Mailers Hub News

September 2024 Summary *From the September 9 and 23 issues*

[September 9] ***OIG Reports on Atlanta RPDC Activation***

For Postmaster General Louis DeJoy, the new Atlanta Regional Processing and Distribution Center, 25 miles southwest of downtown, was to be a centerpiece example of how his 10-Year Plan would replace the "inefficient" network of "randomly" located processing centers with a matrix of "high-performing" facilities enabling "service excellence."

Findings

- "**Finding #1: Lessons Learned from the Atlanta RPDC Launch.** … In late October of 2022, the Postal Service started modernizing the empty warehouse to meet its needs and standards. The Postal Service also installed its new package sorting machine, the MaRS, and it became fully operational in January 2024. …

  "In October of 2023, the Atlanta RPDC started processing mail from a previously outsourced consolidation hub as the first step to reduce the overall number of facilities in the region. In November and December, the Postal Service added more package operations and volume during peak season, supporting the regional network. In January 2024, the Postal Service moved select package operations from three facilities and the contracted terminal handling service operations from one other facility to the RPDC. These were the first steps to consolidating all package and outbound letter and flat operations into the RPDC and converting the remaining facilities to LPCs.

  "While the Postal Service had some limited successes in the lead-up to the launch of the RPDC, management also identified several lessons learned related to the RPDC launch. Specifically, management completed a post-implementation review 30 days after launch and identified the following as challenges when implementing the Atlanta RPDC:

  - Management did not plan transportation schedules far enough in advance to support regional operations.
  - Management did not align inbound mail volume and dock operations to reduce truck driver wait time.
  - Management did not define a clear process to update mail transportation equipment labels to address significant changes in the network.
  - Processes were not set up before launch to efficiently handle all mailstreams.
  - Employee availability within the region was not properly determined before launch.
  - Management did not train all employees on equipment or operating processes before launch.

  "These issues increased overtime expenses and contributed to a significant decrease in service performance scores. Mail service performance in the Atlanta region declined significantly after the launch in February 2024. Specifically, the percent of mail delivered on time from the region declined for all mail classes, reaching its lowest levels in March. …"

- "**Finding #2: Challenges Executing Operations with New Plant Design.** The Postal Service struggled to effectively execute operations with the new design of the Atlanta RPDC, which created congestion on the docks. Specifically, there was not sufficient space for personnel to unload trailers, move mail into the facility, stage mail for operations, and dispatch outgoing mail. In addition, the Postal Service increased the volume of mail at the Atlanta RPDC under the new "Go East/ Go West" initiative that consolidates cross country mail which made dock congestion even worse.

  "The Atlanta RPDC uses a new dock design expected to allow employees to quickly unload mail from trailers and directly induct packages into operations via a system of conveyor belts. However, we observed this area was not large enough to accommodate the volume of mail and packages being unloaded into the facility. We observed that due to congestion, employees could not ... unload trailers timely, causing some drivers to wait up to 13 hours to unload.

  "Plant modernization management stated the operational plan called for using parking spaces in the trailer yard to store full trailers of mail, rather than having trailers and drivers waiting in line to drop mail at the facility. The Postal Service would move these trailers to an empty door when processing had cleared enough space at the unloading docks. In this manner there would never be more mail in the facility than could be staged and processed. However, this plan was not shared with operations and facility management as they stated they were unaware of such a plan. ...

  "The Postal Service expected to load and unload about 960 trailers per day. However, in the 12 weeks after launch the Postal Service averaged 720 trailers per day. Even with fewer than expected trailers, the Postal Service was unable to quickly check-in and unload trailers due to the congestion on the loading dock. Specifically, truck drivers had to wait up to 13 hours before processing operations cleared sufficient space for their trailers to be unloaded into the facility. Drivers not only had to wait in line to check-in and receive a dock door assignment, but also had to wait at the dock after their trailer was backed up to the door. Specifically, in the three months after launch, 204 or 21% of 977 drivers with GPS had to wait on average four hours before they were checked into the facility and provided a dock door assignment."

  "The docks where the RPDC dispatches, or sends mail to other facilities, were designed with the expectation that processed packages would flow directly onto the outbound trailer requiring minimal space for staging mail awaiting transport. However, the volume of packages in the 12 weeks after launch exceeded the Postal Service's plan. We observed the dispatch docks did not always allow for sufficient staging. ...

