

THE RED TAG NEWSLETTER NOVEMBER 2019



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2020 CALENDAR OF EVENTS

01-09-20	Red Tag Roundtable	New York NY
01-22-20	Great Lakes AIM Meeting	Carol Stream IL
01-28/29-20	MTAC Meeting	Washington DC
02-06-20	Eastern Area AIM Meeting	Nashville TN
03-03-20	Southern Area AIM Meeting	Tampa FL
03-24/25-20	MTAC Meeting	Washington DC
03-31-20	Northeast Area AIM Meeting	Boston MA
04-26/29-20	National Postal Forum	Orlando FL
07-28/29-20	MTAC Meeting	Washington DC
10-27/28-20	MTAC Meeting	Washington DC

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

PMG RETIREMENT – AN INDUSTRY LOSS – INTERNATIONAL INTRIGUE – MTAC NOTES – 2019 FISCAL BAD NEWS – CPI INDEX MOVE STHE RIGHT WA – LOSSES OF MAGAZINE MAIL CIRCULATION BEING FELT -

Postmaster General Bids Farewell To The Postal Service

Postmaster General Megan Brennan will be retiring from the Postal Service on January 31, 2020 after more than three decades with the Postal Service.

Ms. Brennan began her career as a letter carrier and brought her years of experience to the front office after her appointment as Postmaster General and has been a strong advocate for postal employees and customers alike.

Brennan is the 74th Postmaster General and the first woman to serve in this role. She has held this job for five years. She previously held positions as Chief Operating Office and Executive Vice President for four years, and was Vice President of both Eastern Area and Northeast Area Operations. Her life as a letter carrier began on Lancaster, Pennsylvania.

During her tenure as Postmaster General she has advanced technology and customer-centric strategies to invest in the future of the Postal Service and helped shape growth opportunities for the organization and the industries it serves. These strategies improved speed-to-market of product and service innovations, continuously improved processes throughout the organization and fully engaged and leveraged the talents of the more than 600,000 postal employees.

This doesn't come as a surprise. Brennan

said, when she was appointed, that she would serve the full five-year term. She said, "When I was appointed Postmaster General, I made a commitment to the Board of Governors that I would serve for five years and it has been my absolute to do so. I feel a deep responsibility to this organization and its future. The advance notice of my retirement will allow the Board adequate time to conduct an executive search, select the next Postmaster General, and ensure a seamless transition."

Brennan expressed her gratitude to the men and women of the Postal Service as well. "I have had the privilege to work with you over the course of my 33-year career. You embody the spirit of public service, you earn the trust of the American people every day, and you continually reinforce my reverence for this institution and my abiding belief in our mission."

Postal Board of Governors chairman Robert M Duncan expressed his gratitude for her leadership and devotion to the Postal Service and said "In the months to come, the Governors will conduct a nationwide search for the 75th Postmaster General of the United States while continuing to work with PMG Brennan through the holiday season and a seamless transition in leadership.

Here's to finding another true leader.

A Sadder Note And Loss To The Mailing Community

It is with heavy heart that we report the passing of Coleman Williams Hoyt (Bill) a driving force in the mailing industry. Bill Hoyt passed away on October 9, at the age of 93 after a long life of service to the mailing industry.

Bill was respected worldwide for his postal expertise. He was PostCom's Director Emeritus and worked at Reader's Digest for 40 years managing the company's postage costs.

While at Reader's Digest, Bill served as Chairman of the Postmaster General's Mailer' Technical Advisory Committee (MTAC), started the Continuity Shippers Association was a Board Member of both PostCom and the Direct Marketing Association. He also established a system of "worksharing" postal rates and wrote a book on the subject.

Bill was born on November 11 1925 and leaves behind his wife and his two sons from a previous marriage as well as five grandchildren.

He attended the Groton School and enlisted in the Navy V-12 program in 1943. He graduated Tufts University with a Naval Science Degree and served as an officer on the USS Duluth in the pacific. After discharge from the Navy, Bill earned an Industrial Administration Degree at Yale University.

After retirement, as well as founding the Continuity Shippers Association, he was a former director of the Association for Postal Commerce, the Vermont Land Trust, a National Trustee of Outward Bound USA and a consultant to the US Information Agency in Lebanon.

He was also a member of the Yale Club, and Squadron A in New York, OCavalry and Guards Club in London and the Lakota Club in Vermont. In Vermont, he was elected Town Agent, Grand Juror and Cemetery Commissioner. He was a former Commander of the Bridgewater American Legion as well, but more than anything enjoyed his time at Saddlebow Farm with family and friends.

He is missed by all who knew him.

Let's Not Have Secrets

Last month we were happy to learn that USPS would stay in the Universal Postal Union. It seems no one was prepared for this announcement as it related to rates.

The Postal Service filed a rate case for international postage on Tuesday October 29 2019. These proposed rates are to take effect in July of 2020. This was expected. What was not expected was for the Postal Service to heavily redact those rate filings and ask the Postal Regulatory Commission grant nonpublic treatment for the unredacted price tables. The Postal Service had claimed nonpublic treatment of price ranges if they left the Universal Postal Union.

