Mailers Hub News

June 2024 Summary *From the June 3 and 17 issues*

[June 3] ***PRC Approves July Rate Increase on Market Dominant Products***

To no-one's surprise, the Postal Regulatory Commission approved the Postal Service's April 9 request to raise prices on its market-dominant classes of mail. In its May 30 decision, the PRC stated

> "The Commission concludes that the planned price adjustments are consistent with the regulations of 39 CFR part 3030 and applicable Commission directives and orders. The planned price adjustments are also consistent with the pricing requirements appearing in 39 USC § 3626 and do not implicate the pricing requirements appearing in 39 USC §§ 3627 and 3629. The Commission also concludes that the planned classification changes, with the revisions described in the body of this Order, are consistent with applicable law. The Commission's regulations state plainly that '[i]f the planned rate adjustments are found consistent with applicable law, they may take effect.' 39 CFR § 3030.126(c). …"

Responding to the sentiments expressed by legislators and ratepayers, the PRC made an effort to persuade the Postal Service that what may be legal may not be prudent:

> "Although the price adjustments proposed in this proceeding are consistent with applicable law and the Commission has no legal basis to reject the proposed changes, the Commission is concerned, given the current state of affairs, that the Postal Service's proposal does not reflect reasoned consideration of the potential widespread effects of its proposal, is not prudent, and is not consistent with the best interests of all stakeholders.

In conclusion, the Postal Service's proposed prices, as well as the discounts and incentives and the 2025 promotions, were approved as filed and will take effect on July 14.

The upshot for those who were hoping for a different outcome is that the commission, likely on the advice of its lawyers, had insufficient reason to reject the filing; if they had, the USPS likely would have sued in federal court to reverse the decision. Essentially, the law only allows rejection of a ate filing for specific reasons, and those don't include the imprudent policies of the Postmaster General and his doormat Board of Governors. Back in 1970, and again in 2006, Congress didn't foresee a future Louis DeJoy hell-bent on a quixotic and self-defeating search for financial self-sufficiency through volume-destroying price increases.

[June 3] ***Another Letter to Sen. Peters Provides More Details***

Apparently, if commercial mailers and other ratepayers want to know about the ongoing changes to the Postal Service's network, they have to wait for details to be presented in a letter to Congress.

As reported in the May 20 issue of *Mailers Hub News*, Postmaster General Louis DeJoy sent a May 9 letter to Sen. Gary Peters (MI), chair of the Senate Homeland Security and Governmental Affairs Committee, in which DeJoy agreed to slow *some* network changes. However, claiming "confusion continues to proliferate in some circles about the work we have underway," DeJoy wrote another letter on May 20 "to clarify the various initiatives we have ongoing" as well as those "we agreed to 'pause' in my letter to you on May 9."

DeJoy's six-page letter contained the usual allegations about the network and facilities that were in place when he arrived in 2021, as well as the predictable praise for his Plan and the results it will deliver. He also clarified that, unlike past facility consolidations where all processing operations were moved elsewhere, the current "mail processing facility reviews" will result in relocation of only outgoing mail processing, not closure of the facility. He made it a point to note that "in some cases, the movement of these operations is freeing up space so that a Sorting and Delivery Center … can be co-located at the facility," hoping to soothe politicians' concerns about the loss of union jobs in their states.

Though the letter had plenty of the usual PR-soaked DeJoy-speak, there was substantive content – not previously provided to the public – that listed the "ongoing activities we are endeavoring to accomplish during the remainder of the year," i.e., facilities that are or will be on-line soon.

Adding further clarification, DeJoy stated that "nearly all these RPDC and LPC facilities for which we are not pausing implementation are existing and operating. The work we are engaging in with these initiatives is to catch up on 20 years of deferred maintenance, upgrade 30-year-old technology, install modern sortation equipment and rearrange our production floor layout to logically accommodate the difference between the size of a letter and the size of a package."

[June 3] ***April Financials: Help from Workers' Comp***

Last month, USPS Board of Governors chair Roman Martinez IV decried the impact of "uncontrollable expenses," such as the workers' compensation liability, on Postal Service financial results. In April, however, the workers' comp liability swung in the Postal Service's favor – by $623 million – illustrating how that variable can just as easily be a benefit, trimming the month's loss by over 92%.

Volume for the four market-dominant classes was down 0.1% from April 2023, while competitive product volume was 7.8% higher.

Total revenue was up 5.3% compared to April 2023. Total expenses were 7.4% below plan and 3.7% lower than a year earlier. Nonetheless, the result was a $53 million net loss for the month, pushing the total loss for the year to date to $3.592 billion – on pace for a $6+ billion loss for the year.

