers” is to bring all postal processing operations in a given metro area into one building, with the intention of gaining efficiency and speeding up deliveries.

Currently, some metro areas have as many as eight facilities with 80 or more delivery units, the last stop before reaching customer’s homes or businesses. This requires hundreds of trips to move mail between them. Postal Management is saying that if it can consolidate all of these operations into a single modernized plant that uses standardized processes, it can eliminate redundancies and make more efficient use of space.

The Postmaster General told employees last Tuesday that this new strategy will reduce redundant operations and transportation across the country saving both time and money.

(Continued On Page 5)

(Continued From Page 4)

He stated that while many delivery units, annexes and some plants will be eliminated, the Postal Service will invest in most existing mail and processing facilities to align them with this new strategy. That includes repurposing some facilities that already were closed and vacated.

Dave Partenheimer, speaking for the Postal Service in May , 2022, said that these changes were only intended to make the delivery network more intentional and efficient and not to reduce the agency's headcount. Some employees will be inevitably be impacted by the consolidation, but by-and-large USPS expects the overall workforce to increase.

He said, "Any impact on employment that may be required as a result of efficiency gains will easily be accommodated from additional growth expectations and the normal attrition we experience. We expect to be in a hiring mode for many years to come."

According to Mr. DeJoy, the project will also build new "employee amenities" at plants and improve lighting to "reduce stress and improve morale." In a recent commentary, Mr. DeJoy likened many of the existing facilities to "dungeons" and said they are part of the reason they are losing employees. Creating the modern facilities from scratch will allow for dramatic improvements and a better working environment for hundreds of thousands of employees.

The existing processing facilities are outdated and were designed for the needs

of another era. Decades of retrofitting these facilities have only created a maze of antiquated equipment, stuffiness and artificial light.

"Configurations that once made sense now limit a location's ability to process growing package volumes," said postal management. "Because of these limitations, many metro-area processing facilities rely on a system of duplication and repetition, where mail and packages are ferried between a number of locations over the course of several days in half-empty trucks before they reach a carrier to get delivered."

The Postal Service already went through a round of facility consolidations last year, and a larger shrinking of sites two years before that.

Those previous changes were to help the agency transition to increased package volume. Much of the savings did not materialize and the efforts met significant employee and customer resistance to those plans.

The Postal Service is moving forward with the plans for this undertaking despite reservations from the postal Board of Governors. The President has successfully filled the vacant positions on the Board and The newly appointed members intend to reexamine these goals.

This "Mega-Center" concept would be the biggest capital undertaking for the Postal Service since the advent of the Bulk Mail Centers in the late 1970's.

Domestic Mail – What To Know Refresher – DMM 207.5.3 Decisions On Applications

General Summary

This section is a guideline on applications for Periodicals Privileges after review by the deciding postal authority. Local Postmasters can and do accept applications for Periodicals. Only the Pricing And Classification Service Center (PCSC) can approve a publication for Periodicals Mailing Privileges.

The Approval Process After Postal Application Acceptance

Before acting on an application, the PCSC manager may ask for additional information and/evidence over and above what documentation was submitted with the original application to clarify questions that may arise after review. Failure to respond or provide requested evidence or clarification is sufficient grounds to deny an application, do it is wise to respond within the requested time limit set by the PCSC.

Approval of The Application

When an application to mail at the Periodicals rate of postage is approved, several things happen.

First, an effective date of the application approval is determined. The effective date is generally the date of the first mailing made while a pending publication is determined to be eligible for the Periodicals rates. This date represents the first eligible mailing after review has been certified because an application may be received and a pending account established before the date the publication meets the circulation requirements. For example, the publisher believes the minimum criteria has been met but the PCSC, based on evidence and information submitted determine that the actual eligibility date is with a later issue than the one represented on the application. This date may be later than the date of application. (DMM 207.5.3.4) Notice of the approval date is issued to the original entry postmaster where the application was filed

Next, if a pending postage account was established when the application was submitted and mailings of issues were made during that time before approval was made, the publisher is entitled to a refund. During the pending period prior to approval, the publisher pays the higher Marketing mail postage and records are kept of the difference between Periodicals and Marketing Mail to calculate the refund..

If the calculation of the difference in postage between the rates shows a difference in favor of the publisher, a refund is made. A refund is then made to the publisher who may choose to apply it to the advance deposit account.

(Continue On Page 8)

(Continued From Page 7)

What circumstances preclude receiving a refund for pending postage already paid?

No refunds are issued under these conditions:

1. In the event the application is denied or the publisher withdraws it from consideration.
2. Any issues mailed prior to the approval date of the authorization.
3. Postage not paid through an advance deposit account for which the required records were kept.
4. Postage at any price if postage was affixed to the publication.
5. Postage paid at the Priority Mail Express, Priority Mail First-Class Mail or First-Class Package Services rates. In these instances mailing receive the services for which the higher postage is paid and do not qualify for a refund. *
6. Any mailings where the preparation of the outgoing mail did not meet the requirements of Periodicals Mail sortation.

*There is one exception to item 5. If the mailing was for less than 200 pieces or 50 pounds and postage was paid at the First-Class Mail single-piece rates (including Priority Mail) a refund of the difference in postage is authorized.

Application Denial

If an application for Periodicals Mailing Privileges is denied, there is an appeal process.

The PCSC will provide the reason(s) for denial in writing. Denials take effect 15 days from receipt of the notice by the applicant. During that time the applicant can appeal the decision in writing. The appeal must be sent to the Manager, Product Classification. The address is available on the letter or in DMM Section 608.8.

If the application was filed under the "New Launch" procedure or is an application for "News Agent Registry", and the Manager, Product Classification upholds the original decision after reviewing further evidence, that is the final agency decision and will take effect 15 days after that decision is made.

For other applications, the applicant has one additional recourse. An appeal may be filed with the USPS Recorder under 39 CFR 954, a copy of which is included with the notice of denial.

From The Desk Of Eddie Mayhew – Are Periodicals Becoming Obsolete?

I sit here on a muggy day in July of 2022 and ponder a question about the class of mail that sometimes seems to be a forgotten part of the Postal Service. The question is how Periodicals will survive the next few decades?

Even after the latest postal reform bill, it seems that many are satisfied with on-time delivery of periodicals in the 80-percentile range, even though other classes of mail are aiming for 90+ percent. Some economists and the statisticians note that Periodicals are only a small piece of the U.S. Mail, and wonder about its importance and relevance. Costs continue to increase, and one of the latest supply chain shortages is paper. We all know that you can get the latest news on your phone or (even your watch) while magazines take days, and often weeks to reach you.

So who needs this class of mail? We all do!

No matter how many methods exist from television to 5G Internet, there is a value in reading, getting and keeping hard copy information. Hard copy is easily read, stored and shared, and that suits magazines that contain analysis and thoughtful commentary on a variety of subjects not covered by the “instant news” media.

As far as Periodicals being a small percentage of the overall mail stream, honestly who cares! Even after its recent growth, Package Mail, is still a small part of the system, as is Priority and Priority Express mail. It's not the quantity that makes the difference as much as the quality and importance of what the customer receives. And that's what it's all about - relevance.

I rest my case.