



# RED TAG NEWSLETTER OCTOBER 2021

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## CALENDAR OF EVENTS – 2021/2022

Fall 2021	WesPac Area AIM Meeting	Virtual
11-02/03-21	MTAC Meeting	Virtual
11/16	Atlantic Area AIM Meeting	Virtual
Winter 2021	WestPac AIM Meeting	Virtual
1-11/13-22	MTAC Meeting	DC or Virtual
4-5/7-22	MTAC Meeting	DC or Virtual
7-26/28-22	MTAC Meeting	DC or Virtual
10-25/27-22	MTAC Meeting	DC or Virtual

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

# **RATES GOING UP TWICE A YEAR! – MAIL SLOWDOWN HAS BEGUN. – THE VACCINE MANDATE PROBLEM – FOUR CITIES WITH OFFICES TESTING BANKING – PROMOTIONS AND REMINDERS**

## **New USPS Rate Increase Schedule**

There has been a change to the way the Postal Service makes its rate adjustments. Other than the temporary increase during the holiday season for Competitive Services, USPS has also decided to raise rates two times a year for Market Dominant products. Because this adjustment to frequency of increases is new, USPS will not raise rates in January 2022, and will hold off until July 2022 for the coming year.

This is a temporary respite. Beginning in 2023, prices will be adjusted for Market Dominant products in January and July each coming year. As a reminder, Market Dominant products include First-Class Mail, Periodicals, Market Mail, Package Services not in the Competitive segment and Special Services.

The rate adjustment will happen in July 2022 and every six months thereafter and will use the latest approved PRC formula consisting of six months of CPI plus retirement, density and non-compensatory class authorities as determined by the Postal Regulatory Commission (PRC), plus any unused rate authority from previous cases.

Subsequent cases every six months will be calculated using this formula for a minimum of three years. USPS may reconsider or alter these determinations after the three-year period. During the holiday season there may also be temporary increases on Competitive Services. Those are not yet determined but may be determined by the health of the economy.

## **Meanwhile, The Delivery Standards Service Slowdown Has Begun**

The changes to Service Standards that slow down some deliveries has begun October 1 even though the US Postal Services' regulator has criticized it and does not agree with the agency's plan to slow down at least the Package Delivery part of the bigger slowdown. The PRC has called this effort overly ambitious, non-specific and of little financial benefit.

The package slowdown is just part of the larger strategy in the USPS 10-year plan. The Postal Service has also slowed down delivery of regular mail saying that the existing schedules were unrealistic and too costly to sustain. The PRC said that

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the new package price schedule appeared reasonable but that management's goals rest upon unfounded assumptions.

The PRC has no power to force the Postal Service to alter its desired course of action, especially in the realm of package delivery. As a general matter, the Postal Service does have the discretion to make decisions on its offerings in the Competitive space. Still the agency had to submit this plan to the PRC as it did for the other classes for slowing down delivery times. The Postal Service wants to slow delivery times by one to two-days for 31 percent of First-Class Mail while speeding up mail for 5% of the service.

According to the PRC, postal management failed to demonstrate it could implement its operational plan, provide consistent and reliable service or achieve its anticipated efficiencies. This was published in an advisory opinion published on September 29<sup>th</sup> 2021. The regulators said that the Postal Service's assumptions were oversimplified and failed to weigh the complexity of the business, making its model an inaccurate reflection of the operating environment like to exist after implementation.

Management presented an overly-rosy outlook projecting the implementation of changes prior to the peak holiday season. The PRC called this decision too ambitious. The PR went on to say that postal management predicted outcomes that are potentially inaccurate and unachievable. Even postal management conceded it would likely not achieve its goal of

delivering 95 percent of packages on time by the end of fiscal 2022.

While the PRC believed that the plan for package delivery would better enable the Postal Service to meet its performance targets, postal management failed to spell out any timetable to do so or assess the impact on customers. As an example, the PRC said the Postal Service did not analyze the impact on recipients of prescription pharmaceuticals and went on to say that they are challenging the calculation of the portion of mail impacted since USPS relied on data from 2020 skewed by the COVID-19 pandemic.

