Mailers Hub News

November 2024 Summary *From the November 4 and 18 issues*

[November 4] ***Illustrating the Impact***

In an October 22 post, the *Save the Post Office* website provided "finders" that allow readers to determine whether a five-digit ZIP Code is among the thousands where the Postal Service is eliminating afternoon collections, and the service standards that will apply to mail originating in that location and sent to any other three-digit ZIP Code area.

The posting included a link to five detailed interactive maps (https://www.savethepostoffice.com/regional-transportation-optimization-maps/) where users could find a ZIP Code, determine its local RPDC, the distance to it, whether the ZIP Code is impacted by the service reduction, and the area's population and percent that's rural.

According to *Save the Post Office*, the affected post offices serve "almost half the country's population" and mostly rural areas. In the view of the USPS, it's inefficient to send trucks to such post offices, i.e., those more than fifty miles from an RPDC, because the volume of mail those offices generate is too little to warrant the cost of collecting it. The Postmaster General has argued that such inequality is a "price that has to be paid" if the USPS is to become "self-sustaining."

The Postal Service justifies its proposal to reduce service as a measure to reduce transportation costs and make the collection/processing/delivery network more "efficient," but it adds at least another day to delivery times for mail deposited at any of the over 23,400 post office being impacted.

The site also provided maps illustrating how the service standards have changed, from 2021 through the implementation of the current USPS proposal. Clearly visible is the sheep-and-goats distinction that will be made under the differentiation in service for post offices inside or outside fifty miles of the local RPDC.

The website added:

> "Another way to view the scope of the proposed changes is by examining the distribution of origin-destination (OD) pairs by service standards. Before DFA, over 90 percent of the OD pairs were subject to a 3-day standard. With DFA, the number of 2-day pairs decreased, and about half of the 3-day pairs became 4-day and 5-day. Under the proposal, the percent of 2-day pairs will increase for non-RTO offices, and the number of 5-day pairs will decrease. For the RTO offices, on the other hand, over 90 percent of the OD pairs will be subject to a 4-day and 5-day standard."

The site's illustrations support the notion that the USPS proposal can benefit customers close to an RPDC but, for the majority of post offices, their customers can only take comfort that their loss of service is a "price that has to be paid."

[November 4] ***California … There They Go (Again)***

Unlike Las Vegas (at least in the old commercials), what happens in Sacramento almost never stays in Sacramento. So it's important for mailers to keep an eye on legal goings-on in the Golden State. Here is a quick update on recent developments that may be relevant to you or the businesses with which you work.

SB 1096: Disclosure requirement for printed solicitations for financial products or services. The recent passage of SB 1096 has caused some confusion. It will introduce in January 2025 a new requirement of a disclosure statement in at least 18-point bold type that must appear in certain printed solicitations *and* mandates that the same disclosure must appear in at least 16-point bold type on the front of the enclosing envelope.

The key thing to note is that this disclosure requirement is limited to solicitations for *financial products or services*.

The new provision applies to "covered persons" and entities acting on their behalf who send solicitations "to a consumer for a financial product or service." It borrows the definition of "covered person" from the California Financial Code, which defines "covered person" as a person that sells financial products or services to consumers.

This provision does *not*, therefore, require a disclosure in *all* solicitations for the sale of goods and services.

For print solicitations for financial products, the new law does apply to "an advertisement or marketing communication through writing or graphics that is directed to, or likely to give the impression of being directed to, an individually identified person, residence, or business location." It does not apply to mass advertisements, including catalogs, radio or television ads, or websites "if that communication is not directed to, or is not likely to give the impression of being directed to, an individually identified person, residence, or business location." If you work with financial service providers, you should make sure they are working to comply with this statute starting next year.

SB 478: No "hidden fees" in pricing. Although less directly relevant to printers and mailers, it is worth flagging a second change in the same California statute, one that went into effect in July 2024. That is the new prohibition on "hidden fees" in advertised prices.

