Mailers Hub News

April Summary *From the April 11 and 25 issues*

USPS Files for Second Market-Dominant Price Increase in a Year

In the latest example of how Postmaster General Louis DeJoy defines "prudent and judicious," he won Board of Governors support to seek the second price increase on market-dominant products in less than a year. As in the prior rate hike, effective last August 29, DeJoy opted to use nearly all available rate authority. If approved by the Postal Regulatory Commission, the new prices would mean ratepayers would have experienced price hikes of over 13% in less than a year. In its April 6 filing, the Postal Service detailed the factors contributing to the proposed increase:

- **Annual CPI Based Cap Space**: 5.135%
- **Unused Cap Space from Previous Years**:

Class	Unused Authority
First-Class	0.004
Marketing	0.002
Periodicals	0.037
Package Services	0.008
Special Services	0.005

- **Density Rate Authority**: 0.583%
- **Retirement-Based Rate Authority**: 0.785%
- **Rate Authority for Non-Compensatory Classes**: 2%; in FY 2021, the classes for which attributable cost exceeded revenue were Periodicals and Package Services.

In turn, these factors established the total rate authority available to the USPS:

Class	CPI	Bank	Density	Retire-ment	Noncom-pensatory	Total
First-Class	5.135	0.004	0.583	0.785	n/a	6.507
Marketing	5.135	0.002	0.583	0.785	n/a	6.505
Periodicals	5.135	0.037	0.583	0.785	2.000	8.540
Package Svcs	5.135	0.008	0.583	0.785	2.000	8.511
Special Svcs	5.135	0.005	0.583	0.785	n/a	6.508

Adding it to last August's increase, the total price increase that DeJoy will have imposed on ratepayers in less than a year is far from encouraging the increased use of mail:

Class	August 2021	July 2022	Total
First-Class	6.814	6.506	**13.320**
Marketing	6.815	6.500	**13.315**
Periodicals	8.806	8.540	**17.346**
Package Svcs	8.806	8.511	**17.317**
Special Services	6.808	6.442	**13.250**

Reform bill signed

In a White House ceremony on April 6, the president signed into law HR 3076, the Postal Reform Act of 2022, passed by both houses of Congress on bipartisan votes, 342-92 in the House on February 8, and 79-19 in the Senate on March 8.

As usual, Congressional leaders huddled around the president as he signed, with other invited guests seated in the audience. Although Postmaster General Louis DeJoy's political connections likely were useful in winning support for the bill among his partisan allies, his unpopularity with the majority earned him a seat at the back – out of the limelight (and the viewfinder of most reporters' cameras).

The new law is the first major postal legislation to make it out of Congress in years. Though members of both the House and Senate had introduced similar bills in the past, none ever made it far in either chamber. As the president quipped at the ceremony, "It only took what? Eleven years? Twelve years? That's pretty fast, right"?

OIG Audit Finds Deficiencies in MTE Management

A regular complaint by commercial mail producers is that the mail transport equipment supplied by the Postal Service – if even available as needed – is poorly prepared, damaged, or found to still contain mail. Such deficiencies in management of the MTE program also were found by the Postal Service's Office of Inspector General, as explained in an audit report (*Mail Transport Equipment*) released April 14. Stating it diplomatically, the OIG reported that "We found that the Postal Service has opportunities to improve management of the MTE program," noting five specific findings:

- Non-Compliance and Misuse of MTE.
- Insufficient and Non-compliant Inventory Controls.
- Non-compliance with MTE Audits for USPS Facilities and Mailers.
- Outdated Customer Master List in MTEOR.
- Insufficient Security Controls Over MTESCs and USPS Facilities.

The OIG reported that management agreed with all of the recommendations, but disagreed with the estimated monetary impact. Regardless, the OIG's findings illustrate a serious lack of controls over hundreds of millions of dollars of USPS assets. Unfortunately, the financial consequences of this mismanagement are simply passed along to ratepayers in higher prices.

