RED TAG NEWSLETTER

SEPTEMBER 2022

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CALENDAR OF EVENTS – 2022

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:

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

STAKEHOLDERS IN THE USPS ARE FEELING PRESSURE TO SAY YES – 200 POST OFFICES ON THE LINE IN 2022 – ANOTHER TITLE GOES OFF THE PRINT MAP – STATESMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION DUE OCTOBER 1

Amid Criticism, USPS Pushes Back On Stakeholders

The Postal Service is feeling stiff resistance from stakeholders over its reform proposals. And the agency is asking these stakeholders to not stand in the way of the proposed plans.

The Postal Service announced in early August that its projected long-term losses of $160 billion have been reduced to between $60 and $70 billion, driven largely by the relief Congress delivered as part of the Postal Service Reform Act. MG DeJoy cautioned, however, that in order to break even by 2030, USPS will have to implement the other elements of its 10-year plan.

These elements include continuing to raise prices to keep pace with the unusually high inflation, consolidating delivery processing to reduce transportation costs and reducing the workforce through attrition. At the recent Board of Governors meeting, Mr. DeJoy said, “All stakeholders need to realize that each day lost in executing on our strategy will consume cash and eventually accumulate to a cash deficit that will necessitate more aggressive actions by us or the federal government.”

The Postal Service announced that it had a net profit of $59.7 billion in the third quarter of fiscal 2022, which ended June 30, 2022. However, nearly all of that came from the reform bill’s lifting of the Postal Service obligation to prefund health benefits for future retirees, and management said, while setting aside that windfall and other factors outside management’s control, the agency lost $459 million in the three-month period.

How did this imbalance happen? In the same period last year, USPS lost just $41 million. Revenue from packages, usually a growth area of the Postal Service, dropped by 1.1 percent from the pandemic-inspired boom of the previous year. In response, Postmaster General DeJoy said that the Postal Service will need to raise rates again in January 2023, citing inflation’s impact and the need to alleviate the agency’s projected deficits.

Postal rate increases have historically been modest and tied to inflation, but on several occasions, USPS has used the new authority to institute higher increases. Several industry groups have asked the Postal Regulatory Commission (PRC) to revoke that authority, noting the Postal Service’s financial outlook has changed dramatically

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since President Biden signed the reform measure into law. The groups previously sought to block this authority from taking effect, but lost the case in federal court.

"Initiatives by our stakeholders to delay the simplest of our operational changes to integrate our network, improve our service and reduce our cost are relics of our failed strategies of the past," DeJoy said. "These actions have led to the near financial ruin of the Postal Service and I ask all stakeholders (mailers, shippers, legislators and regulators) to support this management team and board of governors in what I believe should be our collective efforts to move swiftly with our plans to save the post office and ensure a vibrant organization that provides excellent service which our customers and country deserve."

However, it appears mailers are not willing to back down from the fight. Steve Kearney, Executive Director of the Alliance of Nonprofit Mailers, said he was not surprised by the PMG's announcement of the January price hike, noting the Postmaster General recently told industry it would be two more years until it can expect the rate increases to abate.

Kearney and others have warned that these price hikes will drive mail out of the system, though the Postmaster General has said volumes will inevitably decline and he would rather rip the band-aid off quickly. "It is concerning that the managers at USPS have little idea what the long-term effect on mailers and mail volume will be." He went on to say that, "Raising rates twice a year on monopoly-controlled mail services is completely unnecessary and will be very damaging to the mailing community.

Mike Plunkett, President of the Association for Postal Commerce, another group representing large-scale mailers that has fought against high rate increases, similarly said PMG DeJoy's comments did not come as a surprise and the industry has planned for the rates to go up. He also expressed appreciation for management's efforts to find other ways to bring down costs so the entire deficit-reduction plan did not fall on the shoulders of customers.

It is likely as well, that the resistance would include employee groups (unions) , who reacted with anger over the recent announcement that the Postal Service will look to shed 50,000 positions by attrition in the coming years.

American Postal Workers Union head Mark Dimondstein said that he had spoken to the Postmaster General since these remarks were made and would push back against any effort to shrink the size of the workforce. "If its managements intent to weaken our union, attack our pay and conditions or eliminate family-sustaining union postal jobs, the PMG will get a strong fight from the APWU" Additionally, he said, "We will oppose future job reductions that affect the lives of the postal workers we represent, good living wage union jobs for future generations and diminishes the good service the people deserve. Rest assured that any such management actions will be met with the unbridled opposition of the APWU."

The Postal Board of Governors stressed at

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their last meeting with the PMG and postal management that they know that the Postal Service is still in a hiring posture, although it is having a difficult time filling vacant positions, particularly new-hires for Rural Letter Carriers.

The Postal Service believes that there will be 200,000 voluntary departures, primarily through retirement, over the next couple of years. The Postal Service will continue to aggressively hire even as it looks to shed overall complement as it carves out what position vacancies are needed.