The statute provides, in broad terms, that the advertised, displayed, or offered price of any good or service must include "all mandatory fees or charges" except for transaction taxes or government fees *or* postage or carriage charges reasonably and actually incurred to ship a physical good to a consumer.

To the extent mailed advertisements state prices for goods or services to California consumers, it would appear those statements would be covered by this new provision and would have to state the actual price the consumer would pay (except for tax and shipping).

While there is no reason to believe a mailer or printer could be held liable for a violation of this provision, compliance for many retailers is not as simple as the California legislature seems to imagine. So it is possible this statute will lead to changes in the form or content of marketing materials they mail to consumers.

This article was produced exclusively for Mailers Hub by David Swetnam-Burland of Brann & Isaacson.

[November 4] ***Representatives Complain to PMG About Service***

To Postmaster General Louis DeJoy, complaints from Congress about service may be simply a nuisance to be dealt with by his staff. Nonetheless, that such complaints continue indicates a growing level of discontent on The Hill about his decisions and their effect on the service being rendered by the USPS. The latest example is an October 21 letter from Rep. Mark Pocan (WI 2nd) and 26 colleagues, the text of which is reprinted below in its entirety (the highlights are ours).

> "We are writing to you with serious concerns regarding the deterioration of service at the United States Postal Service (USPS) under your leadership and the impacts this has had on our constituents. The policies implemented under your tenure have led to persistent mail delays, higher prices, a strained postal workforce, and a lack of confidence among the American people in the Postal Service's ability to perform its most basic responsibility of mail delivery. Despite repeated attempts to get more clarity from you regarding your plans to restore the quality of service, we still only have more questions than answers.
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> "We frequently hear from our constituents about problems they are experiencing with the Postal Service, including delays in delivery for everyday necessities including prescription medication, social security checks, business documents, bills, and other important pieces of mail. These challenges stem from your Delivering for America plan which includes the consolidation of processing facilities and the rollout of the Local Transportation Optimization (LTO) plan, which will cause further delivery delays for rural residents and others living 25-50 miles from a processing center. This change in delivery standards will have widespread negative consequences, but rural communities in particular will be most affected.
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> "As you are aware, this new delivery plan was initially piloted in Green Bay, WI, and Richmond, VA, and despite these locations now ranking among the lowest in the nation for on-time delivery, they are being used as models for the broader national implementation of this policy. When questioned at a recent House Appropriations Committee hearing about why you would expand this program after seeing how poorly it worked in Wisconsin, you responded, 'You know, the first rockets that went to the moon blew up.' Your response demonstrates a lack of concern for our constituents and their livelihoods, as the Department continues to pursue cost savings no matter the consequences.
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> "Unfortunately, we've already seen that our rural communities are among the hardest hit by your cost-saving initiatives. Your plans to implement these reduced delivery standards at 180 additional processing centers over the coming months will only exacerbate the delays that our rural constituents are already experiencing, many of whom rely on the Postal Service for basic needs. While we agree with your decision to pause the consolidation of processing facilities and the further rollout of these reduced rural delivery standards until after the election, we strongly urge that these measures be permanently halted until the agency can fully resolve the ongoing issues with on-time delivery.
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> "The primary role of the USPS is to offer reliable and affordable mail and package delivery to all addresses in the United States, serving both urban and rural areas. For generations, Americans have relied on the Postal Service as a cornerstone of communication and commerce. Its significance cannot be overstated, and any disruptions directly impact millions who depend on consistent, timely service. Unfortunately, under your leadership we have seen reductions in standards that are causing genuine harm to our constituents. We also acknowledge that this is no fault of our hardworking postal workers who simply want to be able to do their jobs and serve their communities to the best of their ability, but are facing workforce shortages, longer hours, and insufficient pay.
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> "To that end, we strongly urge you to reverse course on the Delivering for America plan, including by halting indefinitely any further consolidation of processing centers and the planned national implementation of the Local Transportation Optimization initiative, which will disproportionately impact rural residents. These policies are already causing harm, and if you continue to move forward, we fear the impacts on our constituents will only worsen.
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> "Thank you for your time and consideration, and we look forward to your response."

