



RED TAG NEWSLETTER MAY 2022

MAY 2022 – TABLE OF CONTENTS

Page 1.....Calendar Of Events
Page 2-3.....Postal Reform Signed Into Law – Price Increase Announced
Page 4-5.....USPS Vehicle Order Has More Electric Vehicles Than Expected
Page 5-6.....Coming May 1st – A Selective Slowdown Of Most First-Class Mail Packages
Page 7-8.....What To Know Refresher – DMM 207.3.3.12 – Label Carriers
Page 9.....From The Desk Of Eddie Mayhew – Some Numbers Need Serious Review

CALENDAR OF EVENTS – 2022

5-15/18-22	National Postal Forum	Phoenix AZ
7-19-22	Atlantic Area AIM Meeting	TBD
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 thanks The Mail Group (IMEX) for its long time support as an Associate Member

POSTAL REFORM IS OFFICIAL – PRICE INCREASE RIGHT BEHIND IT – MORE ELECTRIC VEHICLES ORDERED AFTER ALL – SLOWING DOWN FIRST-CLASS MAIL PACKAGES – HELPFUL HINTS WITH LABEL CARRIERS

Postal Reform Is Signed Into Law – Price Increase Announced

The Postal Reform Act, 14 years in the making was signed by President Biden early in April. It took a few weeks to get the approved bill onto the President’s desk but it is now law. The measure, requires most postal workers to enroll in USPS specific health care plans, shifts most retirees over to Medicare, takes those massive annual payments for future retirees’ health plans out of the picture, allows for some non-postal services to increase revenue and creates new oversight and transparency requirements.

The annual retiree health benefits contribution of over five billion dollars per year had stretched USPS finances to the breaking point and was commented on by the President at the signing ceremony.

There was much anticipation that this reform package would forestall the accelerated price increases in place by the Postal Service. Unfortunately, that did not come to pass. Almost simultaneously with the Postal Reform signing, the Postal Service announced that the next price increase was scheduled for July 10, 2022.

This latest proposed pricing change will raise rates for regular First-Class Mail by 6.5 percent, and Package Services by 8.5 percent. The standard “Forever” postage stamp for consumers will go from \$0.58 to \$0.60 as part of this July increase.

These large increases are made possible because of authority granted by the Postal Regulatory Commission (PRC) in 2020 and which the Postal Service first employed last year. The Postal Service’s 10-year business plan targets the elimination of most postal debt and USPS promised to use this authority to raise rates above inflation to meet that goal. The promise actually used the term “judiciously” but that rests in the eye of the beholder. USPS claims increases under this scenario will help the Postal Service generate between \$35 and \$52 billion by 2031.

Postal Service records show that USPS finished 2021 with \$23 billion on hand, and now with the Reform law signed, it has erased much of its debt. However, USPS has chosen to still pursue significant price hikes. The Postal Service claims that it is exercising “judicious implementation” of its ratemaking authority and that the total is less than overall inflation rate recorded in 2021. The agency had already maxed out

(Continued On Page 3)

(Continued From Page 2)

permitted under federal regulations. Using a complicated formula derived from factors including inflation, declining volume and retiree costs, the Postal Service could have raised First-Class mail rates by as much as 6.507 percent but chose to raise them by (only) 6.506 percent, making the argument that their full authority was not used.

These increases and future proposals were swiftly condemned by mailer groups and most stakeholders. PostCom, an association of large-scale private sector and postal customers said, “the windfall from legislation will not be helping mailers.” The Alliance of Nonprofit Mailers has pushed the Postal Service to defer some of its authorized rate increases in future years, making the argument that USPS did not immediately need a surplus of cash and that mailers are struggling from supply-chain issues and other economic factors.

The Postal Regulatory Commission must still sign off on these proposed increases, but relief is not expected. The review will simply amount to checking the math of the Postal Service to ensure it stays within the parameters of their rate-setting authority. Mailers continue to criticize the Postal Service’s raising rates and at the same time slowing down delivery times for some mail. They argue that this will just accelerate losses in mail volume as mailers go elsewhere.

