

# THE RED TAG NEWSLETTER

## JULY 2020



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## 2020 CALENDAR OF EVENTS

07-16-20	Eastern Area AIM Meeting	VIRTUAL
07-28/29-20	MTAC Meeting	Washington DC
08-04-20	Southern Area AIM Meeting	New Orleans LA – CANCELED
08-13-20	Pacific Area AIM Meeting	Los Angeles CA
08-19-20	Cap/Metro Area AIM Meeting	Greensboro NC - VIRTUAL
10-27/28-20	MTAC Meeting	Washington DC

The remaining meetings are still scheduled but subject to the COVID 19 situation

*Red Tag appreciates the support of its associate members: Crain Communications, Fry Communications, Imex Global Solutions, and LSC Communications.*

## VOTING BY MAIL, HOW MUCH AND HOW SAFE? – INTERNATIONAL MAIL INCREASES CONTROVERSY – NO BANNING OF POLITICAL STAMPS PERMITTED AS DECIDED BY THE COURT OF APPEALS – CUSTOMIZED MARKETING MAIL BITES THE DUST – CONGRESS LOOKS FOR USPS MONEY

### Update On Ballots By Mail

The Postal Service will be handling double the number of mail-in ballots in 2020. Voting by mail became popular in some states in the early 1990's. The program was originally developed by a team from the Postal Service that also included representatives from state election commissions, representatives from Secretaries of State, and from the Federal Election Commission. The group remained party-neutral and presented a bipartisan approach to setting up a secure system to allow all voters to have the opportunity to use the Postal Service to deliver their ballots.

The program was offered system-wide and initially there was slow acceptance of the program by the states. Today five states have mail-only elections while 20 additional states allow mail-in ballots by the voter demonstrating or otherwise providing evidence that they needed to mail-in election ballots. The majority of the states, territories and possessions allow some level of absentee balloting or vote-by-mail efforts today.

The COVID-19 pandemic around the country in 2020 has prompted more attention to efforts to vote by mail to minimize the chances of contracting the virus.

Realizing the added volume and impact of this additional election mail, the Postal Service is working to educate all 10,072 election jurisdictions and has created a team to cover this.

In March, USPS sent out Kit 600 that walks election officials through the election mail process. In mid-June it sent out a letter to key officials highlighting key election mail issues. Finally, the USPS team will meet with the boards of election in all 50 states to discuss their programs for handling the general election in November.

The Postal Service has expressed confidence that they can handle any up-tick in mail volume due to election mail ballots but said that advance notice will help them prepare.

Additional assistance and confidence in timely, accurate delivery can be assured by contacting the Mailpiece Design Analyst at your nearest business center and making sure the piece is correctly constructed and that you use the unique official election mail logo on all pieces directly related to getting votes in.

When presenting mail in bulk, use or remind postal staff to affix green Label 191 so that sacks, trays and pallets can be clearly identified for processing.

Some minor issues can crop up, so be sure to mail as early as you can after receiving a ballot. Ballots received too close to election dates may not be processed in time for the election.

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Missing or obscured facer identification marks can improperly orient a mailpiece so it needs an additional pass through resulting in a delay in delivery.

When multiple barcodes appear on the mailpiece because of the design of the piece, the mailpiece will be returned to the sender as a default.

Lack of a proper Intelligent Mail Barcode (IMb) can slow delivery of the mailpiece or misroute it.

These are the top reasons to be sure you use a mailpiece design analyst to verify ballots before they are sent to voters.

Lastly, the Postal Service has stated unequivocally that it will be able to handle mail ballots even with the COVID-19 pandemic and tight funds.

## Clarifying International Mail Increases In Postage

There has been much confusion regarding the timing of rate increases for International Mail in a time of pandemic, combined with a shaky economy 2020. This should clarify the impending increases.

First, these increases are not in the Federal Register, and have not been announced by the Postal Service in a notice or bulletin, because these are not increases developed by the Postal Service. These increases are a result of the Universal Postal Union (UPU) conference in 2019 and do not affect all International Mail.