Co-signing the letter were Reps. Gwen Moore (WI 4th), Betty McCollum (MN 4th), Rashida Tlaib (MI 12th), Timothy Kennedy (NY 26th), Katie Porter (CA 47th), Delia Ramirez (IL 3rd), Bonnie Watson Coleman (NJ 12th), Barbara Lee (CA 12th), Raul Grijalva (AZ 7th), Emanuel Cleaver II (MO 5th), Jared Huffman (CA 2nd), Juan Vargas (CA 52nd), Susan Wild (PA 7th), Janice Schakowsky (IL 9th), Shri Thanedar (MI 13th), Steve Cohen (TN 9th), Jim Costa (CA 21st), Rick Larsen

(WA 2nd), Chellie Pingree (ME 1st), Chris Deluzio (PA 17th), Pramila Jayapal (WA 7th), Judy Chu (CA 28th), Cori Bush (MO 1st), Sean Casten (IL 6th), Kweisi Mfume (MD 7th), and Vicente Gonzales (TX 34th).

Given the election and the potential political landscape in January, DeJoy may be assuming that he can ignore the letters he's received from members of Congress. The wisdom of such an assumption may become apparent next year.

[November 18] ***USPS Reports $9.5 Billion Loss for Fiscal 2024***

At the November 14 meeting of its Board of Governors, the Postal Service reported a loss of $9.5 billion for its 2024 fiscal year (October 1, 2023, through September 30, 2024). That amount is $3 billion larger than the loss reported for fiscal 2023, far different from the projected $1.7 billion surplus anticipated in Postmaster General Louis DeJoy's 10-Year Plan.

In its press release, the agency's publicists naturally wanted to explain the loss as beyond management's control and that, otherwise, The Plan was working:

> "The net loss for the year under generally accepted accounting principles (GAAP) totaled $9.5 billion, compared to a net loss of $6.5 billion for the prior year, an increase of $3.0 billion primarily attributed to the year-over-year increase in non-cash workers' compensation expense. Over 80% of our current year net loss is attributed to factors that are outside of management's control, specifically, the amortization of unfunded retiree pension liabilities and non-cash workers' compensation adjustments. … The plan delivers the framework for us to better innovate to grow revenue, work more efficiently, and achieve financial sustainability to fulfill our universal service mission over an integrated network to deliver both mail and packages."

Despite its efforts to spin a more positive story, the numbers showed continued loss of market-dominant mail, a sub-optimal increase in competitive product volume, and revenue growth that was both less that equal to the price increases imposed in FY 2024 and less than the growth of expenses.

(in millions)	2024	2023
Operating revenue:		
First-Class Mail[1]	$ 25,414	$ 24,584
Marketing Mail[2]	15,373	15,081
Shipping and Packages[3]	32,260	31,635
International	1,446	1,571
Periodicals	912	923
Other[4]	4,132	4,392
Total operating revenue	**$ 79,537**	**$ 78,186**
Volume:		
First-Class Mail[1]	44,312	45,982
Marketing Mail[2]	57,506	59,424
Shipping and Packages[3]	7,252	7,060
International	289	321
Periodicals	2,748	2,993
Other[5]	382	394
Total volume	**112,489**	**116,174**

(in millions)	2024	2023
Shipping and Packages revenue:		
Priority Mail Services[1]	$ 7,754	$ 11,967
Parcel Services[2]	10,731	10,619
USPS Ground Advantage[3]	12,874	2,311
First-Class Package Service[4]	—	5,845
Package Services	901	893
Total Shipping and Packages revenue	**$ 32,260**	**$ 31,635**
Shipping and Packages volume:		
Priority Mail Services[1]	720	1,105
Parcel Services[2]	3,794	3,709
USPS Ground Advantage[3]	2,313	448
First-Class Package Service[4]	—	1,363
Package Services	425	435
Total Shipping and Packages volume	**7,252**	**7,060**