The Postal Service Board of Governors did sign off on the latest pricing proposals, but this may be for the last time they do so under the current makeup of the Board. The Senate has approved the President’s last two choices for membership on the

Board and the Senate’s Homeland Security and Governmental Affairs committee also approved. They are Dan Tangherlini and Derek Kan, who have both pledged to reassess the initiatives put forward by the Postmaster General’s office. If confirmed by the full Senate, the Board of Governors would be made up by a majority of Biden appointees.

At the Postal Reform bill signing, the President praised lawmakers for finally delivering postal reform after more than a decade of false starts. He noted that this helped him fulfill a campaign promise to usher through an overhaul of the mailing agency. “I made the promise, you did all the work,” quipped President Biden at the ceremony.

The President also praised the Postal Service for delivering 320 million free COVID-19 testing kits through the mail and for their significant efforts to get through the worst of the pandemic while getting the mail delivered. He did mention his unhappiness with postal management’s decision to primarily replace its delivery vehicles fleet with gas-powered vehicles. He vowed to push it to purchase more electric vehicles, but said the legislation would still bring about fundamental reform.

In his remarks, President Biden said, “Today we enshrine in law that the Postal Service is fundamental to our economy, to our democracy, to our health, to the very sense of who we are as a nation. This bill recognizes that the Postal Service is a public service and ensures that it can serve all Americans for generations.”

USPS Vehicle Order Has More Electric Vehicles Than Expected

As it turns out, the first 50,000 new vehicles ordered for the Postal Service will include 20 percent (10,000) electric vehicles.

The first purchase order is for less than one-third of the total number of vehicles needed, but is a good beginning. The total number of new vehicles will be around 165,000, and they are being built by Oshkosh Defense.

The Oshkosh contract has attracted attention from lawmakers, the Biden administration and stakeholders, many of whom have pushed postal management to buy more electric vehicles and fewer with internal combustion engines.

Postmaster General Louis DeJoy initially had committed to making just 10 percent of the new fleet electric vehicles. He said the mailing agency would require funding from Congress to alter that plan. He did make clear that the 10 percent number was just a starting point. A week later, PMG DeJoy said that he would increase that first purchase to 20 percent out of a total of 50,000. Lawmakers and the President are still hoping to see a shift to 75 percent electric vehicles.

PMG DeJoy said “Based upon this work and our improving outlook, we have determined that increasing our electric vehicle purchase from 5,000 to 10,000 makes good sense from an operational and financial perspective.” He continued, “Today’s order demonstrates, as we have said all along, that the Postal Service is fully committed to the inclusion of electric vehicles as a

significant part of our delivery fleet even though that investment will cost more than combustion engine vehicles.”

Just prior to this announcement, the United States Postal Service Inspector General found that the electric vehicles would be cheaper in the long run for longer delivery routes, especially those in areas with high gas prices. Postal management should also consider not buying one charging station for every electric vehicle which would also make their purchase more economically viable.

The Postal Service had based vehicle purchase scenarios on the previous precarious position of its finances, but the increase in liquidity over past two years to \$23 billion makes these purchase now feasible. Remember that the first requests for a new vehicle fleet began in 2015 and was (and still is) intended to replace an aging fleet of 25 to 30+ year old vehicles.

Delays including the testing of prototypes that narrowed the proposals to six manufacturer and the selection of a finalist A number of vehicle fires and reports of heat exhaustion and heatstroke for some employees in hotter climates accelerated the final choice.

The new vehicles will have larger capacity, air-conditioning, new ergonomic and safety features such as back-up cameras, and will make better use of space for package delivery as well as letters a flats.

(Continued on Page 5)

(Continued From Page 4)

These vehicles, after final testing and preparation work should be on the streets of in late 2023.

The Environmental Protection Agency and the White House Council on Environmental Quality had both pushed to delay the purchase of these new vehicles if they remained primarily gas-powered vehicles.

Because the Postal Service claimed that the increased costs of purchasing electric vehicles are the issue, Representative Gerry Connolly (D-VA) who chairs the House Oversight and Reform Panel with direct oversight of the Postal Service, introduced a bill that would obligate the Postal Service to make sure that 75 percent of the 165,000 vehicles are electric, and provide funding to pay for them. The bill is titled the Breen Postal Service Fleet Act.