Needless to say, arguments are already in progress stating that this decision is ridiculous and that as a public government agency the Postal Service needs to inform the general public of these rate change requests. The Postal Service does keep confidential certain rates, such as those for Negotiated Service Agreements, where there may be proprietary rights to protect, but that doesn't apply to rates for international mail.

The Postal Service is arguing that to publish these proposed rates would give

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an undue advantage to other foreign posts in bilateral negotiations doesn't work in this scenario. Making these rates a secret until reviewed and approved denies the mailer and public the ability to respond to these proposals to see if they remain fair and equitable increases.

The Postal Service appears to be increasingly shielding information on rates from the public under the guise that it is causing competitive harm and a disadvantage to the Postal Service.

This makes it difficult for the public in general and the mailing community to hold the Postal Service accountable for its actions and performance. With the increasing number of performance issues being uncovered, mailers and the public need more, not less, information.

Highlights Of The October MTAC Meeting

In a near parting plea, Postmaster General Megan Brennan once again put in an urgent plug for postal reform and the need to keep pushing for legislation despite the fact that there are fewer and fewer legislative days left this year for Congress. Brennan insisted that the Postal Service cannot get healthy without legislative reform, given its business model and the mandate for universal service. Meanwhile, the integrated financial plan for 2020 and the year-end financials for 2019 were to be released after the Board of Governors meeting on November 14.

Christin Seaver, Chief Information Officer and Executive VP provided the big-picture overview of how USPS is using innovations and emerging technology to improve performance. The Enterprise Payment System has 80 percent of targeted revenue and 67 percent of permits already integrated into the system, is continuing to

move full service mailers into Seamless Acceptance, is securing and enhancing the Informed Delivery System, leveraging Informed Visibility to fill in transparency gaps across the system (particularly where mail does not meet automation specifications for equipment) and overall security.

CEO and Executive VP David Williams was up next and highlighted performance indicators. The First-Class Mail composite score for the quarter was 93.81 percent on time and up slightly from SPLY. Last year was 93.08 percent.

Marketing Mail composite scores of letters and flats had a performance high of 92.84 percent for the quarter against SPLY at 92.42 percent.

Periodicals saw a small decline in on-time delivery from 88.46 percent for the quarter last year to only 88.18 percent for this year.

The holiday mailing season this year will be shorter this year with six fewer days between Thanksgiving and New Year's Day. The heaviest period is projected to be December 16-22. Sunday package delivery will begin on November 24 and continue until Christmas with an anticipated 8 million packages.

The last major topic at MTAC was about communications with the industry and ways to improve it. The importance of this has been deemed a major focus for USPS. The numbers of natural disasters including hurricanes, fires, tornados and other major events have triggered this concern. That information will include smaller events as well such as mail delivery vehicles that have caught fire on their routes, and situations like the roof

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collapse at the North Houston Processing and Distribution Center in late September together with updates on what is being done to bring the building back into service. The North Dallas Facility had 1,849 employees who are only beginning to return to work now that the building is under repair and certified safe for occupancy. Partial work resumed in the undamaged portion of the building, but no machinery ran between September 20 and October 15 until safety certification was received.

Since the entire building will not be back in service until the end of December, work is being redistributed to several other facilities. The USPS says the area is ready for the holiday season.

USPS Budget Woes End A Bad Year

FY 2019 ended on a sour note for the Postal Service with red ink for the full fiscal year 2019.

USPS reported operating revenue of \$71.1 billion for the fiscal year ending September 30, 2019, an increase of \$514 million compared to the prior year. The higher revenues were driven largely by price increases and continued growth in the Shipping and Packages business where revenues increased by \$1.3 billion or 6.1 percent. This amount significantly

offset the losses in the First-Class Mail and Marketing Mail categories where volume continue to decline.

The total volume of mail and packages delivered during the year declined by 3.8 billion pieces or 2.6 percent, driven largely by First-Class Mail declines of 1.8 billion pieces, or 3.1 percent, and Marketing Mail declines of 1.6 billion pieces, or 2.1 percent. Package volume grew slightly by 16 million pieces (0.3 percent). This continued an ongoing trend of losses in letter and flat-sized mail and an increase in package volume. Although this is positive for package mail, the growth rate slowed significantly over the course of fiscal 2019.

Postmaster General Megan Brennan stated, "Revenue growth in our package business will never be enough to offset imbalances in the Postal Service's business model, which must be addressed through legislative and regulatory reforms in order to secure a sustainable future."

Fiscal 2019 operating expenses were \$79.9 billion, an increase of \$5.4 billion or 7.3 percent over fiscal 2018. A \$3.5 billion increase in Worker's Compensation was the driver behind this change. Another \$3.4 billion was directly the result of changes in discount rates and is outside of management's control.

Additionally, compensation and benefits increased by nearly \$1 billion (\$994 million) dollars due to contractual wage increases. Retirement benefits expenses increased increase by roughly \$320 million due largely to the higher amortization costs of unfunded benefits.

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The Postal Service, in accordance with plan, was able to reduce the debt level in 2019 by \$2.2 billion thereby finishing the year with \$11 billion in debt. This did allow the Postal Service with to continue to reduce interest costs.