(in millions)	2024	2023
Compensation	$ 44,058	$ 43,110
Employee health benefits	5,583	5,362
Social Security	2,546	2,540
TSP	1,528	1,476
Other	363	365
Total compensation and benefits	**$ 54,078**	**$ 52,853**

	2024	2023
Career employees	533,000	525,000
Pre-career employees	106,000	115,000
Total employees	**639,000**	**640,000**

Not surprisingly, revenue was 1.73% higher than in FY 2023 – not because of greater volume, but because of price increases in January and July 2024 totaling more than 9.7%.

As for volume, whether because of price increases or diversion to electronic media, total mail volume fell 3.2% year-over-year, ending at 122.489 billion pieces – the least annual mail volume since 1981.

The PMG hopes to build competitive product volume to offset the loss of traditional mail but, whether because of marketplace competition, prices, or service, growth in that category by the end of FY 2024 was far from inspiring – revenue was 2.7% higher on volume growth of only 1.98%.

Given these revenue and volume figures, costs and complement continued to be incongruent. Contractual raises and cost-of-living adjustments drove up compensation costs, while DeJoy's insistence on a primarily fixed-schedule career workforce solidified complement at a level arguably inconsistent with plunging volume.

The details of the agency's fiscal 2024 financial performance were presented in its *Form 10-Q*, a document similar to those issued by private companies to report annual results.

The 100-page report also was an opportunity for management to add comments and explanations that cast the results more favorably, and the USPS took full advantage. Among other things, the report served as yet another vehicle to promote the PMG's 10-Year Plan, uncritically invoking it 29 times as the polestar guiding its decisions and actions.

Given the nature of the document, it's not surprising that the Postal Service cites all the factors, like labor contracts, federal obligations and mandates, regulatory requirements, marketplace competition, and the economic environment, that allegedly impede it from achieving high performance. The Plan – if only it could be implemented without obstruction or delay – is repeatedly cited as the solution; failures or shortcomings in The Plan aren't mentioned. However, reading between the lines, it's clear that the same challenges that faced prior PMGs haven't gone away and that, as a result, The Plan isn't producing the magical results that proponents would suggest. Reality remains in force.

Moreover, if the report reflects management's thinking, there still seems to be no realization that ratepayers will respond with their business if prices are reasonable and service is as expected and reliable. Declaring pricing practices are "judicious," or publicizing measures to advance "high-quality service" and performance "excellence" are vainglorious bloviation if what customers are really paying, and the service they're really experiencing, aren't as advertised. USPS volume and revenue will be impacted accordingly.

Whether the fiscal year's results will affect the governors' faith in DeJoy and his Plan remains to be seen, but many observers might conclude that the governors' hitherto unwavering confidence might deserve reconsideration.

[November 18] ***USPS Announces Price Increase for Competitive Products***

Following approval by the Governors of the Postal Service earlier in the week, on November 15 the USPS announced a price increase for several competitive products to be effective January 19, 2025. The price changes were described in the Governors' Decision that was submitted with the filing:

I. Domestic Products

A. Priority Mail Express

Overall, the Priority Mail Express price change represents a 3.2% increase. In 2023, we consolidated the Commercial Base and Commercial Plus price categories into one Commercial price category and differentiated the "Local, 1, 2" Zone prices. For January 2025, this new structure will be maintained. Dimensional weighting, which was introduced for all zones in 2019, will also continue in 2025.

Retail prices will increase an average of 3.2%. The price for the Retail Flat Rate Envelope, a significant portion of all Priority Mail Express volume, will increase to $31.40, with the Legal Size and Padded Flat Rate Envelopes priced at $31 .65 and $32.25, respectively.

The Commercial price category will increase 3.2% on average. Commercial prices will, on average, reflect a 12.4% discount off of Retail prices. New for 2025, a Live Animal and Perishable Handling Fee of $7.50 will be introduced under Priority Mail Express to cover the additional costs associated with handling and transporting these items.