PRC added that the savings the Postal Service is projecting from these changes are suspect, and even if true, would have little impact on overall savings. Beyond Package Services, the PRC also determined that a similar fate waits for other mail regular mail, and that includes Periodicals, as well as First-Class and Marketing Mail.

How does USPS say the savings can be realized? The Postal Service believes that shifting significant volumes of package and other service to trucks rather than planes will achieve it, calling ground transportation more reliable. However, PRC said USPS did not provide sufficient data support this claim and noted that the change would not impact delays caused by inefficiencies and other failures in processing facilities.

The advisory opinion of the Postal Regulatory Commission carries no enforcement mechanism. Nevertheless,

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the PRC cautioned that the Postal Service may run afoul of its statutory obligations in implementing this plan. The PRC advised the Postal Service to set interim goals while trying to reach its goal of achieving 95 percent of packages on time while meeting obligations in other mail classes as well.

USPS needs to create, in the words of the PRC, a “rigorous analytical methodology” rather than relying on unproven assumptions, monitor customer satisfaction and continue engaging stakeholders about the impact of the changes.

The PRC stated, “The Commission is concerned, however, that the reasonableness of the 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,” writing that, “Should the Postal Service prove wrong in its predictions in the above areas, the rational basis for the proposal may prove illusory.”

PRC similarly faulted USPS assumptions for its mail slowdowns, saying the proposal was not fully thought out and its success was far from guaranteed. Those slowdowns are expected to impact about 40 percent of First-Class Mail. Industry groups, postal unions, members of the public and some lawmakers have all pushed back against the mail and package slowdowns. Critics of the plan have said that slowing delivery while raising prices would accelerate ongoing declines in mail volumes and lead to further losses for the agency. Nonetheless the

program was implemented and the numbers will be carefully scrutinized as we move further into the holiday mailing season and beyond.

## **USPS COVID Vaccination Woes Raises Questions**

The Postal Service has said over and over that one of the reasons on-time delivery has been slowed over the past year and a half has been due to the pandemic. Thousands of employees have tested positive over the past 18 months leaving whole units without regular personnel because of the outbreak of the disease and/or quarantined groups of employees in the vicinity of the outbreak.

Yet there is still hesitation on the part of labor and management to implement vaccine protocols for postal employees. The Postal Service has taken a wait and see posture after the issuance of the proposed mandate back on September 9, 2021.

One difficulty is in the way federal employees are defined. There has been and still is a “carve out” for the Postal Service even though they are considered employees of the federal government. The edict issued by the White House, however, also mandates that all businesses with more than 100 employees be subject to mandatory vaccines or regularly schedules testing.

A Postal Service spokesperson said, “The COVID-19 vaccination requirements included in the White House executive order issued on September 9, 2021 for

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Federal employees do not apply to the Postal Service.” The spokesperson went on to say, “Regarding other vaccination rules expected to be issued by the federal government, the Postal Service has no comment until those rules are issued and we have had a chance to review them.”

USPS is concerned that the provision of weekly testing for unvaccinated individuals could prove an onerous task for the Postal Service, which has a workforce spread across 34,000 facilities. The Postal Service was not subject to the President’s previous mandate for the federal workforce, which required employees to either be vaccinated or receive regular tests, meaning the mailing agency would be starting this effort from scratch in implementing a testing infrastructure.

Additionally, USPS doesn’t know who is and who isn’t vaccinated. “We do not track that,” said their spokesperson, David Partenheimer, adding that all postal employees that wish to get vaccinated do so. In a recent message to employees, postal management told staff that widespread vaccination for COVID-19 is a “critical tool to help stop the spread of the current COVID-10 pandemic.”

Meanwhile, the American Postal Workers Union, which represents more than 200,000 employees, fully a third of the current workforce, previously denounced vaccine mandates and said any issues related to the inoculations or testing must be negotiated with the union. “Maintaining the health and safety of our members is of paramount importance,” APWU stated. “While the APWU leadership continues to encourage

postal workers to voluntarily get vaccinated, it is not the role of the federal government to mandate vaccinations for employees we represent.”

After briefly allowing unvaccinated employees to not wear masks, the Postal Service, last month, once again instituted a policy requiring the face coverings. The Postal Service is providing surgical masks to those who request them.