Total market-dominant mail volume was 0.1% lower than April 2023; First-Class Mail volume was down 1.9% but Marketing Mail grew 1.6% compared to the same period last year; competitive products volume was up 7.7%. Total USPS volume was 9.065 billion pieces, up 0.3% from SPLY.

First-Class Mail: 3.580 bln pcs, -1.9%; 27.186 bln pcs, -3.7% YTD
Marketing Mail: 4.619 bln pcs, +1.6%; 33.966 bln pcs, -7.2% YTD
Periodicals: 229.2 mln pcs, -6.9%; 1.632 bln pcs, -8.5% YTD
Total Mkt Dom: 8.492 bln pcs, -0.1%; 63.328 bln pcs, -5.7% YTD
Total Competitive: 552.5 mln pcs, +7.7%; 4.063 bln pcs, +4.4% YTD
Total USPS: 9.065 bln pcs, +0.3%; 65.579 bln pcs, -5.2% YTD

The uptick in year-over-year-volume, despite market-dominant price increases totaling over 7.3% since April 2023, contributed to a 4.5% jump in market-dominant revenue, compared to last April. USPS operating revenue for the month was $6.449 billion, with the classes mixed:

First-Class Mail: $2.042 bln, +3.9%; $15.360 bln, +3.6% YTD
Marketing Mail: $1.235 bln, +6.3%; $9.050 bln, -0.9% YTD
Periodicals: $74.490 mln, +0.2%; $534.22 mln, -1.0% YTD
Total Mkt Dominant: $3.666 bln, +4.5%; $27.158 bln, +1.5% YTD
Total Competitive: $2.549 bln, +7.5%; $18.832 bln, +2.7% YTD
Total USPS: $6.449 bln, +5.3%; $47.775 bln, +1.8% YTD

Like the volume and revenue numbers, expenses varied compared to plan and SPLY. Total "controllable" compensation and benefit costs in April were $4.999 billion, 2.2% over plan and 7.7% higher than April 2023; total expenses were $6.598 billion, 7.4% under plan and 3.6% below a year earlier.

However, workhour usage was 1.7% over plan and 3.6% more than a year earlier. Total workhours for the year-to-date were 1.0% over plan and only 0.8% below SPLY YTD. Moreover, despite less work, the USPS workforce is larger, and with more career employees.

Month's end complement: 645,001 employees (531,710 career, 113,291 non-career) **+0.77%** compared to April 2023 (640,042 employees: 520,219 career, 119,823 non-career), but **2.21% more** *career* workers.

Compared to early-pandemic April 2020, total USPS volume was up 4.8% (market dominant 5.77% higher; competitive down 7.6%), while operating revenue, after price increases totaling nearly 25%, was up only 13.42%; total workhours were up 1.43% from four years ago.

[June 17] ***Selling The Plan: The PMG at the National Postal Forum– Analysis***

Speaking June 3 at the opening general session of the 2024 National Postal Forum, Postmaster General Louis DeJoy took a different approach in his usual rant about what was wrong when he arrived to lead the Postal Service in June 2020.

Rather than simply decrying his predecessors' lack of a plan, he reviewed the operational and ratemaking fundamentals in place for the first 35 years of the agency's existence. His basic argument was that there was balance: the USPS was a functional bureaucracy, executing its universal service obligations and providing services sought by ratepayers, funded by a cost-of-service ratemaking process that ensured that revenues covered costs. Passage of the *Postal Accountability and Enhancement Act* in 2006 disrupted this, he argued, framing the situation almost sympathetically.

This relatively compassionate retrospective continued for several minutes, effectively painting a picture for listeners of an institution struggling to adapt to an altered business environment in which it had no experience. For perhaps the first time, his comments reflected an understanding of his predecessors' situation – continued legacy obligations that had to be met without the revenue model that had been in place, all requiring changes for which there had been neither the time nor the preparation to enable an orderly transition.

Of course, this artful review set the stage for the balance of his speech in which, characteristically, he framed himself and his 10-Year Plan as the only path to salvation for the USPS. He constructed his opposition – Congress, the PRC, and "stakeholders" (read: commercial ratepayers) who "resisted change" because it was "too politically and financially untenable for our stakeholders to even consider." "To this day," he added, critics "fail to accept the sweeping changes required, the speed at which they need to be accomplished, and the imperfection that materializes when taking on such an endeavor." Then came the pitch.

> "When I arrived, the trajectory was in plain sight. … We have a plan. … It's called the Delivering for America plan, and we are making great progress on the strategies it identifies. And that is what I hope you come away with from this forum. Our efforts do not come without uncomfortable consequences, to our customers, to the American people, and to our employees. But they must be made. We are doing the necessary and important work for the nation, to develop a new path forward."