USPS Proposes Changes to Service Measurement

In an April 22 filing with the Postal Regulatory Commission, the Postal Service notified the PRC of three planned changes to the service measurement process. The USPS next described the changes it's planning:

> "First, the Postal Service will be undertaking to measure Reply Mail. Currently, the Postal Service does not include Reply Mail in service performance measurement. Through internal measurement enhancement initiatives, the Postal Service has developed the ability to track Reply Mail. The Postal Service can now leverage this ability to include Reply Mail in measurement as part of Single Piece First Class mail.
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> "The second change relates to the long haul exclusion to service performance measurement. Currently, a high percentage of Presort First-Class Mail is excluded from service measurement due to a long haul exclusion, a type of mail acceptance exclusion. ... To improve the Postal Service's measurement capabilities in this area, the Postal Service will implement a scanning solution at impacted mailer locations to capture when Postal Service trailers, and nested containers, depart from that mailer facility. Accordingly, the Postal Service is updating its service performance measurement business rules to leverage the date and time of the departure event from the mailer facility and will utilize this to enhance the 'Start-the-Clock' event for a plant load mailing using postal transportation.
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> "The third change involves the critical entry time (CET) applicable to Periodicals. Periodical mailings currently have as many as five different CETs, depending on the nature of the mailing and the facility. Having so many different CETs is overly complicated and results in both inefficient mail processing operations and inconsistent, unreliable service.

Generally, for a mailpiece to be "visible," it must bear a unique intelligent mail barcode. In order to determine the service afforded a mailpiece, the Postal Service must identify it (by its unique IMB) when it's first "seen" on one of the agency's sorters ("start the clock") and, later, when it's "seen" again at the last scheduled point of automated distribution ("stop the clock"). The interval is what's measured.

By definition, therefore, pieces lacking an IMB, either one applied by the mailer or by the USPS, or that are not automation compatible, or that bypass automated processing, are not "seen" and, consequently, the duration of their movement through the mailstream is not measured. Aside from such pieces, yet more are excluded for one of several reasons detailed in the business rules associated with the service measurement system.

The Postal Service has previously indicated that significant portions of market-dominant mail are not "in measurement" because of the reasons noted above. Postal Service data for postal quarter one (October 1 through December 31) filed with the PRC last February showed that, of total mail volume by class, 40.15% of First-Class Mail, 28.01% of Marketing Mail, 45.81% of Periodicals, and 82.95% of Package Services ***were not*** "in measurement."

Petitioners Seek Reconsideration of Additional Rate Authorities

In separate filings on April 11, two groups of industry associations petitioned the Postal Regulatory Commission to reconsider the additional rate authorities it granted the Postal Service in a final rule issued November 30, 2020.

The 2006 postal reform law mandated that, ten years later, the PRC review the then-new ratesetting process to assure it was functioning as intended to meet a specific set of objectives. The PRC's review, begun in December 2016, concluded that the ratesetting process was not functioning as intended, primarily because the Postal Service was heavily in debt and its financial condition was worsening. The likely cause – the burden of the prefunding obligation – was not something the statute enabled the commission to consider.

Exercising the authority contained in the reform law, the PRC opened what became a protracted rulemaking to revise the ratesetting process so it would generate more revenue for the USPS. That concluded in the 2020 final rule (contained in Order No. 5763, cited below) that established "density" (decreases in volume), "retirement" (to pay prefunding debts), and "non-compensatory" (applicable to "underwater" classes and products) as new bases for postal rate authority. The USPS used those authorities in its price changes in 2021 and 2022.

(A court challenge to the PRC's authority to alter the ratesetting process remains to be concluded, but it's doubtful that a ruling undoing the 2020 final rule would mean a rebate of revenue collected while it was in force.)

Both petitions predicated their request on the provision of the *Postal Reform Act of 2022*, enacted on April 6, that eliminated the prefunding obligation and its associated financial burden, estimated to reduce USPS red ink by as much as $108 billion over ten years. Though the petitions might seem to be reasonable in light of events, what they sought was not supported by the USPS. In an April 20 motion, the agency asked that the commission reject both petitions.