Connolly said, "It's time to be bold and visionary, not settle for a Band-Aid on this problem. Congress must pass the Green Postal Service Fleet Act." The White House and Democrats have both proposed an additional \$6 billion to have the Postal service electrify its fleet. Unfortunately, that money remains frozen in the Build Better Act that is and has been stalled in Congress.

Coming May 1st – A Selective Package Slowdown Begins At USPS

Another disappointment from the newly-evolving Postal Service is the coming slowdown of some packages handled within the Postal System. It is part of a plan to cut

costs and to reverse longstanding financial losses at the agency.

Currently, the USPS attempts to deliver First-Class Mail packages in two or three days. After May 1, that commitment will change to delivering just 68 percent in two or three days, 17 percent taking four days, and the remaining 15 percent five days.

Unlike the coming postage rate increases in July, this package slowdown decision made the Postal Regulatory Commission members furious, and they blasted the Postal Service for failing to demonstrate it could implement its operating plan, provide consistent and reliable service, and achieve its anticipated efficiencies. Additionally, they said that Postal management had relied on oversimplified assumptions and had predicted outcomes that were "potentially inaccurate and unachievable," It added the Postal service failed to analyze the impact of its changes on customers and challenged the proportion of packages that would be affected.

While appearing rational to some, "the reasonableness of the proposal rests upon the Postal Service being correct in its assessments about consumer preferences and its ability to achieve the modeled increases in reliability, cost savings, and efficiency," the Commission wrote. "Should the Postal Service prove wrong in its predictions in the above areas, the rational basis for the proposal may appear illusory." The PRC opinion was advisory in nature and carries no enforcement mechanism.

The Postal Service said its current standard of delivering 80 percent of its First-Class

(Continued On Page 6)

(Continued From Page 5)

Packages in three days is unrealistic and unattainable. Postal management will reduce its reliance on air transportation and try to ensure its trucks are full, which should boost reliability. USPS estimates \$42 million in annual savings from the changes, but PRC has questioned that total and said that even if it were true it would have little bearing on the agency's overall finances.

The Postal service maintains these slowdowns will improve reliability for customers while making its network more efficient. It says the USPS will actually increase the rate of packages delivered within two days by four percent.

"This action will contribute to our cost savings efforts and improve our reliability across all product classes, including our growing package market," said PMG DeJoy. "By implementing the elements of our 10-year plan, we will deliver the consistent reliable service that the American people and our customers expect and deserve, and grow package volume, spurring revenue growth that can be invested back into the Postal Service.

In a recent interview Mr. DeJoy said he does not anticipate further changes to delivery standards after slowing down both mail and packages. He also predicted that ultimately, "nobody's gonna miss" the previous faster delivery times. He said he cannot compete with digital communication and will not try to do so, and offered advice to anyone looking for faster correspondence; "Email if you need it there in a minute."

Critics noted that packages, such as pharmaceuticals, cannot be emailed. The Postal service has estimated that nearly all medicines currently delivered in two days would be unaffected and only 16 percent of those sent in three days would shift to a four or five-day window. Nearly 14 percent of medicines sent through the Postal Service would be upgraded to faster delivery. The PRC faulted postal management for failing to explore the impact of those changes on recipients of the pharmaceuticals and said "it may be wise" to exclude them from the slowdowns.

Postal customer will still have the option of using Priority or Priority Express as options for quicker delivery since this whole grouping gets one-to-three days delivery across the United States. USPS also said the extra day of delivery added during the worst of the pandemic will be removed to expedite service for ground transportation but not for air-shipped items.

The Postal Service has maintained a longstanding goal of meeting its delivery standards 95 percent of the time, but it has not done so for many years. It has shown improvement in delivering more mail on time since it adjusted (!!) its standards, though it still lags behind its goal. The Postal Service says it hopes to meet the 95 percent threshold for packages, though it acknowledged it won't happen in 2022.

In the recently passed legislation that brings about postal reform, Congress included new oversight and transparency of Postal Service performance, however, those efforts only apply to regular mail and not to packages.

Domestic Mail – What To Know Refresher – DMM 207.3.3.12 Label Carriers (on pages 7 & 8)

What is a label carrier used for with a publication?

It is used to carry the delivery address for a mailpiece and must be a single, unfolded, uncreased sheet of card or paper stock. It must be either securely fixed to the cover of the issue or, when enclosed in a wrapper, large enough to not rotate within the wrapper. Label carriers are often used when the publisher requests that there not be any address labels or printing that adversely affects cover art on an issue.