Since the pandemic began, about one in ten postal employees, or 64,000 workers, have contracted COVID-19. USPS employees have taken 6.7 million hours of time off authorized under the COVID-19 relief bill that allowed federal employees up to 15 weeks of paid leave to deal with issues related to the pandemic.

It has been nearly a month since this determination was made. Let’s hope the decision was actively examined and that appropriate action will be taken on these measures.

## **USPS Launches Banking Pilot With Expansion Hopes In Four Cities**

In what can be considered a positive note among the gloom and doom of today’s postal news, the Postal Service has taken the unexpected step of beginning a test of banking service at post offices in four cities on the East Coast.

The testing will allow individuals to deposit payroll checks of up to \$500 onto a single use debit card for a flat fee of \$5.95 This

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offering is far short of the much more comprehensive suite of financial services many advocates and lawmakers have sought for years, but still takes the Postal Service in a surprising direction under the leadership of postal management.

Management worked with the American Postal Workers Union to set up the pilot. APWU has also long advocated for postal banking, including by negotiating it into a previous collective bargaining agreement.

The four sites are located in Washington DC, Falls Church Virginia, Baltimore and the Bronx in New York City. These sites will not accept any checks in excess of \$500. The debit cards, being referred to by the Postal Service as “gift cards,” will allow users to withdraw cash from an ATM for a fee or purchases goods online or at retail stores.

The initial sites are meant to be a “proof-of-concept” test for the Postal Service, the APWU officials said. The union is hopeful that the Postal Service will expand the pilot in 2022, both in terms of services offered, and locations where they are available. The easiest areas for expansion would be to allow gift cards for checks of more than \$500.

Thousands of post offices already offer Visa gift cards, and management concluded there would be few legal hurdles to simply accepting another form of payment for them. The cards USPS currently has in stock are capped at \$500, hence the current maximum. Management is looking to raise the cap on those and allow for the bundling of multiple cards.

Other potential services under discussion include are a bill pay product making the cards branded to the Postal Service and reloadable, and wire transfers from one post office to another. The Postal Service has also expressed its interest in setting up its own ATMs, though that may require statutory review and agreement and would be a separate and future action.

A reminder to our readers that “postal banking” was performed for more than 50 years, but ceased in 1967. Then it was called “Postal Savings.” This new banking pilot is an example of how the Postal Service can expand on its huge footprint and resources across the nation.

APWU has been a proponent of this service and renewed its efforts earlier this year. This time management took a serious interest in the program. The union pushed for a wider array of services but management took the approach that it was better to start small and get it going, with a view to expansion, both in size and scope.

The Postal Service has not outlined future expansion yet nor has the APWU pushed to accelerate the program, choosing to watch its progress before moving beyond the basic trial sites and the level of services.

Research that helps in justifying this project include the fact the latest census numbers show that one in four tracts, adding up to 21 million people, do not have any banks within their boundaries. Advocates for postal banking have long argued that these

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areas must rely on check cashing and bill paying services are disadvantaged by high fees to provide these services. In fact APWU has suggested early expansion to all of the Bronx offices in New York and to all of Puerto Rico, or any entire rural community, to prove the need for this service.

Postal management has put together a training session for impacted employees to get them up to speed on the program at the pilot sites. A union official of the APWU said many of its members are excited by the prospect of this new task and recognize it could be a major contributor to the future of the Postal Service.

The push for postal banking has become a touchstone to many elected officials and , in fact, is a part of the official Democratic Party platform. A House backed funding bill for fiscal 2022 would require the Postal Service implement a banking pilot in five rural and five urban ZIP Codes. Democratic lawmakers have also put forward legislation to create a public banking system backed by the Federal Reserve, which users would access at post offices. Porter McConnell, co-founder of the Save The Post Office Coalition, praised USPS for launching the pilot, but said it was not enough.

Porter McConnell, who is the daughter of Senate Minority Chair, Mitch McConnell, (R-KY) said that “Given that experts and elected officials have been calling upon the Postal service to pilot postal banking for years, these pilots are long overdue.” Ms. McConnell went on to say “They are late to this party but at least they have rung the doorbell.”

## **Odds and Ends That Happened While Rates Were Changing**

### **PROMOTIONS**

Marc McCrery, former Vice President, Technology Applications, has accepted the position of Vice President, Customer Experience in the Chief Customer and Marketing Office and Executive Vice President’s organization.