They were discussed at MTAC and at PCC meetings and only recently in customer publications because of their limited scope.

These changes only affect contract holders with negotiated service agreements (NSAs) in place that provide work-sharing discounts to commercial customers.

Retail sales and postage are not affected. Only bulk shippers will see increases. Here is why this is happening.

The UPU Geneva Agreement reformed the terminal dues system; the amounts countries pay each other to deliver cross-border mail. This agreement allowed the USPS to stay in the UPU as a member nation. Under this agreement, the USPS was directed to charge self-declared rates on July 1 for inbound packets to fix distortions created by low inbound terminal dues rates, particularly for China. The UPU agreement allows reciprocating countries to charge the Postal Service self-declared rates as well, resulting in higher prices for outbound packets headed to 30 countries, including Canada, Australia and Germany.

This self-declared set of rates, along with the need to cover costs in all postal products (letters and flats) will be reflected in the NSAs for bulk shippers, consolidators and mailers. This is the first increase this year. USPS did not touch rates in January 2020 so that this would take place once the new self-declared rates were resolved. The regular rate changes are scheduled for January 2021.

There is a side effect of this change. New bilateral and multi-lateral agreements will need to be renegotiated with other member countries so customers will notice that tracked packet solutions (Commercial ePacket and First-Class Package International) are available for fewer countries as new agreements get hammered out. At the moment, only 14 countries have tracked packet solutions

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and these are still missing some important destinations, such as Germany, Brazil and the United Kingdom. USPS has promised to add these countries and others back in as agreements are reached.

The biggest problem with this agreement is the timing with the current pandemic situation. Delivery is proving challenging because of the loss of passenger airlift, slower ocean transport and costly charters combined with staffing and workforce stresses, new surcharges and with new postage increases.

Everything will eventually be resolved, but not without some pain experienced by service providers. It will come together as we move forward.

## Customizing Stamps For Political Views Can't Be Banned

The DC Circuit of the U.S. Court of Appeals ruled on June 9 that the Postal Service ban on political content featured on custom stamps is unconstitutional. A three Judge panel consisting of Merrick Garland, Naomi Rao and Senior Judge Harry Edwards unanimously reversed a lower court decision saying that the Postal Service needed to create standards on what political content is and is not allowed, which USPS policy failed to do.

## The PRC Agrees To End The Customized Postage Product

The Postal Regulatory Commission (PRC) determined, when weighing the value of Customized Mail pieces against mailer's interests for the variety of customized pieces being mailed, the gain was not close to recovering the losses in handling the product.

Even though this program provided nonprofit mailers with an increase in their response rates, the financial loss was taking too large a toll. This service reached a financial high in fiscal 2017 with revenue \$45.5 million, but has since dropped off to \$15.7 million in fiscal 2019.

The Postal Service said that it needed to make a larger return on this particular kind of mailpiece when faced with customer complaints and risks of litigation over branding with customers. At the current time, two first amendment challenges are pending in court.

While the regulatory agency (the PRC) has agreed with the Postal Service that it met the requirements and could drop this product, it did ask the Postal Service to keep exploring and developing innovative mailpiece design to enhance the value of the mail and increase customer engagement.

## Another Request For USPS Bailout Money

A group of 137 House lawmakers has, once again, asked for a \$25 billion bailout for the financially ailing post office because of the COVID-19 pandemic.

The letter says that the emergency funding is necessary to help the Postal Service offset revenue losses and allow improved borrowing authority from the US Treasury.

The group said that the Postal Service stands to lose \$22 billion over the next 18 months and that it could still face cessation of operations. The Postal Service has said that there is enough revenue to make it for a longer period of

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than originally thought, potentially through spring of 2021 rather than by the end of this fiscal year on September 30. However, this was in anticipation of a slow and continuous recovery from the COVID-19 effects.

Unfortunately, as recent escalations in the illness in more than half of the states are showing, the hope for a significant turnaround in the states' effort to reopen is being challenged and recovery may be stalled.