The APWU and other groups also pledged to fight against the USPS plan to consolidate mail and package sorting at fewer facilities before going out for final delivery. Just within the last few weeks, the Postal Service identified 10 previously closed plants to reopen for final processing , removing that function from many of the post offices in those areas.

The announcement has caused concern among some employees worried that they will lose their jobs or be forced to relocate. A number of employee groups have said that management has not been forthcoming on the impact of the changes to the workforce.

The APWU for one, said they could file a national dispute to block the reforms. Meanwhile, the Postal Service vowed to comply with all of its legal and contractual obligations, and said the changes would improve working conditions and allow for more efficient delivery routes.

Although not specifically highlighted in these arguments between labor organizations, mailer groups and others, Periodicals publishers are also affected by this effort. The larger group represents the Marketing Mail class of mail and others, both the package and First-Class Mail organizations, but the impacts on delivery will be just as concerning to publishers relative not only to postage charges but physical entry of mail and best possible delivery opportunities.

In all cases, there are also unmentioned issues with contractual negotiations with private truckers to haul mail to the right facilities to get on-time delivery. Owners of all mail categories and classes need answers so contracts can be let and their workforces correctly scheduled.

Closings and Consolidations Are Already On Track For This Year

More than 200 post offices and other facilities are set to shed some of their operations this calendar year as the Postal Service actively seeks to consolidate these functions at larger buildings according to documents shared by postal management.

The changes will mean letter carriers no longer will go to their local facility to pick up mail for their routes, instead traveling farther distances after starting at a consolidated location. The impacted post offices will still conduct their retail operations, but many of the back-end functions will be stripped away and relocated. They are connected to an initial 10 buildings that the Postal Service had

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previously announced they were setting up as well as an additional 11 centers.

Most post offices around the operate as delivery units, meaning mail carriers got to them to pick up mail and packages for their routes, including sorting their routes in many cases, before delivering them to homes and businesses.

The current postal administration has decried this model, saying it is inefficient and can lead to as many as dozens of such units in one metropolitan area. Instead USPS is looking at opening “sorting and delivery centers” around the country, as well as larger “mega centers” that can take on more work in less space.

The Postal Service concedes that letter carriers will have to travel farther to take mail to is final delivery destinations, but USPS will save costs on the contracted trucks that they hire to bring mail between various facilities.

The first group of impacted sites are located in Georgia, New York, Texas, Florida, Michigan, Pennsylvania, Ohio, Kansas, Maryland, Massachusetts, West Virginia, Kentucky, Washington, North Carolina, Indiana and Arkansas. Initial consolidations are expected to begin as early as this month.

The employee groups mentioned in the previous article have criticized postal management for failing to detail the impact of the changes on the workforce. Letter carriers will have to change schedules to accommodate travel to new locations to start their routes to effect time delivery, clerks will have to relocate in some cases to new facilities to support the carriers and where these actions make the local office redundant may cost jobs or force relocations, including those of postmasters.

Overall, USPS said the plans will add between five and ten percent new routes, meaning more letter carriers would be required. The Postal Service expects to add as many as 124 city routes and 78 rural routes just as part of the initial 10-facility pilot. However, in a letter to its membership sent out this week, they have received little information about the changes.

Charlie Cash, APWU’s Industrial Relations Director, said “we have not been given the number of employees impacted, where excessing may occur, nor when any excessing may happen. We have not been told where the number of employees will increase either, because there is a chance that can happen as well.” He added that the union is seeking and demanding more information.

Meanwhile, the Postal Service said the new centers will improve the working environment for employees, reduce time and cost for transportation facilities and allow for more efficient delivery routes.

In late August, Dave Partenheimer, a postal spokesperson, said the changes would allow USPS to purchase a greater share of electric vehicles as it overhauls its dated fleet, but did not specify the direct impact on employees.

Partenheimer did say, “The Postal Service

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will adhere to all legal, statutory, contractual and regulatory requirements as we evaluate the potential nationwide rollout of this initiative."

Edmund Carley, President of United Postmasters and Managers of America, who has previously his members expressed outrage over the plan, as post offices that have only retail offerings and no back-end processing or carriers typically do not have a postmaster on-site. Those supervisors are now worried they will be out of a job. Carley said, "I'm trying to talk them all off the ledge but I don't have answers."

Carley's organization is a non-union organization and he pledged to work with postal management to try to find better solutions. Failing that he will work with the Postal Service to offer early retirement or to find new landing spots for impacted personnel.

On the other hand, the APWU is a strong union and has suggested they will file a national dispute to block the changes. In a recent letter to employee groups, James Lloyd, USPS Director of Labor Relations, Policies and Programs, reiterated that "any movement of employees and related regional and/or local notifications will be done in accordance with the respective collective bargaining agreements."