  "We found that mail was moved under the MaRS to reduce congestion. We also observed forklifts operating within this area. The space under the MaRS is not intended to stage mail and is not safe for the movement of forklifts.

"In the weeks leading up to the launch, the Postal Service also selected the Atlanta RPDC as one of 10 centralized hubs for a new initiative which they are calling "Go East/ Go West." The aim of the initiative is to … dispatch full trailers of mail by creating a consolidation point for cross-country mail. This increased the amount of mail and containers coming into the facility which added to the congestion on the docks. These containers of mail needed to be sorted, staged, or directly loaded on outbound trailers. However, this initiative and its need to move many mail containers across the facility from inbound to outbound trailers was not considered when the facility was designed.

"When the mail volume exceeded processing capabilities and the Postal Service did not implement standard procedures to reintroduce this volume into mail processing, it resulted in significantly delayed mail."

- "**Finding #3: Staffing Challenges at the RPDC Resulted in Inefficient Operations.** The Postal Service worked extensively with labor unions to staff the Atlanta RPDC, but still faced several staffing challenges, which exacerbated the other operational challenges and negatively impacted service. Specifically, most of the employees initially detailed to the RPDC did not stay after their temporary assignment ended; about 1,500 employees started at the RPDC on its launch date, but most did not receive training or know the operational layout of the facility. Further, employees were reassigned from the other facilities in the region to the RPDC, leaving the Atlanta LPC understaffed and unable to hire pre-career employees, due to labor agreements, to help bridge the gap. The Postal Service noted a lesson learned from its Richmond RPDC launch was that management did not train all employees on standard work instructions for new processes. The Postal Service repeated the mistake at the Atlanta RPDC by not training employees before launch of the facility. ...

  "The Postal Service estimated in March of 2024, that it would need about 400 employees to operate the Atlanta LPC. ... However, as of June 7, 2024, the Postal Service estimated it needs over 600 employees to operate the Atlanta LPC. At that time, the Atlanta LPC was 122 employees … under the estimate.

  "Many career employees were involuntarily reassigned from the other processing facilities in the region. This led to an increase in the use of sick leave and employees who did not come to work. … [I]n the first 12 weeks after launching the Atlanta RPDC, the facility was short the equivalent of 189 employees a week due to unscheduled absences. These staffing shortages led to an increase in overtime pay. Overtime at the Atlanta RPDC accounted for about 13% of all workhours in the first 12 weeks after launch … ."
- "**Finding #4: Management Was Not in Place to Supervise Operations.** The Postal Service did not fill all management positions at the Atlanta RPDC before launch and vacant positions persisted at least four months after the launch. Specifically, 42 (57%) necessary front line supervisory positions were vacant at launch. The Postal Service placed employees in temporary management positions and brought in experienced management staffing from around the country to close the gap and provide oversight of mail processing operations. However, these managers from other locations were unfamiliar with the layout and planned operations of the RPDC."We observed issues throughout the facility due to insufficient supervision. This included operations such as manual mail, Postal Automated Redirection System (PARS) mail, package induction, and hazardous material handling that were not properly supervised. Throughout the facility, we found mail that had not moved; was not staged and organized in a first-in, first-out order; or was not placarded correctly."
- "**Finding #5: Mail Processing Facility Review Process Not Followed.** The Postal Service completed public outreach at only two of six mail processing facilities before consolidating operations into the Atlanta RPDC. … The consolidation of mail processing operations from the Atlanta NDC, Peachtree P&DC, and North Metro P&DC appears to meet the requirements to trigger an MPFR. However, the Postal Service did not complete MPFRs for those facilities. Postal Service management stated that closing the Atlanta NDC and Peachtree P&DC did not change the service standards; therefore, no other actions were required. Further, management stated its long-standing interpretation of this requirement is the review process is only required when all operations move outside of a 'service area'; therefore, no action was required for the North Metro P&DC."