The bottom line ultimately was that the Postal Service lost \$8.8 billion in fiscal 2019, an increase of \$4.9 billion compared to fiscal 2018. The controllable part of the loss for 2019 was \$3.4 billion, which was an increase of \$1.5 billion over the prior year. It must be noted again that \$3.4 billion of the net loss was due to the non-cash impact of discount rate changes on actuarial calculations that affect Worker's Compensation expenses.

USPS Chief Financial Officer and Executive VP Joseph Corbett reminded everyone that USPS continues to make progress in containing expenses that are under the control of postal management. Mr. Corbett did say "However, actions within the control of the Postal Service are not enough to return the Postal Service to financial health".

Consumer Price Index Calculations

Until a change is indicated, the monthly CPI calculations are still the driving force behind postage changes in January of each year. There is some better news here.

October 2018 was a high point for the index with the CPI listed as 2.463 percent. The Index has shown a gentle but steady reduction in the calculations since that date. The

CPI Index dropped to 1.900 percent with the posting of the August 2019 numbers on September 16, 2019.

The postage increase request has already been filed for 2020, however, if the trend in the CPI continues as it has for the last 10 reporting months it may bode well for the 2021 potential rate proposal.

Some Business Changes In Periodicals Mail That Have Impact For 2020

As published earlier in this newsletter, ESPN Magazine converted to digital format after delivery of the September print edition. Family Circle magazine has advised that they will discontinue publishing at the end of calendar 2019 and Sports Illustrated has advised that they are reducing frequency to monthly. Crain Communications has also struck a multi-tear deal with Hearst to move cease publication of AutoWeek in print and move it to digital

These changes have a negative impact on this mail class in the near future with tens of millions of copies no longer appearing in print format for newsstand sales and mail delivery.

Something Good To End This Issue

Early in 2019, the USPS discovered Purple Heart documents from 75 years ago for Corporal Henry Mankiewicz, a prisoner of war, and was able to locate his family and get the medal and documents to them, enabling them to have that honor. Congressman Brian Higgins made the presentation to the family.

Domestic Mail – What To Know – DMM 207.9.0 & The Customer Gateway (BCG) – 3510 Changes

WHY IS THIS A POSITIVE CHANGE TO PERIODICALS?

In both following details it will show that it makes the filing of and the understanding of this documents easier.

WHAT ARE THE CHANGES?

There are two. The first, which took effect in October, allows after a number of years for PS Form 3510, *Application For Reentry or Special Price Request For Periodicals Application* to be added to the Business Customer Gateway for use by Periodicals mailers.

The change should be on the Gateway (BCG) page.

The Second is a change for the Domestic Mail Manual, section 207.90, to clarify the mailing standards for filing Form 3510 and to remove references to two obsolete forms.

- Filing requirements will be updated to include the latest instructions.
- The following references will be removed
 1. References to obsolete Form 3541-C for multiple issues on the same day
 2. References to obsolete Form 3541-E for multiple issues on different days

These forms have not been used in years and the existing form 3541 Forms are sufficient to cover this data.

PLEASE NOTE THE FOLLOWING:

These changes will not appear in the DMM until January 26, 2020 but are effective immediately.

From The Desk of Eddie Mayhew – The Lingering Aroma Of Printer's Ink

We are now in November and the Holiday season fast approaches. It seems in some ways that the Grinch is attempting to dominate the season but I think that I can still hear sleigh bells, see the eight beacons on a menorah and see the happiness on every other walk of life out there if I look really hard.

There is an reference in this month's newsletter above regarding publications that once were Periodicals anchors, and are now either disappearing entirely, or moving to digital distribution. Big names in the business like Meredith, Disney and Crain are succumbing to the digital world, or shedding what doesn't work for their business models any longer.

Every loss of a title; every conversion to electronic media hurts the industry as a whole with respect to printing and manufacturing. Make no mistake about it. There's a human toll as well with jobs lost.

But hope is not gone. There are still indications that print as a medium and Periodicals as a mail class will stay alive. One recent example for that is the following quote: "When given a choice, responsible pilots choose information from publications." The poll that accompanied this comment showed that when there is a choice between aviation publications, aviation events or trade shows, professional education courses and word of mouth, 94.1 percent of pilots choose the publications.

Beside that one example, there are regional and niche publications that still see growth and new launches, where the subject matters is still of great interest to their specialized audiences. There are still a lot of people who want to have the printed word available to them.

Historically, the printed word as a means of communications has been around in the U.S. since the 1600's when pamphlets were nailed to trees as the first newspapers, and elsewhere in the world since the illuminated texts created by monks hundreds of years before that.

People will continue need a means of communicating stories and news that exists beyond electrical failures, low batteries when we least want them, the potential to alter facts electronically and the ability to retract or amend a story that doesn't erase the error from history

We're going forward into a highly automated age, but tradition and trust needs to be built and nourished over a long period of time.

Is change inevitable? Of course. Will certain traditions end? The best real answer to that without out the ability of future sight is "Who knows?" Let's not quit just yet.