Postal management has highlighted the consolidated delivery plan as a key tenet of the 10-year plan for the Postal Service to break even, saying it will standardize operations, lower costs and improve working conditions for employees. In a recent meeting with the Postal Board of Governors, PMG DeJoy implored stakeholders not to stand in the way of his reforms, saying his efforts were both common-sense and urgent. Mr. DeJoy said in August, "Initiatives by stakeholders to delay the simplest of our operational changes to integrate our network, improve our service and reduce our cost are relics of our failed strategies of the past."

Another One Bites The Inky Dust

December 2022 will start with the demise of the print edition of Allure , the Conde Nast beauty magazine. Allure will begin the new year with digital issues only. A bit of tempered good news is that only two employees will be laid off.

Editor in Chief, Jessica Cruel wrote a memo to the staff saying, "Our brand is stronger than ever across social and digital and our success is testament to our collaboration as a team because we know just how and where our audience is accessing content in today's ever-changing landscape." She further wrote in a memo to staff that, "It's our mission to meet the audience where they are and with this in mind, after our December print issues, we are making Allure an exclusively digital brand."

It will be conducting a "live, consumer-focused summit" next year and the magazine does have a brick-and-mortar shop in New York's Soho District but support of the print edition will join a growing list of titles that will no longer mail

Best wishes to their continued success. The printing and mail industry will miss them.

Domestic Mail – What To Know Refresher – DMM 207.8.3 Statement of Ownership, Management and Circulation, Forms 3526 or 3526R

General

This is your annual reminder that the publisher of each Periodicals publication, including titles of foreign origin, accepted at Periodicals prices must file a Form 3526 by October 1 of each calendar year at the original entry post office.

What content must appear on the form(s)?

Information provided must allow the USPS to determine whether or not the publication meets the mailing and eligibility standards for continued authorization to mail at Periodicals rates of postage. The circulation information can be an issue earlier than September of that year so that data is accurate.

That information includes, as applicable, The identity of the editor, managing editor, publishers and owners of the publication (the owning corporation and its stockholders if any), any other business entities that own one percent or more of the stock of the corporate owner, known bondholders, mortgagees, and other security holders. They also need to know by review the extent and nature of the circulation of the publication including the number of copies printed and distributed, the methods of distribution and how much is paid and paid/or requested circulation for the publication.

Publication And Why It Is Needed.

The publisher of each authorized Requester or General publication must publish the complete Form 3526 or 3526R in an issues of the publication it represents. A reproduction of the form in legible appearance may be published or a listing of the form's elements with all entries made even if zero may be substituted. The publication of the form must appear as follows:

- No later than October 10 for publications issued more frequently than weekly.
- No later than October 31 for publications weekly or less frequently but more than monthly
- In the first issue printed after October 1 for other publications in the mailing that contains the primary distribution of the publication

NONCOMPLIANCE – If the publisher does not comply, a Certified letter will be mailed and the publisher given 10 days after receipt to comply. If no response is forthcoming, the Pricing and Classification Service Center will be notified. They can suspend or revoke the authorization for noncompliance.

From The Desk Of Eddie Mayhew – "It is until it isn't! Wait! What?"

If you are all feeling like your head is spinning and the way up or down is a mystery, you're not alone. It is apparently true that the Postal Service is both closing and opening facilities around the country and is also hiring and (for want of a better term) not hiring employees.

Postal Reform recently enacted is helping the Postal Service in a big way, significantly reducing the outlay of money each year for "future retiree health benefits" that got totally out of hand. You would think this would be reflected in a collective sigh of relief going forward.

However, postage rates are still going to go up twice a year and there will be a holiday surcharge for package mail from October 1 through December 26, and unfortunately service standards are unchanged or worse than before. If you look at the bigger but simpler picture it is costing consumers, big mailers and publishers of Periodicals more money to get there later.

Facilities are being closed or repurposed where possible but money is needed to construct or adapt structures for Mega-Centers. The first 10 of some 80 Mega-Centers around the country are being created as this is being written. Those first 10, with an assist from 11 other beefed up and/or specialize sites, will replace all but retail operations at roughly 200 post offices. It will make carriers travel farther to get their mail for each days' delivery and make these centers basically "one-stop" processing.

Roughly 200,000 employees will likely retire in the next few years and 50,000 positions will be eliminated within that through attrition. The rearranging of the workforce will undoubtedly cause location shifts or even some relocations and there will be a need to hire truck drivers and carriers to meet demands.

Mail volume is still shrinking, including unfortunately a ripple in package growth. The vast majority of mail is being moved from air to road to save airline shipping costs and there is agreement there is some logic to that, because capacity flights has become strained with fewer flights and smaller planes.

Inflation remains a factor in raising rates and the Postal Regulatory Commission has given a go-ahead for a necessary increase in postage above CPI to meet needs.

Head spinning yet? At some point in the 10-year plan this will all come to fruition, we're told, and we'll all be happy again. We'd all like to see that and have a smoothly-operating, successful post office to handle mail, but right now we're in rough waters and the end result is questionable.

I'll believe it when I see it!