B. Priority Mail

On average, the Priority Mail prices will be increased by 3.2%. Similar to Priority Mail Express, the Commercial Base and Commercial Plus price categories were consolidated into one Priority Mail Commercial price category and "Local, 1, 2" Zone prices were differentiated in 2023. For January 2025, this new structure will be maintained. Dimensional weighting, which was introduced for all zones in 2019, will also continue in 2025.

Retail prices will increase by an average of 3.2%. Retail Flat Rate Box prices will be: Small, $10.65; Medium, $19.15; Large, $26.30 and Large APO/FPO/DPO, $25.05. Thus, the Large APO/FPO/DPO Flat Rate Box will be $1.25 less than the Large Flat Rate Box. The regular Flat Rate Envelope will be priced at $10.10, with the Legal Size and Padded Flat Rate Envelopes priced at $10.40 and $10.85, respectively.

The Commercial price category will increase by 3.2% on average. Commercial prices will, on average, reflect a 20.8% discount off of Retail prices. New for 2025, a Live Animal and Perishable Handling Fee of $15.00 will be introduced under Priority Mail to cover the additional costs associated with handling and transporting these items.

C. Parcel Select

On average, Parcel Select prices as a whole will increase 9.2%. For destination delivery unit (DOU) entered parcels, the average price increase is 10.3%. For destination hub (Dhub) entered parcels, the average price increase is 0.0%. For destination sectional center facility (DSCF) destination entered parcels, the average price increase is 7.1%. For destination network distribution center (DNDC) parcels, the average price increase is 9.7%. For Connect Local, introduced in 2022, the average price increase is 5.4%. Dimensional weighting, which was introduced for all zones in 2019, will continue in 2025. To account for inflation, the fee for Forward and Return to Sender will be increased to $3.60, while the fee for Address Correction Service (ACS) with Shipper Paid Forwarding/Returns will be increased to $3.00.

D. USPS Ground Advantage

USPS Ground Advantage, introduced in July 2023, is the Postal Service's flagship ground package product. The existing structure will be maintained for 2025. Overall, USPS Ground Advantage prices will increase 3.9% on average. Retail prices will increase 4.9% on average, while Commercial prices will increase 3.2% on average. The Alaska Limited Overland Routes (LOR) price category will see a 9.0% average increase for January 2025. New for 2025, a Live Animal and Perishable Handling Fee of $7.50 will be introduced under USPS Ground Advantage to cover our additional handling costs for these items.

E. Domestic Extra Services

Premium Forwarding Service (PFS) prices will increase 6.1% on average in 2025. The retail counter enrollment fee will increase to $26.85. The online enrollment option, introduced in 2014, will increase to $24.70. The weekly reshipment fee will increase to $27.80. The reshipment fee for PFS Local, which was introduced in 2019 for PO Box customers, will increase to $27.80. Prices for Adult Signature service will decrease to $8.40 for the basic service and $8.65 for the person-specific service. Address Enhancement Service prices will increase 8.9% on average in 2025. Competitive Post Office Box prices will be increasing 5.7% on average, within the existing price ranges. Package Intercept Service will increase to $18.35. The Pickup On Demand fee will remain unchanged for 2025, at $26.50. Premium Data Retention and Retrieval Service (USPS Tracking Plus), which was introduced in 2020, will have its prices increase 86.3% on average in 2025. The fee for Label Delivery Service, introduced in 2023 under the Competitive Ancillary Services product, will remain at $1.55 for 2025.

Finally, in 2025, the fee for deterring overweight/oversized items found in the system will be increased from $100.00 to $200.00. The upper bounds for the price ranges for Greeting Cards and Stationery and Officially Licensed Retail Products will be increased to accommodate current and future offerings.

II. International Products

A. Expedited Services

PMEI will be subject to an overall 4.9% increase. Commercial Plus prices will be equivalent to Commercial Base.