He will be replaced by Garret Hoyt as the Acting Vice President, Technology Applications. Garrett has led technical transformation throughout his career as Executive Director of CIO Services, where he oversaw the deployment of Seamless Acceptance, eInduction, and Full-Service Verifications and most recently, oversaw the implementation of the Enterprise Payment System as well as numerous other programs.

### **MAGAZINES NOT TO BE FORGOTTEN**

A reminder that while the condition of the Postal Service is often mentioned in news developments, the the magazine publishing industry is badly affected as well.

Every aspect of the business from paper and ink production, publishing of information and news gathering, as well as creating marketing materials, and the publication and printing of these items, the finishing processes and the transportation of the finished product to postal sites is as badly affected by the pandemic as well. This is a group effort to get back on our feet and will successful when we work together to remain the primary form of communication, even in the 21<sup>st</sup> century.

## **Domestic Mail – What To Know Refresher – Periodicals, DMM Section 207.6.6 Foreign Copies And News Agent Registry**

### **What does this have to do with the Periodicals Class?**

Not only domestically produced copies of publications and newspapers are entitled to the Periodicals rates of postage, but select copies mailed from countries outside of the U.S. have standing as well, and while news agents sell publications outright, they also mail some copies that can qualify for Periodicals rates

### **How do foreign origin copies meet circulation standards?**

They need a home office of publication, so the office of the agent within the United States mailing them is considered to be that office and records of foreign inbound copies are kept there.

They are subject to U.S. pricing standards and must meet U.S. circulation standards. However, only those copies mailed in this country are considered U.S. circulation for review purposes.

If the foreign publication violates the terms of a U.S. copyright they are not eligible for U.S. Periodicals rates.

Reviews of circulation has no method to verify subscribers so copies mailed in the United States are verified by weight.

### **What is a News Agent Registry?**

It is defined as a person or concern that mails two or more authorized Periodicals publications published by more than one publisher. A news agent must be authorized by the Postal Service before they can mail publications at Periodicals rates.

### **What else can be mailed?**

**Unsold copies returned to publishers or sent to other news agents or sent to persons not having subscriptions with news agents are subject the Outside-County Periodicals prices**

### **What can't be mailed as Periodicals?**

Parts of publications returned to publishers to show that they were not sold (covers or tear sheets) are subject to applicable Marketing Mail, Retail Ground, or Package Services prices.



## From The Desk Of Eddie Mayhew – Prices are Up/Service is Down...Problems?

Well this is a first. Solving a financial stability problem and a sustainability by raising prices on all products and services and simultaneously slowing down delivery times. This would appear to be both counter-productive and problematic to an Economics instructor and the class. The question is if this is a long-range master plan to save the post office or an unworkable solution.

This just doesn't make sense.

Market dominant prices have gone up twice this calendar year and are scheduled to do so twice a year from this point forward. Although we are getting a break and prices will increase only once next year in July to soften the Impact. Competitive services, particularly packages remained outside this formula but did get hit with a seasonal increase (surcharge?) for the holiday peak mailing season, October 3 to December 26.

By itself, price increases would be a problem for mailers. And if it meant better service and faster deliveries around the country, it might be worth the cost. But wait, delivery standards are going to get worse! For example, 31 percent of First-Class Mail is being changed from 1-3 day delivery to 1-5 days. Where is my bang for the buck?

Why is this happening? Mail is being moved from air and onto surface transportation (that means trucks to the newcomers). The rationale is that it will be less costly and more reliable. The problem is that is based on speculation and projections, but there is no solid set of numbers to back this up, and there won't be until a year has passed. UPS is using numbers generated during the pandemic, and we know this is not an accurate way to project future costs.

140 to 150 billion pieces of mail are still delivered around the country each year and the Postal Service can still lay claim to binding the nation together. The U.S. Constitution even guarantees "postal services" but doesn't say anything about how quick delivery should be. It seems we have little choice but to swallow this bitter pill but I for one, would rather have that spoonful of sugar to get mail delivered in a timely manner. I'm guessing 2022 will be an interesting statistical year.

Oh well, Halloween is almost here! It looks like the USPS has already played its trick on us for the year. And it doesn't look like there will be any treats for us.