

Mailers Hub News

October Summary *From the October 10 and 24 issues*

USPS Files Price Increase for Market Dominant Products

Late on Friday, October 7, the Postal Service submitted a filing with the Postal Regulatory Commission proposing a price increase on market dominant products. The filing had been approved by the Governors of the USPS at their meeting earlier in the week. Postmaster General Louis DeJoy had promised aggressive price increases when he came aboard in mid-2020; if approved by the PRC, the increases he will have imposed over a 17-month period would be 17.5% or more. In its filing, the Postal Service detailed the factors contributing to the proposed increase:

- **Annual CPI Based Cap Space:** 4.200%
- **Unused Cap Space from Previous Years:**

Class	Unused Authority
First-Class	0.001
Marketing	0.005
Periodicals	0.000
Package Services	0.000
Special Services	0.062

- **Density Rate Authority:** [Used in July; not available until 2023.]
- **Retirement-Based Rate Authority:** [Used in July; not available until 2023.]
- **Rate Authority for Non-Compensatory Classes:** [Used in July; not available until 2023.]

These factors established the total USPS rate authority:

Class	CPI	Bank	Density	Retirement	Noncompensatory	Total
First-Class	4.200	0.001	0.000	0.000	n/a	4.201
Marketing	4.200	0.005	0.000	0.000	n/a	4.205
Periodicals	4.200	0.000	0.000	0.000	0.000	4.200
Package Svcs	4.200	0.000	0.000	0.000	0.000	4.200
Special Svcs	4.200	0.062	0.000	0.000	n/a	4.262

The total price increases imposed on ratepayers is far from encouraging the increased use of mail:

Class	August '21	July '22	January '23	Total
First-Class	6.814	6.506	4.200	17.520
Marketing	6.815	6.500	4.203	17.518
Periodicals	8.806	8.540	4.200	21.546
Package Svcs	8.806	8.511	4.197	21.514
Special Services	6.808	6.442	4.198	17.448

The PRC will review the filing to ensure that USPS calculations are accurate and the proposed prices comply with statute. Public comments will be accepted through November 7. If, as expected, higher prices for competitive products will be implemented concurrently, those would be announced later this year. The complete filing is available from the PRC website (<https://www.prc.gov/dockets/document/123086>.)

PRC Contract Seeks to Study a Return to Earlier Service Standards

In response to a Congressional mandate, the Postal Regulatory Commission is seeking a consultant to study restoring previous USPS service standards. As the PRC explained,

“The House of Representatives recently adopted language into its appropriations bill, (H. Rep. No. 117-79) directing the Postal Regulatory Commission:

‘... to analyze the feasibility of restoring service standards for market-dominant products that were in effect on July 1, 2012, including an examination of the resources and structural and operational changes needed, and the impacts on market growth and revenue. If service standards are decreased from their January 2021 levels, the PRC shall also conduct a similar analysis of the costs and benefits of restoring USPS service and performance levels to their January 1, 2021, levels. The PRC shall report to the Committee on its findings within 1 year of enactment of this Act.’”

Perhaps the most important word in the RFP is *feasibility*. In theory, almost anything is feasible if sufficient resources can be applied to its achievement so, theoretically, service standards *could* be reset to where they were in January 2021 or July 2012. But: the more important matter – likely to be the centerpiece of the report to the PRC – is the practical *feasibility* of doing so – which would require largely restoring the processing network, transportation, and staffing of the time; the associated costs would be significant and might require even higher rates than are anticipated already.

Moreover, even if standards were reset, it's questionable whether the USPS would meet them any more successfully than when they were originally in place, and whether there would be sufficient demand for overnight (or less slow service). Senders of First-Class Mail continue their migration to electronic communications so whether they would reverse or slow that trend is doubtful, making the cost of Congress' putative turning back of the clock even more impractical – and likely infeasible.

PRC Proposes Changes to USPS Service Performance Reporting

A proposed rule published by the Postal Regulatory Commission in the September 30 *Federal Register* seeks to enhance the information provided by the Postal Service's periodic reports about service performance. In an earlier advance notice of proposed rulemaking, published in the May 2 *Federal Register*, the PRC proposed

“... revisions to existing annual and periodic service performance reporting requirements for the Postal Service's market dominant products as well as related revisions consistent with the Postal Service Reform Act of 2022.”

That statute, enacted April 6,

“... imposed requirements on the Postal Service and the Commission that require consideration of changes to [commission rules about USPS service performance reporting]. Specifically, the PSRA directs the Postal Service to develop and maintain a publicly available online ‘dashboard’ that provides weekly service performance data for Market Dominant products. ... It also mandates that the Commission provide reporting requirements for this Postal Service dashboard as well as ‘recommendations for any modifications to the Postal Service's measurement systems necessary to measure and publish the performance information’ located on the dashboard.”

The full text of the PRC's *Federal Register* notice can be found at <https://www.govinfo.gov/content/pkg/FR-2022-05-02/pdf/2022-09327.pdf>. Comments on the proposed rule are due by October 31.