The following elements are required when using a label carrier.

First, the title of the publication or name and address of the publisher must appear on the carrier.

Next, you may also include incidental graphics of the publisher or of other titles that are directly owned by the publisher, or an affiliate or subsidiary of the publisher. If included, they must be in area no larger than 3 x 5 inches that shows the title of the publication as listed above.

Next, the Periodicals imprint (Periodicals postage paid at ...) or the word "Periodicals" must appear in the upper right corner of the address side of the label carrier, or if in a polybag, the word Periodicals appearing on that poly may be substituted.

Lastly, an address where the mailpiece can be returned if undeliverable, as long as, or if, the endorsement "Address Service Requested" is used.

What about requests for address correction?

Label carriers can have the endorsement requesting address correction from the addressee on it.

What about information for subscriptions or requests for the publication?

A Label Carrier can have information about subscribing to or requesting any other Periodicals publication or pending publication, including a subscription or request form.

What about information on enclosures of another class?

A Label Carrier may show an endorsement for another kind of permissible mail enclosed such as "FIRST-CLASS MAIL ENCLOSED", USPS MARKETING MAIL ENCLOSED, or "RIDE-ALONG ENCLOSED" or it may have the permit imprint of the extra postage content if it appears below the word "PERIODICALS."

Label Carriers Continued.....

What about using space on the label carrier for advertising purposes on the label carrier?

Other printed information, whether it is defined as advertising or as non-advertising is permitted only on the reverse side of the label carrier. It will be counted as part of advertising or non-advertising content of the whole issue when determining eligibility.

Incidental text that calls attention to advertising or non-advertising content on the reverse of the label carrier may appear on the front side of the label carrier. If the content on the reverse of the label carrier is advertising, the line of incidental text on the front is counted as advertising as well.

How do I place the label carrier into the polywrapped package or on the cover if affixed without a wrapper to meet content and processing requirements?

On flat-size pieces, the label carrier must be affixed to maintain the delivery address entirely in the top half of the mailpiece as shown DMM Section 202.2.0 throughout processing and delivery. If not affixed (in poly wrap), at least the beginning half inch of the address must remain in the top half.

The “beginning half-inch” is defined as the first half-inch of the recipient, delivery address, and city/state ZIP Code lines and not the end of each line.

From The Desk Of Eddie Mayhew – Some numbers need serious review.

I'm confused!

After its 10-year review, the Postal Service convinced the Postal Regulatory Commission to re-examine its accepted method of calculating rate increases and to allow increases to exceed the CPI index. We can understand that. The CPI Index is not necessarily the best guideline to calculate percentages for increases or to make decisions about raising or not raising rates. But at what point did they decide that it was OK to raise rates twice-a-year. and then add a surcharge for packages mailed during the USPS's peak season?

It is also obvious to all that the USPS can deliver more mail on-time if they slow down what on-time means. Service standards never represented a guarantee, but rather served as a target for getting the majority of mail delivered within a reasonable time frame. Arguments have been made that slowing delivery (1) doesn't affect all mail, and (2) makes the delivery goals more reachable. When did it become acceptable to say "We can get it to you, but only at a later date and then we will still call it "on-time", and by the way, it will cost more". Or "don't worry as it will only affect some classes of mail".

The reason for the slow-down is to pull nearly all mail out of the air-carrier network and put it on the ground network. We understand that more and more flights are using smaller planes for domestic travel and cargo space is at a premium. Also, the number of flights on any given day can be unreliable due to weather conditions or air corridor crowding. However, how do you make ground transportation the hero without significantly expanding medium and long-distance capacity in nationwide trucking networks, especially when there is a shortage of truck drivers around the country?

One more thing: When will we see a believable cost comparison that demonstrates that there will be significant savings from redeploying this delivery network?

The pandemic was a terrible hurdle to get past, but the nation is reaching a more stable state; and yes, inflation is hitting everything; and yes, the supply chain still isn't where it should be. I do agree with the USPS that they can't compete with E-mail, but we need there to be more substance to these numbers and projections. It doesn't make sense to just say that taking these actions will result in the USPS getting more volume and revenue.

I think the USPS can do better.