Recommendations

The OIG offered several recommendations:

- "… develop a platform operation plan with established procedures for tracking, staging, and organizing any mail moved off the docks to ensure it is timely entered into mail processing;
- "… communicate to management and follow a yard management plan at the Atlanta Regional Processing and Distribution Center (RPDC) and future RPDC sites;
- "… develop plans to orient and train employees to effectively perform operations before they start completing the new mail processing operations;
- "… work with labor unions to successfully staff future Regional Processing and Distribution Centers to allow for successful transitions for the Postal Service and its employees;
- "… develop contingency plans to handle low employee availability when implementing network changes;
- "… develop plans to provide facility specific training to management staff before they oversee the new mail processing operations;
- "… implement plans to hire sufficient managerial staff when implementing future network changes.

Management agreed with only some of the recommendations and findings.

Observations

The OIG's report reinforces what has been seen and reported over the past months: the Atlanta RPDC is an ongoing fiasco that resulted from poor facility design, planning, communication, activation, and operation. Reading the report as a sequel to the earlier Richmond RPDC report easily reveals that, as the OIG stated, lessons were not learned – or at least not implemented. How the Atlanta RPDC will ever become what it should be is an open question. Its physical limitations cannot be easily modified and so neither can the related challenges; staffing and management shortages and training will take months to deliver any benefit. Meanwhile, service remains sub-par.

Regardless, the situation deserves to be laid at DeJoy's doorstep. It's his siloed management structure, unrelenting pressure on subordinates, and demand for unquestioning adherence to what and how he wants things done that contributed to another shoot-ready-aim facility activation. Whether regarding RPDCs, service standards, or cuts in mail collection and local transportation, his temporization to politicians, bullying bluster to stakeholders and the media, and transparently self-serving assurances to ratepayers have thus far kept him safe from serious consequences from Congress or, more importantly, from the USPS governors. How long his luck will hold remains to be seen.

[September 9] ***USPS Reports on Growth Incentives***

In an August 29 filing with the Postal Regulatory Commission, the Postal Service submitted its second quarterly data collection report on the First-Class Mail and Marketing Mail growth incentives that the commission had approved in September 2023. The report covered the period "through the third quarter of FY 2024," (April 2024 through Jun 2024), "the second quarter of the incentive period." In approving the incentives, the commission had specified five items on which the USPS had to report. The response to the first item was not filed publicly; for the other four:

- PRC: "*The number of participating First-Class Mail and USPS Marketing Mail mailers that have qualified for credits and the amount of total credits issued based on the actual price paid for qualifying volume (this requirement is applicable for reporting occurring after July 2024 when credits will first be issued);*"

  USPS: "1. Marketing Mail: 74 registrations (66 unique mailers) qualified for $31,369,772.75 in credits; 2. First-Class Mail: 22 registrations (22 unique mailers) qualified for $18,243,972.24 in credits. No credits were issued before July 1. Please note the minor change in terminology. In the previous (first) report, the Postal Service identified 'mailers.' In this report we identify 'registrations' for the incentives because mailers may have multiple registrations, by region, for example."

- PRC: "*The number of participating First-Class Mail and USPS Marketing Mail mailers projected to qualify for credits next quarter and by the end of CY 2024;*"

  USPS: "The Postal Service projects that 233 registrations will qualify for postage credits by the beginning of the next quarter, October 1, 2024; 180 are Marketing Mail registrations (164 unique mailers), and 53 are First-Class Mail registrations (50 unique mailers). These are mailers who are projected to exceed 1,000,000 pieces or their baseline volumes by the end of Q3 FY 2024.

  "The Postal Service projects that there are 504 registrations that will exceed either 1,000,000 pieces or their baselines by the end of CY 2024; 373 of these are Marketing Mail registrations (342 unique mailers), and 131 are First-Class Mail registrations (123 unique mailers)."

- PRC: "*Any credit adjustments made during the quarter …;*"

  USPS: "None."

- PRC: "*Estimates of the Postal Service's administrative costs for the quarter and for the administration of the incentives to date, including costs related to data tracking and collection as well as labor hours required to manage the program and calculate credits and credit adjustments.*"

  USPS: "The Postal Service currently estimates quarterly costs of $30,000 and to date costs of $100,000 for data tracking. We estimate quarterly costs of $120,000 and costs to-date of $400,000 in labor hours to manage the program. We estimate $1,000 to calculate credits and credit adjustment. The total administrative cost estimate for the quarter is $150,000 and to-date is $401,000.