Hopefully, the need to keep the Postal Service running will outweigh the critics and help to continue to maintain timely mail delivery throughout the country and the world for the foreseeable future. The Postal Service still handles over 150 billion pieces of mail (including the majority of packages) every year.

## USPS Preliminary Financial Results For May 2020

The reported financial numbers for the Postal Service for May 2020 (unaudited) support the Postal Service having a better month than predicted. The net operating revenue loss for the Postal Service was \$211 million for this Period. USPS expected a loss of \$764 million, This was more than \$500 million less than anticipated. This is an improvement over the same period last year of nearly a billion dollars. Package Services showed significant enough increases to offset losses in other categories. This is the first time since PAEA went into effect in December 2006 that Competitive products eclipsed Market Dominant products in revenue gain.

The expense results in May are mostly driven by increases in personnel compensation and benefits, which comprise the largest share of postal operating expenses. Workers' Compensation costs distorted the expenses showing improvement where there were actually losses of 11 percent in operating expenses. Supplies and Services showed a marked increase of 38.6 percent over last year. Much of this was likely attributable to expenses for COVID-19 cleaning and securing of safety products such as masks and PPE where obtainable.

Total mail volume was reduced by 28.8 percent with Marketing Mail dropping by a dramatic 40.6 percent. First-Class Mail and Periodicals suffered a less dramatic decrease. Competitive Services showed a diametrically opposite set of numbers with the totals in the Competitive categories increasing by 55.6 percent.

First-Class Mail was down by 13.9 percent while Periodicals were down by 18.10 percent in volume. In Competitive Products, Shipping and Package Services showed the most with an increase of 61.20 percent.

## Another Voter Mail-In Ballot Site For November

California will mail ballots to every registered voter for the presidential election in November. The primary had a court challenge but the Governor; Gavin Newsom signed into law a bill for the general election. The bill will allow California to join many of the states in getting the vote out while helping to keep voters safe from unnecessary exposure to COVID-19 at polling places.



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## New Mail Trucks Pushed Back

The Postal Service has pushed back the construction of and delivery of new mail trucks because of the current COVID-19 pandemic and its impact on Postal Service and supplier actions. The Postal Service has provided very little detail regarding the status of the program to replace aging mail trucks.

This is a roughly \$6 billion capital expenditure and sorely needed to replace unsafe and aging vehicles. The average age of the current fleet is around 28 years making the majority of these vehicles eligible for “antique” designations in many places around the country.

Most of these vehicles do not have air conditioning, antilock brakes and airbags so safety is a major concern, particularly when approximately 180,000 vehicles fall into this category. Repairs are extensive and expensive, and the number of vehicle fires is increasing. While that average age is 28, some of these vehicles are 35-plus years old.

Added to that misery is the fact that with the increases in package mail

Business, they are too small for the volume they carry for delivery.

The plan had been to award the contracts for vehicle construction to several of the bidders and six suppliers did produce 50 vehicles for extensive testing. Several of the suppliers have since dropped out of the bidding process. A key to those bids is that the vehicles would need to be produced in the United States.

It seems reasonable that in any reform package put together for the Postal Service that expenditure for the purchase of these safer and newer vehicles should be included.

## Vote-By-Mail ... Yes or No?

2020, the year of a Presidential election as well as all of the House of Representatives and some Senators, is once more controversial over voting ballots.

The negative side fears a multitude of things ranging from late deliveries, wrong deliveries, lost mail and unsecured ballots that may be tampered with by anyone. Thanks to COVID-19, the vote-by-mail efforts are being highlighted this year.

The current program has been around since the 1990's and has shown almost no problems. Fraud is nearly nonexistent as ballot mail is as secured as Registered Mail. Absentee balloting has been around much longer for the military, embassy personnel, Americans living abroad and has been successful.

64 percent of Americans supporting mail in ballots and even more are considering it. USPS can handle it.