While it was somewhat refreshing to hear the revised, and relatively effective, retrospective that set up his pitch, he still reverted to his habit of having to construct demons to fight, simplistically categorizing any disagreement or question of his Plan as stark and total opposition. (Maybe we need to wait until the next Forum to see if *that* changes.)

[June 17] ***Appropriations Bill Offers "Concerns" About USPS***

Congressional politicians continue to signal their displeasure over aspects of Postmaster General Louis DeJoy's 10 Year Plan insofar as it impacts processing facilities.

The latest example is the statement of the House Committee on Appropriations contained in its report on the *Financial Services And General Government Appropriations Bill, 2025*, approved by the committee on June 13. Some were local issues – the need for a post office or ZIP Codes not aligned with municipal boundaries – but others are matters to which the PMG might want to pay attention, including

> "*Postal Consolidations*. ... The Committee is concerned with the USPS's aggressive approach to consolidating processing and distribution centers into local processing centers and the notification and justification provided to customers and postal workers. Early consolidations in Richmond, VA and Atlanta, GA have already encountered setbacks, such as reduced mail service performance and unexpected cost overruns. With planned consolidations like Fayetteville, AR, and Reno, NV, that propose to transport mail across state lines, the Committee is deeply concerned about the potential negative impacts on mail service to the American people, customer satisfaction, and cost overruns potentially undermining the goals outlined in the DFA plan.
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> "*Processing and Distribution Centers*.—In recent years, USPS has announced the downsizing of several processing and distribution centers to local processing centers. The Committee remains concerned that these consolidations have contributed to reduced services and harmed postal performance. The Committee encourages the USPS to halt any realignment, consolidation, or partial consolidation of processing or logistics facilities that provide services to postal districts that at any point over the past calendar year have failed to meet 93% on-time delivery performance for two-day single-piece First-Class mail and 90.3% on-time delivery performance for three- to five-day First-Class mail.
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> "*Facility Modernization*.—USPS shall communicate clearly planned network modernization activities and take appropriate steps to protect against service disruptions that could impact elections. …
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> "USPS Recruitment and Retention.—The Committee is concerned about the impact of workforce shortages on timely delivery of mail and directs USPS to brief the Committee within 90 days of enactment on significant barriers to recruitment and retention."

The many instructions in the report indicate that members of Congress remain attentive to the USPS, particularly facility changes related to the 10-Year Plan. Whether the PMG will stay his course or take the hint remains to be seen.

[June 17] ***USPS PROPOSED RULE – Securing Bundles of Flats***

SUMMARY: The Postal Service is proposing to amend *Mailing Standards of the United States Postal Service, Domestic Mail Manual* (DMM) to modify the requirements for securing bundles of flats.

DATES: Submit comments on or before July 15, 2024.

ADDRESSES: Mail or deliver written comments to the Director, Product Classification, US Postal Service, 475 L'Enfant Plaza SW, Room 4446, Washington, DC 20260-5015. If sending comments by email, include the name and address of the commenter and send to PCFederalRegister@usps.gov, with a subject line of "Securing Bundles of Flats." Faxed comments are not accepted.

You may inspect and photocopy all written comments, by appointment only, at USPS Headquarters Library, 475 L'Enfant Plaza SW, 11th Floor North, Washington, DC 20260. These records are available for review on Monday through Friday, 9am-4pm, by calling 202-268-2906.

FOR FURTHER INFORMATION CONTACT: Dale Kennedy at (202) 268-6592 or Doriane Harley at (202) 268-2537.

SUPPLEMENTARY INFORMATION: All submitted comments and attachments are part of the public record and subject to disclosure. Do not enclose any material in your comments that you consider to be confidential or inappropriate for public disclosure.

Currently, the standards in DMM section 203.4.5 require bundles of flats to be secured with banding, shrink-wrap, or shrink-wrap plus one or more bands. Additionally, it allows the use of rubber bands and twine/string as banding materials on bundles of flats.

The Postal Service is proposing to amend the standards in DMM section DMM 203.4.4 to include an exemption for mailings of 500 flat-sized pieces or fewer entered at the BMEU from bundle preparation. Applicable mailings may be prepared loose in flat trays instead of in bundles. The Postal Service is also proposing to amend the standards in sections 203.4.5, 203.4.8, and 203.4.9 to require all bundles of flats to have two or more cross-strapped bands or be shrink-wrapped with two or more cross-strapped bands and to eliminate the use of rubber bands and twine/string for securing bundles of flats. Additionally, section 245.9.5(d) would be amended to reflect that shrink-wrapped multi carrier route bundles require two or more cross-strapped bands.