  "The Postal Service bases these estimates on the following assumptions:

  - For data tracking and collection: two full-time employees (2,000 hrs per 12 months) worked an average of 30 percent of their time at $100 / hour over a period of one quarter (three months) or to-date (seven months September 2023-March 2024).
  - For managing the incentive program: eight full-time employees spent an average of 30 percent of their time at $100 / hour over the same periods (quarter and to-date).
  - For Credit Calculation, one full-time employee spent 10 hours at $100 / hour calculating credits."

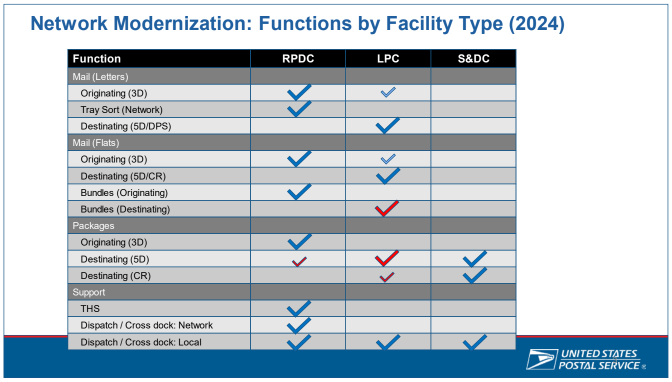
Though the promotions and incentives operate on a calendar year basis, the Postal Service's fiscal year is advanced from the calendar by three months. As a result, the period covered – through the third quarter of fiscal 2024 – is only two quarters (half) of the period the incentives are available.

[September 9] ***Changes to Network Plan May Preserve "Turnaround" Mail***

One of the complaints about the Postal Service's plan to consolidate outbound mail processing into the proposed network of regional processing and distribution centers was its impact on mail originating and destinating in the same area.

For example, under the original RPDC concept, a mailpiece sent by a customer to a business, where both are served by the same post office, would travel to the local processing center for consolidation and dispatch to the RPDC, where it would be processed and sent back to the LPC for inbound processing and dispatch to the local post office for delivery to the business.

Under a revised (2023) concept, that outbound mail would not be sent to the RPDC but instead captured at the LPC where it would be processed and dispatched back to the origin post office for delivery. Doing so would save travel time and enable better service for such "turnaround" mail.



Function	RPDC	LPC	S&DC
Mail (Letters)			
Originating (3D)	✓	✓	
Tray Sort (Network)	✓		
Destinating (5D/DPS)		✓	
Mail (Flats)			
Originating (3D)	✓	✓	
Destinating (5D/CR)		✓	
Bundles (Originating)	✓		
Bundles (Destinating)		✓	
Packages			
Originating (3D)	✓		
Destinating (5D)	✓	✓	✓
Destinating (CR)		✓	✓
Support			
THS	✓		
Dispatch / Cross dock: Network	✓		
Dispatch / Cross dock: Local	✓	✓	✓

Now, another (2024) revision to the concept has further increased the role of the LPCs in processing incoming mail. The latest changes lessen the pressure on the RPDC to handle incoming volume that was being processed at the LPCs under their "old" network role as P&DCs. Given the ongoing changes to the USPS processing network, the net effect on service of the revised LPC role cannot be measured, but it likely will be beneficial.

[September 23] ***USPS Cancels Planned January Price Increase***

In an unexpected announcement late Friday, September 20, the Postal Service announced that it will not be increasing prices for market-dominant products next January as had been forecast. In its press release and concurrent *Industry Alert,* the agency stated:

> "A recommendation by Postmaster General Louis DeJoy not to raise prices in January 2025 for Market Dominant products, which includes First-Class Mail, was accepted by the Governors of the United States Postal Service. Accordingly, the price of a stamp to mail a 1-once single-piece First-Class letter will not increase.
>
> "The Postal Service's operational strategies are designed to boost service reliability, cost efficiency, and overall productivity.
>
> " 'Our strategies are working, and projected inflation is declining," said Postmaster General DeJoy. 'Therefore, we will wait until at least July before proposing any increases for market dominant services.'
>
> "The Postal Service remains committed to continued cost saving measures and to keeping its products and services affordable. Only a handful of countries have a lower price for a domestic single-piece letter.
>
> "Lastly, the Postal Service continues to deliver on the tenets of the Delivering for America 10-year plan, while executing our public service mission – to provide a nationwide, integrated network for the delivery of mail and packages at least six days a week – in a cost-effective and financially sustainable manner over the long term, just as the US Congress intended and the law requires."