B. Priority Mail International

The overall increase for Priority Mail International (PMI) will be 4.9%. Commercial Plus prices will be equivalent to Commercial Base.

C. International Priority Airmail and International Surface Air Lift

Published prices for International Priority Airmail (IPA) and International Surface Air Lift (ISAL) will increase by 4.9% and 28.9%, respectively.

D. Airmail M-Bags

The published prices for Airmail M-Bags will remain the same on average and not increase, although a few prices will change slightly.

E. First-Class Package International Service

The overall increase for First-Class Package International Service (FCPIS) prices will be 4.9%. Commercial Plus prices will be equivalent to Commercial Base.

F. International Ancillary Services and Special Services

Prices for several international ancillary services will be increased, including a 5.0% increase for International Certificate of Mailing, a 10.0% decrease for International Insurance, a 4.8% increase for International Registered Mail, and a 3.5% increase for the Customs and Clearance Delivery Fee.

On September 5, the Postal Service had announced a seasonal increase on Priority Mail Express (4.9%), Priority Mail (5.3%-5.6%), USPS Ground Advantage (6.2%-6.5%), and Alaska Limited Overland Routes prices (10.3%) that took effect on October 6. As then stated, the previously effective prices would be restored on January 19. However, as a result of the November 15 announcement, once the seasonal rates expire, the rates that will come into effect will not be those in place prior to October 6, but newer ones that, in effect, retain a portion of the seasonal increase. The USPS has been writing scores of negotiated service agreements in recent months involving the products whose prices were seasonally adjusted. Whether or how those NSAs may provide insulation against the January 19 price hike is unknown.

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The governors serve staggered seven year terms, all ending on December 8. Two expire in both 2028 and 2029, with one each expiring in 2024, 2025, 2026, 2027, and 2030. The terms of Donal Moak and William Zollars expired in December 2022; both served a holdover year but have since left, leaving the board two governors short. Meanwhile, the term of Anton Hajjar expired in 2023 and his holdover year expires next month, so his attendance at the board meeting last week was his last. Also on December 8, the term of current board chairman Roman Martinez IV will expire. Next year, the term of Robert Duncan will expire, followed by Amber McReynolds in 2026, Dan Tangherlini in 2027, and Derek Kan and Ron Stroman in 2028.

Marty Walsh was nominated last February to replace Moak; Val Butler Demings was nominated to replace Anton Hajjar, and William Zollars was nominated to return, on July 25; and Gordon Hartogensis was nominated to replace Martinez on September 9. Walsh, formerly Mayor of Boston and, later, Secretary of Labor, is currently the Executive Director of the National Hockey League Players Association. Demings was Chief of the Orlando Police Department and later represented Florida's 10th Congressional district. Zollars was an executive with Eastman Kodak and, later, with a major trucking company. Hartogensis is a former banking and software executive who later served as Director of the Pension Benefit Guaranty Corporation.

On November 14, the Senate Homeland Security and Governmental Affairs Committee held a hearing on the Demings, Hartogensis, and Zollars nominations, but the Walsh nomination was withdrawn without public explanation that same day, reportedly because of political opposition. Barring any further political gamesmanship, the other three should be confirmed and seated before the next Board of Governors meeting, likely in early 2025 after the end of the first quarter of the Postal Service's 2025 fiscal year. However, given the remaining vacancy, the panel would still be one short of an even balance along party lines, given that one governor is an independent.

Meanwhile, at their November 14 meeting, the remaining seven members of the board elected Amber McReynolds chairman and Derek Kan vice-chairman for 2025.

Regardless, the turnover of governors means that only Zollars and Robert Duncan would be left from the panel that selected Louis DeJoy to be Postmaster General in mid-2020. Many observers had wondered whether the departure of his original supporters would imperil DeJoy, but so far his tenure seems secure. Some attribute this to his assertion that only he has a Plan and only it can save the USPS. If that Plan continues to falter, however, the majority of the governors who are less invested in it might defect from the band of loyalists.