[June 17] ***USPS FINAL RULE – New Mailing Standards for Domestic Mailing Services Products***

SUMMARY: On April 9, 2024, the Postal Service (USPS) filed a notice of mailing services price adjustments with the Postal Regulatory Commission (PRC), effective July 14, 2024. This final rule contains the revisions to *Mailing Standards of the United States*

Postal Service, Domestic Mail Manual (DMM) to implement the changes coincident with the price adjustments and other DMM changes.

DATES: Effective July 14, 2024.

FOR FURTHER INFORMATION CONTACT: Doriane Harley at (202) 268-2537 or Dale Kennedy at (202) 268-6592.

SUPPLEMENTARY INFORMATION: On May 30, 2024, the PRC favorably reviewed the price adjustments proposed by the Postal Service. The price adjustments and DMM revisions are scheduled to become effective on July 14, 2024. Final prices are available under Docket No. R2024-2 (Order No. 7155) on the Postal Regulatory Commission's website at www.prc.gov.

Different Additional Ounce Rates for First-Class Mail Flats

Currently, First-Class Mail flats incur a first ounce price and a uniform additional ounce price that is applied at each level from the second to the thirteenth ounce. The Postal Service will implement a change to allow the Pricing department to provide a distinct price at each ounce increment.

USPS Marketing Mail Flat-Shaped – Separating Lightweight and Heavyweight Rate Categories

The Postal Service will implement a change that will divide some USPS Marketing Mail flat-shaped pieces into two distinct pricing categories, lightweight (0 to 4 ounces) and heavyweight (from above 4 ounces up to 16 ounces). Lightweight pieces will continue to have only a piece-price component, with dropship discounts available for different entry points. Heavyweight pieces will have per-piece and per-pound price components, the per-pound components apply to the entire weight of the piece, with per-pound dropship discounts available for different entry points.

Business Reply Mail (BRM) Simplification

The Postal Service will incentivize Qualified Business Reply Mail (QBRM) customers to enroll in Intelligent Mail Barcode Accounting (IMbA) by waiving annual account maintenance and quarterly fees and by reducing the per-piece fee. Customers who link current QBRM permits to an Enterprise Payment Account (EPA) and successfully complete the onboarding process will have subsequent annual and quarterly fees waived and receive a reduced QBRM IMbA per-piece fee.

Elimination of Simple Samples (Product Samples)

The Postal Service will eliminate Simple Samples, also referred to as Product Samples, as a product offering due to low customer usage. Alternative, economical products are available.

Catalog Price Incentive – Marketing Mail and Bound Printed Matter

The Postal Service will revise the mailpiece requirements for catalogs and offer a price incentive to mailers who mail catalogs that meet these revised requirements. The incentive and revisions will apply to all USPS Marketing Mail products except for EDDM-Retail and to Bound Printed Matter flats and parcels.

Enlarge Maximum Size for Plus One

The Postal Service will increase the maximum size for Plus One mailpieces to 6" x 11".

Adding Optional Preparation Standards to USPS Marketing Mail Carrier Route Automation Letters

The Postal Service will implement an optional tray preparation for High Density and High Density Plus letters. This optional tray preparation will allow mail preparers to combine multiple mail owner's eligible HD and HD+ letters with 5-digit letters in one tray to reduce the volume of residual trays entered in the mailstream.

Matching Nomenclature & Classification Standards to Network Redesign

New Network Future State Nomenclature Mapping – Under Phase 1 of the Postal Service network future state, the Postal Service is revising the DMM to provide site mapping nomenclature for facilities (e.g., NDC/RPDC). Phase 1 will not include site mapping in the *Quick Service Guide*s (QSGs) or revisions to destination entry pricing nomenclature or labeling lists. In some cases where there is overlapping of nomenclature in the DMM for market dominant and competitive products (e.g., DMM 705.8.0) the site mapping nomenclature is included in the *Federal Register* Notice for the domestic competitive products price change.

Mail Growth Incentives Continuation in Calendar Year 2025

For calendar year 2024, the Postal Service introduced two new incentives designed to promote the growth of First-Class Mail (the "First-Class Mail Growth Incentive") and USPS Marketing Mail (the "Marketing Mail Growth Incentive"). The effective dates of both incentives is January 1, 2024, through December 31, 2024. The Postal Service will continue both incentives for calendar year 2025.

2025 Promotions

The Postal Service has been incenting mailers to integrate mobile technology and use innovative print techniques in commercial mail since 2012. These promotions have become an integral way for industry to try new things and innovate their mail campaigns. A 2025 Promotions Calendar is planned with opportunities for mailers to receive a postage discount by applying treatments or integrating technology in their mail campaigns.

These revisions will provide consistency within postal products and add value for customers.

Market Dominant Comments on Proposed Changes and USPS Responses

The Postal Service did not receive any formal comments on the April 2024 proposed rule (89 FR 27330-27353).