

# Mailers Hub News

June Summary *From the June 6 and 20 issues*

## **PRC Approves Proposed Rates**

In a May 27 order, the Postal Regulatory Commission approved the prices that the Postal Service had proposed on April 6. As the Postal Service had previously stated, the revised prices will take effect at 12:01 ET on Sunday, July 10. Whether the USPS will propose another semi-annual rate increase in October (for January 2023 implementation) remains to be seen.

## **USPS Hints at Revising NGDV Order**

In a June 1 press release, the Postal Service stated it would be revising portions of the Environmental Impact Statement it had issued previously related to the purchase of Next Generation Delivery Vehicles. That document had been criticized by various parties for how it evaluated the agency's choice to purchase mostly conventionally-powered trucks, rather than electric vehicles. Criticism of the USPS plan continued even after its initial order for 50,000 units, placed last March, included a "minimum" of 10,019 electric trucks.

The Postal Service's recent announcement followed comments by the Postmaster General at the National Postal Forum in which he alluded to future changes in the agency's delivery operations. Claiming that carriers now operate from "almost 19,000 facility locations," DeJoy intends to consolidate them into larger "sort and delivery centers, with modern building systems and adequate space, docks, conveyors, and mail, and material handling equipment to operate more efficiently." The consolidation would result in reduced transportation requirements from plants to delivery units, but carriers' travel time (and mileage) from the centers to their routes would increase.

## **April Financials: Other Than PSRA Adjustment, Same Trends Continue**

The Postal Service's April financials were wildly skewed because of the impact of the *Postal Service Reform Act of 2022*, enacted early in the month, that erased tens of billions in health care costs. Other than that, revenue and volume figures were generally lower. Market-dominant mail volume fell compared to last April, but revenue was up thanks to higher prices. Meanwhile, competitive product volume ebbed again, continuing a downward trend. Transportation costs grew, but were offset by a favorable swing in the workers' comp liability. Overall, the one-time PSRA adjustment resulted in "income" of \$60.263 billion in April, and \$58.134 billion for FY 2022 to date.

Total market-dominant mail volume for the month was down 1.4% from April 2021, led by a 6.0% decline in First-Class Mail, overcoming a 2.2% increase in Marketing Mail. Meanwhile, competitive products volume fell – again – down 8.5% for the month and 7.7% for the YTD. Total USPS volume was 10.449 billion pieces, down 1.9% from last April, while YTD volume, 77.089 billion pieces, was 1.0% lower.

Compared to pre-pandemic April 2019, USPS volume is down 12.03% (market dominant volume 13.04% lower; competitive product volume up 21.21%). Meanwhile, despite the significant loss of mail volume, workhours are down only 0.42%. Those figures again repeat the worrisome trends of more employees and higher costs, but lower volume.

## **PRC Issues Another Advisory Opinion**

In its third advisory opinion in less than a year, the Postal Regulatory Commission was less than convinced that the Postal Service has sufficiently considered its most recent change to service standards. Issued June 9, concluding Docket N2022-1, *Retail Ground and Parcel Select Ground Service Standard Changes, 2022*, the PRC's 87-page opinion acknowledged the potential benefits that could be derived from the planned changes, but also found those benefits were based on questionably sound assumptions and inadequate evaluation of circumstances.

As in its two previous advisory opinion requests, the Postal Service offered optimistic statements about the benefits that will result from its proposals, largely based on favorable assumptions and its internally-developed analyses and projections. If history is a guide, the questions and cautions from the commission or anyone else – which PMG Louis DeJoy dismisses as "noise" – will not deter the USPS from the headlong implementation of its plans.

Whether the risks of unquestioning execution of the PMG's 10-year Plan will be offset by actual results remains to be seen.

## **USPS Agrees to Test Paper**

In a June 17 *Industry Alert*, the USPS announced that, given the ongoing paper supply issues, it would work with mail producers to test alternative paper types:

"Alternative paper may be tested and approved for use by Postal engineering to meet machinability requirements for specific formats. Exceptions to use approved paper for specific commercial mailings will be considered on a case by case basis. Exception requests for mailings must be sent to and approved by the Pricing and Classification Service Center: [PCSC@usps.gov](mailto:PCSC@usps.gov)."

Detailed instructions were posted on *PostalPro*. A subsequent email from the PCSC will require further information from the mailer on an “information sheet.”

### **Competitive rates approved**

In a June 8 order, the Postal Regulatory Commission approved the competitive product price and classification changes announced by the Postal Service in a May 6 filing. The USPS announcement made no changes to prices except as related to cubic pricing for Priority Rate Commercial Base and Parcel Select Ground. As the agency intended, the new rates will be effective July 10, 2022.

### **Update on list changes**

In a conference call on June 17, the USPS provided an update about the migration of the L006 sites to the L007 list and implications for mail prep:

- All of the remaining sites on L006 will be moved to L007 with the release of the July 1 Label List changes.
- For the July 1 posting, L006 will still be shown but all sites will be showing in delete mode. L006 will be retired with the September 1 List update.
- The L007 list will shift the entry/drop point for flats to the SCF location due to the limitation of not having a separate mail directions distinction.
- With the movement of all of the remaining L006 sites to L007, FSS Prep will no longer be required. All flats will be prepped according to the 5 Digit/CR RT sortation required for L007. (The FSS Prep in the DMM will be removed sometime in August/September as it is no longer needed.)
- We are following the standard Label List Change process for announcing the changes (with the July 1 Label List), then implementing the changes (with the August 1 Label List), and then they become required.

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