PRC Asked to Reconsider USPS Accounting Plan

In an October 13 letter to the Postal Regulatory Commission, twelve mailing industry organizations, including Mailers Hub, moved that the commission reconsider its October 7 response to the Postal Service's proposed accounting for the \$57 billion in expense that was nullified by the Postal Service Reform Act of 2022.

An August 12 letter from the USPS explained how it would treat the windfall in its financial systems and end-of year accounting. Essentially, the agency planned to treat the voided expense one way “for accounting purposes, when submitting the FY 2022 Financial Statements that are part of the *Form 10-K* that will be filed in November,” but differently for the FY 2022 Cost and Revenue Analysis Report submitted each year as part of the Annual Compliance Review. What the USPS did not explain was that fully reflecting the PSRA's benefit in the CRA would also eliminate the basis for the “density” rate authority the agency has employed to increase prices beyond the CPI cap.

As of this writing, neither the Postal Service nor the PRC have done anything to officially recognize the movants' request or to otherwise respond to the issues they raised. For most people who are not accountants, and especially those not familiar with USPS accounting methods, this exchange may seem like an insubstantial spat over process and accounting minutiae. If so, they should note that a *not insubstantial* \$400 million is in play, an amount that would be collected in the next rate filing – or not – based on how this “spat” is resolved.

Parties Disagree Over USPS Plan for Periodicals CETs

The filing of statements of position and, in turn, briefs is the latest phase in a dispute originating six months ago about the critical entry times for Periodicals.

Last April 22, the Postal Service notified the Postal Regulatory Commission of three changes that it planned to implement in its Service Performance Measurement Plan document (that defines how the USPS measures service performance for market-dominant products). As the agency stated in its notice:

“The three principal changes to the SPM Plan ... are as follows: 1) a revision to how the long haul exception impacts ‘Start-the-Clock’ events; 2) the inclusion of Reply Mail in the measurement of Single-Piece First-Class Letters/Cards/Flats; and 3) a revision to the critical entry time (CET) applicable to Periodicals.”

The first two concerned the measurement process but the change in CETs was an operational change, as readers of the USPS notice quickly noted. Most of the commenters on the Postal Service's proposal took little issue with the first two changes, but generally agreed that the proposal to standardize CETs for Periodicals was a “change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis” that required prior PRC review and issuance of an advisory opinion.

The USPS, as expected, disagreed, filing a 22-page reply that argued that the change did not have “a meaningful rather than minor impact on service” and that requiring further PRC review would unnecessarily impinge on the Postal Service’s authority to manage its operations.

On July 18, the PRC issued an order approving the SPM changes regarding the long-haul exception and reply mail, but agreed with commenters about the nature of the proposed change in CETs; on September 2, the USPS filed its request for an advisory opinion (Docket N2022-2).

Formal briefs are due this week, and the PRC’s advisory opinion is due by December 1. Of course, if the fate of the past few advisory opinions is any guide, regardless of what the PRC advises or any concerns expressed, the USPS will proceed to do what it wants anyway.

DeJoy Asks Employees to Be “Flexible”

Postmaster General Louis DeJoy is ramping up his personal pitch to employees to win their cooperation as operational elements of his 10-Year Plan roll out. As reported October 14 by *Government Executive*, he’s asking employees to “remain flexible and forward thinking,” adding that “changes such as longer commutes will serve the interest of the organization” and that employees should “think of the efficiencies for the agency ahead of their own inconveniences.” In a recent video message, DeJoy stated

“For some of you, this might mean you have to travel a little further to get to work. But when you get there, you will have nicer facilities and better equipment, and you will be personally contributing to the transformation of the United States Postal Service. ... We are staking out our position and going for it. That means change. Change for everyone. Our need to change is obvious, necessary and an important step in our transformation.”

The article cited a letter carrier in Cincinnati who told *Government Executive* that she and her colleagues

“... would embrace the changes – including the longer commutes – if it was actually proven to cut costs, but employees have doubts that paying them more to drive longer actually will lead to efficiencies. ... We are paid by the hour. If it takes us longer, that costs the Postal Service money.”

Government Executive added that

“Postal management has in recent weeks ramped up its communication with employee groups, but leaders for those organizations said their questions about the impact of the changes on their members have largely gone unanswered.”

Whether DeJoy’s personal approach will work remains to be seen, but hoping his agency’s unionized workforce will simply roll with the punches may be too much to expect.

USPS PROPOSED RULE: Removal of Sacks – USPS Marketing Mail and Periodicals Flats

On October 21, the Postal Service published a proposed rule in the *Federal Register* to revise the DMM to remove references to sacks as a handling unit for USPS Marketing Mail and Periodicals Flats. As stated in the notice,

“As part of its network redesign efforts, the Postal Service is proposing to eliminate the use of sacks as containers for Flats acceptance/entry but will continue to allow Flat trays as acceptable containers for acceptance and entry along with bundles on pallets for USPS Marketing Mail and Periodicals Flat Mail. The exception to this proposal is that carrier route, 5-digit scheme carrier routes and 5-digit carrier routes flat mail will continue to be allowed to use sacks as a handling unit.”

The full text of the fifteen page proposed rule is available at <https://www.govinfo.gov/content/pkg/FR-2022-10-21/pdf/2022-22958.pdf>.

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