## Domestic Mail – What To Know – Service Hubs – DMM 705

### SERVICE HUBS – USAGE AND WHO IS ELIGIBLE TO USE THEM

#### What Are Service Hubs?

These are facilities meant for cross-docking mail loads that are ready for entry and properly prepared to send to a destination that is provided at the hub to expedite mail and decrease transportation costs.

#### Who Can Use Them?

Service Hubs will only accept cross-dock containers for 5-Digit ZIP and 5-Digit Carrier Route (non FSS zones) pallets, bundles, or other containers USPS Marketing Mail, Periodicals and Bound-Printed Matter Flats and Parcels. Hubs will not accept letter mail, FSS-prepared mail, or any mailing that requires a bundle sort operation.

Service hubs, for the purposes of preparation and pricing will be treated as Destination Section Center Facility (DSCF) locations. Mail that can be dropped at a Destination Delivery Unit (DDU) can also be dropped at a hub and categorized as entered at a DSCF.

Flats bundles merged onto 5-Digit Scheme or 5-Digit scheme carrier route pallets, prepared according to the L001 labeling list are eligible.

Flats bundles prepared on 5-Digit pallets prepared according to label list L007 are NOT eligible for hubs.

For Bound Printed Matter, 5-Digit pallets and 5-Digit scheme pallets prepared in accordance with label list L606 are eligible for service hub drops.

PLEASE CONTINUE TO REFERENCE POSTAL PRO FOR THE CURRENT LIST OF SERVICE HUBS LISTED UNDER IMPORTANT UPDATE IN THE FAST SECTION. THIS LIST WILL CONTAIN SERVICE HUBS AND THE 5-DIGIT LOCATIONS THEY SERVE.

CRITICAL ENTRY TIME FOR ALL SERVICE HUBS IS 1600 HOURS. FAST APPOINTMENTS ARE REQUIRED. APPOINTMENT WINDOWS VARY BY LOCATION

## From The Desk of Eddie Mayhew – Summertime Blues

With many thanks to Eddie Cochran and the summer of 1958, it seems like postal customers and the Postal Service are almost wishing for a quiet summer. Let's be honest...we all are! Needless to say that wish is not coming true.

The most important big wish is that the Coronavirus we know as COVID-19 is going to hibernate through the summer months. That second wish was for business to improve for all of us and for the Postal Service to share in a returning and strong economy. Good wishes but unfortunately, to no avail.

We're kicking off the summer with the knowledge that the virus is on the increase in most of the country with business and pleasure in various stages of returning. 16 states are back at crisis stage with the number of hospitalizations out of control. A lot of this had to do with the misconception that masks and social distancing weren't necessary. New York, New Jersey, Connecticut and a few other states have proved that theory wrong by simply adhering to mask and social distancing needs. In those states, business and recreation is coming back at a slower pace but it works.

As far as the economy goes, with the return of COVID-19 across the country, the economy is again stalled and unable to get off the ground floor. The Postal Service is hurting for business and for full complements of employees to return. A resurgence of this pandemic and a loss of money in the system will only delay a chance for USPS to recover

A short-term resurgence of package mail has bolstered the Postal Service and will keep it functioning until early 2021, but there is an end date in sight without an infusion of business. The administration has refused to endorse any relief efforts without a major price increase in return. No amount of assistance will sustain USPS if customers can't pay for or won't pay for overpriced products and services.

Hopefully, smarter heads will prevail in addressing the latest postal package in Congress when and if it reaches the White House but this is always a roll of the dice. I would much rather have businesses get a robust boost and increase their volume and revenue to the Postal Service, but postal reform must be a part of the rebuilding process. I also have faith that a treatment and an eventual vaccine will help eradicate the pandemic, but at the same time, worry that it will be too late to save a lot of business and business potential.

In the meantime, we have a chance this summer to control the spread of this disease if we slow down business re-opening and take the smart approach to masks and social distancing to control the spread before the next phase is on us. We have the resilience to find ways to get the economy turned around. It will take time and patience and some sacrifice but we can do it.

Make the best of your summer. I hope we see better times ahead.