Reading the tea leaves

Though the official statement contained plenty of the usual spin, it offered no insight into why, just three weeks before it would have filed its proposed rate hike with the Postal Regulatory Commission, there was a pause in DeJoy's previously-announced schedule of semi-annual price increases.

Officially, only the Governors of the Postal Service can approve filing for higher prices for market-dominant products, though that is widely believed to be simply the formal approval for what postal executives bring them. In this situation, however, and given some governors' expressions of caution after last August's board meeting, it's not beyond possibility that DeJoy's "recommendation" was the public result of closed-door urgings by the governors. Not being a person to easily accept redirection, it's unlikely that DeJoy changed course on his own initiative.

The governors know the financial and volume data, they know Congressional sentiment, and they're aware of negative publicity over poor service, issues involving DeJoy's changes to the processing and delivery networks, and the agency's readiness for the upcoming election season.

No matter how much the USPS tries to manage the information reaching the governors, they're not sequestered. In turn, breaking their usual accession to DeJoy's wishes, they might have concluded that a pause was needed, if for no other reason that to generate some positive publicity.

Save the champagne

Regardless, though not having to face a price increase in January is welcome, it needs to be offset by some other facts that are far from good news.

First, the size of the January increase would have been relative small – only 1.532% – and CPI-only, based on the six-month interval since the preceding increase.

Second, as of the most recent data released by the Bureau of Labor Statistics, the *annualized* CPI was 3.179%; that figure will change over the next six months when the USPS files in April 2025 for a July increase.

Finally – and worst of all – the "adders" will be available for the July increase. Though the 2% "non-compensatory" supplement only applies to Periodicals, all will endure the "density" and "retirement" adders that, last July, together added another 6.132%. Their 2025 value won't be known until early next year but, regardless, the total of CPI and the "adders" might be a sizable figure – far from good news.

Ratepayers can only wait to learn what the Postal Service will have in store for them in April.

[September 23] ***Bill Filed to Amend PMG Selection***

US Senator Jon Ossoff (GA) has filed the *Postmaster General Reform Act of 2024*, a bill to make the Postmaster General a presidential appointment, with Senate confirmation, rather than a selection by the Governors of the Postal Service, and limit a PMG to no more than two five-year terms.

Ossoff and current PMG Louis DeJoy have been at odds over the service decline in Georgia following the opening of the Atlanta regional processing and distribution center in late February. As Ossoff stated:

> "The execution debacle by the US Postal Service in Georgia has been a failure of leadership and a failure of management, and it has reflected the incompetent leadership and the incompetent management of the postmaster general himself. This is a job of such importance that there needs to be a real job interview with those the people elect to confirm the most important officials in the federal government."

Ossoff and DeJoy clashed at hearings earlier this year at which the senator focused on the severe decline in service performance in Georgia after the new RPDC opened. DeJoy sought to assuage Ossoff by assuring him service would quickly improve and that the facility would be among the best in the nation. So far, as Ossoff has likely noticed, service has improved but not to the levels DeJoy had promised.

For the week of August 31 through September 6, the service score for intra-district retail First-Class Mail – which would include remittances and mailed-in ballots – was 71.23%, over 15 percentage points below the same period last year; "days to deliver" was 2.7, compared to 2.2 days last year.

It may be a challenge to get the bill through both houses of a politically-fractious Congress, and enacted by the president, before a new Congress and president take office next January. Even if enacted, however, the bill would not affect DeJoy, but rather would apply to the first appointment following the measure's enactment. It also has no explicit provision to remove a PMG, though the incumbent likely could be fired by the president like any other appointee.

Meanwhile, despite financial losses and continued poor service, DeJoy knows he has a free hand to do as he pleases, insulated against adversity by his allies among the governors.